

Kentucky Real Estate Appraisers Board

QUARTERLY NEWSLETTER NO. 57 - MAY 2005

RENEWAL TIME IS HERE!!!!

You should have already received your renewal notice in the mail. If you have not, please contact the Board office.

Due to the overwhelming amount of renewals this year, if we do not receive your renewal before the last two weeks of June we cannot guarantee your license by June 30th. If you need your new license for your clients, please submit your renewal EARLY. WE WILL NOT FAX COPIES OF LICENSE.

If you bring your renewal notice by the office, your license will not be processed at that time. Your license will be mailed.

The number of continuing education hours we have on file for you and the date you completed the National USPAP Update course are listed on the renewal form. If you do not have the minimum 14 hours listed on the form or a date of completion for the National USPAP Update course, you will need to submit the course completion certificates to the Board. Your license renewal will not be processed until the Board has received proof of the 14 hours of continuing education, including the National USPAP Update course.

Reminders:

- ✓ Always keep a copy of the course completion certificates in your file.
- ✓ If you are on the FHA approved list and must submit your new license to FHA by June 30, 2005, it is our understanding that FHA will only recognize individuals reported as renewed on the Appraisal Subcommittee (ASC) website. The Board is responsible for submitting renewals to the ASC, and the names will be forwarded for update to the ASC as frequently as possible. However, if a large number of renewal requests are submitted the last two weeks of June we cannot guarantee submission to the Subcommittee by June 30th if your renewal is received the last two weeks of June. **RENEW EARLY!!**

Want to increase your professionalism? Examine supplemental standards.

By: Dennis Badger

Have you ever appraised a property where management sacrificed necessary maintenance in efforts to maximize their annual income stream? As one might expect, without altering this business practice, the asset inevitably deteriorates prematurely with its market value soon following.

A professional's knowledge and skills are no different. Just like the property suffering deferred maintenance, neglect of maintaining your skills or knowledgebase may eventually cause your professionalism or quality of work product to decline.

Appraisers often describe situations where a client requests additional explanations or procedures for an appraisal to satisfy "supplemental standards". For lack of being able to refer to information to the contrary, most appraisers acquiesce. Many times even the client is unaware of current supplemental standards but is acting on outdated checklists.

Supplemental standards may be issued by government agencies, government sponsored enterprises, or other entities that establish public policy. An appraiser and client must ascertain whether any such published supplemental standards, in addition to USPAP, apply to the assignment being considered. However, as indicated in The Appraisal Foundation's publication, *Frequently Asked Questions*, it is ultimately the appraiser's responsibility to ascertain whether any supplemental standards apply to an assignment.

Take for instance, the common request to appraise only a 5-acre portion of a 50-acre parcel, stating that Fannie Mae will lend on no more than 5 acres. Is an appraiser permitted to comply with this request?

Standards Rule 1-2(e)(v) states that the subject of an assignment may be a physical segment of a property. However, appraisers must also comply with any supplemental standards that might apply.

If the assignment requires compliance with supplemental standards published by Fannie Mae, the appraiser must be aware of the current policy. As stated on page 35 of Fannie Mae's *Handbook for Appraisers*:

"Some appraisers report that they have been asked to appraise only a portion of a larger site: for example, the borrower owns a 30-acre site and you are asked to appraise only five acres and the property

improvements. Fannie Mae considers this an unacceptable appraisal practice..."

Other examples of myths and misconceptions concerning Fannie Mae requirements include but are not limited to the following:

- All comparable sales must be within one mile of the subject property
- Each comparable sale must be within 20% of your estimated value of the subject property.
- Price per gross living area of comparable sales must be within 10% of each other.
- The adjusted sales price of the comparable sales must be within 25% of each other.
- Comparable sales must have occurred within 12 months of effective date of the appraisal.

A client's requirements that extend beyond this purpose, intent, and content framework, such as the number of copies of a report, the kind of exhibits, or the time-frame for assignment completion, might be legitimate service contract requirements. However, they are not supplemental standards applicable to an appraisal, appraisal review, or appraisal consulting assignment in the context of the Supplemental Standards Rule.

Supplemental standards include, without limitation, appraisal, appraisal review, or appraisal consulting requirements issued by the federal financial institution's regulatory agencies (Federal Deposit Insurance Corporation, Federal Reserve Board, Office of the Comptroller of the Currency, Office of Thrift Supervision, National Credit Union Administration), secondary mortgage market entities (e.g., Fannie Mae, Freddie Mac, etc.), the Department of Housing and Urban Development/Federal Housing Administration (HUD/FHA), or agencies subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, where the published requirements are common to all similar assignments for that agency or client group.

Be aware that upon agreeing to perform an assignment that includes supplemental standards, an appraiser is obligated



to competently satisfy those supplemental standards, as well as applicable USPAP requirements.

Representing that an assignment is or will be completed in compliance with agreed-upon supplemental standards and then knowingly failing to comply with those supplemental standards violates the Ethics Rule. In the same vein, an appraiser that inadvertently fails to comply with supplemental standards would likely be a violation of the Competency Rule.

To learn more about Fannie Mae's Supplemental Standards, refer to Fannie Mae's Property and Appraisal Guidelines, which are contained in Part XI of the *Selling Guide*. You should also consult Fannie Mae's *Handbook for Appraisers*. The *Selling Guide* is available electronically for free via <http://www.allregs.com/efnma/> while the *Handbook* can be purchased for \$15 via <http://www.efanniemae.com/>.

ADMINISTRATIVE REGULATION EXPERIENCE HOURS

All applicants for real property appraiser experience in the Commonwealth of Kentucky are advised to be familiar with the following explanation and amplification of 201 KAR 30:050, Section 6.

Effective July 1, 2005 "all" applicants applying to the Kentucky Real Estate Appraisers Board, without having received a prior credential, for Certified General Real Property Appraiser, Certified Residential Real Property Appraiser or Licensed Real Property Appraiser must affirm by a signed and certified experience log that the hours presented were completed while the applicant was practicing as a Licensed Associate Real Property Appraiser under the "direct" supervision of a Certified General Real Property Appraiser, Certified Residential Real Property Appraiser or Licensed Real Property Appraiser. The log must be signed, and the signatures notarized, by the applicant and all licensed/certified appraisers listed as providing supervisory duties for the specific assignments presented. Please remember that each supervising appraiser accepting responsibility for the training must notarize each specific assignment section that is pertinent to their supervision of the applicant.

Please note the above does not apply to 1) individuals currently licensed or certified but have their credentials in escrow, 2) for those individuals holding current valid credentials applying to upgrade from one credential to the next, or 3) individuals who reside in a State other than Kentucky and apply for a credential through reciprocity and wish to receive the same credential they possess in their

home state. Decision of experience approval requests by applicants who have been previously licensed or certified but allowed their credentials to expire will be examined on a case by case basis.

EXAMPLE of UNACCEPTABLE SCENARIO: An individual, never previously licensed or certified as a real property appraiser, has been working the previous two years in a real property appraiser's office without applying for an Associate Real Property Appraiser License. On July 1, 2005 the individual files an application with the Kentucky Real Estate Appraisers Board for the Certified Residential Real Property Appraiser credential with the notation that the only lacking requirement is successful completion of the national examination.

After reviewing the application the Board staff determines the individual has documented acceptable proof of education completion. The appraisal assignment log indicates the experience hours were completed under the direct supervision of a Certified Residential Real Property Appraiser. However, the applicant has never applied for or received any prior credential, including the Associate Real Property Appraiser License, for the period in which experience credit is now requested. Therefore, in this scenario the individual will be denied experience credit until he/she receives an Associate Real Property Appraiser License and completes all required experience (time and hours) under the direct supervision of a licensed/certified appraiser(s).

IMPORTANT CHANGES TO APPRAISER QUALIFICATIONS!!!

On February 20, 2004, the Appraiser Qualifications Board of The Appraisal Foundation adopted changes to the *Real Property Appraiser Qualification Criteria* that will become effective on January 1, 2008. These changes represent the minimum national requirements that each state must implement for individuals applying for a real estate appraiser license or certification as of January 1, 2008. The changes include increased required education, which is summarized as follows:

Category	Current Requirements ¹	1/1/08 Requirements ^{1 2}	1/1/08 College-Level Course Requirements ³
License	90 hours	150 hours	None
Certified Residential	120 hours	200 hours	Twenty-one (21) semester credit hours covering the following subject matter courses: English Composition; Principles of Economics (Micro or Macro); Finance; Algebra, Geometry or higher mathematics; Statistics; Introduction to Computers-Word Processing/Spreadsheets; and Business or Real Estate Law. In lieu of the required courses, an Associate degree will qualify.
Certified General	180 hours	300 hours	Thirty (30) semester credit hours covering the following subject matter courses: English Composition; Micro Economics; Macro Economics; Finance; Algebra, Geometry or higher mathematics; Statistics; Introduction to Computers - Word Processing/Spreadsheets; Business or Real Estate Law; and two (2) elective courses in accounting, geography; ag-economics; business management; or real estate. In lieu of the required courses, a Bachelors degree will qualify.

¹ Hours required include completion of the 15-hour National USPAP Course (or its equivalent).

² Hours required include specific coverage of multiple topics-please see the *Real Property Appraiser Qualification Criteria* for details.

³ College-level courses and degrees must be obtained from an accredited college or university.

Please note that individual states may adopt requirements more stringent than the national requirements, and may opt to impose those requirements prior to January 1, 2008. Therefore, applicants for a real estate appraisal license or certification should always check with their state for individual requirements.

The Appraiser Qualifications Board intends to issue additional guidance regarding implementation of the revised Criteria in the near future. Please be sure to check our website at www.appraisalfoundation.org for the latest information. Questions regarding the national requirements can be directed to John S. Brenan, Director of Research and Technical Issues at The Appraisal Foundation, 1029 Vermont Avenue, NW, Suite 900, Washington, DC, 20005, via e-mail to john@appraisalfoundation.org or by phone at (202) 624-3044.

ANSI Residential Measuring Standard Revised

At the March 26th meeting, the Kentucky Real Estate Appraisers Board voted unanimously to revise the administrative regulation adopting the **Method for Calculating Square Footage ANSI Z765-2003**. The rule is an updating of the current ANSI measuring standard which was in effect as of July 2003 for all appraisers in Kentucky.

The 2003 revision is made up of several editorial corrections to clarify language and the addition of a rule which acknowledges that at times, "circumstances can exist when direct measurement of a structure is not possible". ***The basic field measuring methodology and reporting requirements have not changed.***

The revised regulation will take effect no earlier than July 1, 2004. A copy of the current Z765-2003 revised standard is available from the NAHB Research Center bookstore at www.nahbrc.org/bookstore. The Board will be acquiring bulk rate copies for all appraisers in Kentucky for distribution.

Thanks to Liability Insurance Administrators

On behalf of the Kentucky Real Estate Appraisers Board, staff, and the licensed/certified real property appraisers in the Commonwealth of Kentucky I am taking this opportunity to publicly thank the firm of Liability Insurance Administrators of Santa Barbara, California for bringing their seminar "Loss Prevention Program for Real Estate Appraisers" to Kentucky on three different dates in 2005.

The seminars were held in Bowling Green, Lexington and Louisville during the Kentucky Real Estate Appraisers Board annual continuing education seminars. All sessions included the excellent and informative performance of Robert A. Wiley, Senior Underwriter and G. Gordon Forester, Jr. a private attorney based in Washington, DC and specializing in contract law and real estate cases.

The 367 appraisers who attended the Board sessions in 2005 can attest that the Liability Insurance Administrators session was one of the most informative sessions sponsored by the Board to-date. Also, the information can be used to assist the appraisers in minimizing civil legal action that may be brought against them for various and sundry reasons.

The Kentucky Real Estate Appraisers Board and staff invited Mr. Wiley and Mr. Forester to return to Kentucky often and provide seminars for various topics pertaining to minimizing the risk of appraisers when performing real property appraisal assignments. We look forward to their acceptance of the invitation.

FannieMae Announces Forms Revision

FannieMae Announcement 04-02, dated June 1, 2004, reported an amendment to "Selling Guides" for the following revised appraisal report forms:

- Uniform Residential Appraisal Report - Form #1004
- Definitions, Statement of Limiting Conditions, and Appraiser's Qualifications - Form #1004B
- Appraisal Update and/or Completion Report - Form #1004D

Real property appraisers are urged to request a copy of the test forms, and provide comments to:
FannieMae

Test Appraisal Forms
3900 Wisconsin Avenue, NW
Mail Stop 2H-4S-08
Washington, DC 20016

SUMMARY OF CASES

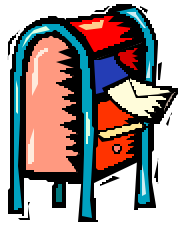
FYI, the Board has included in this newsletter a list of activities on filed cases including 1) total cases opened, 2) cases which were disposed of (dismissed or 'with action'), 3) a total of cases closed (a subtotal) and 4) the cases which carried over from one year to the next. The Board felt that it was worthwhile for you to understand that the staff as well as the Board are processing a significant number of cases each quarter.

Obviously the number of cases which were filed or opened has increased substantially with increased input from federal and state regulators. Further, the staff changes in 2003 and not being able to fill the position formerly held by the current Executive Director has had an adverse impact on the number of cases being held over from one year to the next.

It is a primary responsibility of the Board and our immediate goal to reduce the inventory of outstanding cases. This quarter, for example, 31 of the filed cases in inventory were closed in an appropriate manner (either dismissed or settled with action). Unfortunately, 29 of the 31 cases were 'carryover' from previous years.

We expect in the next three to six months to have the case log reduced to a scale which is appropriate for the level of activity which we are currently experiencing. To that end, the investigations required by KRS 324A are proceeding at a record pace.

Year	# Opened	# Dismissed	# with Action	Total Closed	Carry Over
1992	5	4	1	5	0
1993	16	11	5	16	0
1994	18	10	8	18	0
1995	9	6	3	9	0
1996	5	4	1	5	0
1997	25	9	16	25	0
1998	37	11	26	37	0
1999	26	6	20	26	0
2000	85	23	62	85	0
2001	68	19	46	65	3
2002	82	20	49	69	13
2003	115	52	44	96	19
2004	109	37	12	49	60
2005	28	0	0	0	28
TOTALS	628	212	293	505	123



Kentucky Real Estate Appraisers Board
2480 Fortune Drive, Suite 120
Lexington, KY 40509

Fax: (859) 543-0028

“ Mail or fax course completion certificate(s) to the Board upon completion of the course.”

NOTICE

VIOLATING STANDARD RULE 2-3

Please be advised that appraisers are required to sign a certification acknowledging that they did or did not inspect the subject property of their assignment. It has been reported that in some cases Associate appraisers and non-licensed individuals actually inspect the subject, but the supervisory appraiser signs the certification indicating he/she inspected the subject property when in reality they did not.

Any certified or licensed appraiser, proven to have committed this act will be dealt with accordingly by the Board. This infraction is not only a violation of Standards Rule 2-3, but also a violation of the Ethics Rule. If you value your license, do not participate in this unethical practice.

KREAB WEBSITE:

www.kreab.ky.gov

Have you been in an Inactive Status for three years?

Under KRS 324A(4), if you have been in an Inactive Status for 3 years, you will have to meet “all requirements for original license or certification” in order to return to active status. Check now and be certain that you don’t get blind sided by not activating your status in a timely fashion.

"ASSOCIATE" REAL PROPERTY APPRAISER REGULATIONS

1. For experience credit, appraisal reports must be completed under the supervision of a certified or licensed appraiser.
 2. For experience credit, the Associate appraiser must, (1) sign the certification, or (2) be given credit in the certification for significant professional assistance, and (3) comply with Standards Rule 2-3(a)(b), or (c)(vii), as applicable.
 3. An Associate appraiser may perform an appraisal of property that the supervising appraiser has the competency and licensed authority to appraise.
 4. An Associate appraiser may have more than one supervisor, but must maintain a separate log for each supervisor.
 5. An Associate appraiser is entitled to obtain copies of the appraisal reports he or she has prepared.
 6. A supervising appraiser shall have been licensed by the Board for a period of one (1) year, be in good standing with the Board, and shall be responsible for the training and supervision of the Associate appraiser.
 7. The supervising appraiser shall inspect the first fifty (50) appraisals listed on the Associate's log.
 8. After the first fifty (50) assignments, a supervisor may permit an Associate appraiser to inspect properties within fifty (50) miles of the supervisor's office.
 9. The supervising appraiser, during the first twelve (12) months, shall accompany the Associate appraiser on any assignment greater than fifty (50) miles from the supervisor's office.
 10. A supervising appraiser may not have more than three (3) Associate appraisers at any one time.
 11. An Associate appraiser shall send one (1) appraisal report to the Board at the end of their first six (6) months and at the end of their first twelve (12) months for review by the Board.
- Any Associate appraiser who feels they are not receiving adequate supervision or training may call Larry Disney at the Board, in confidence, and discuss specific problems.

ASSOCIATE INFORMATION

Still some confusion: For an Associate Real Property Appraiser to receive experience credit toward certification, at least one of the following must be completed, (1) the Associate must sign the certification, or (2) the names of individuals providing significant real property appraisal assistance who do not sign a certification must be stated in the certification. It is not required that the description of their assistance be contained in the certification, but disclosure of their assistance is required in accordance with Standards Rule 2-3(a), (b), or (c)(vii), as applicable. If one of the steps

is not completed in each report, the Associate will not be awarded experience credit for those reports.

Also, the act by any certified/licensed appraiser permitting an Associate appraiser to perform significant professional assistance and not permitting the Associate appraiser to sign the certification, or be given credit in the certification for significant professional assistance is a violation of the USPAP and could result in a sanction by the Board.

15-HOUR NATIONAL USPAP COURSE AND 7-HOUR NATIONAL USPAP UPDATE COURSE

Effective July 1, 2003 all Kentucky Appraisers must complete the 7-hour National USPAP Update course every two (2) years. The 7-hour National USPAP Update course may also count toward the continuing education requirement for the renewal cycle completed.

After December 31, 2004, you may NOT substitute the 15-hour National USPAP course or its equivalent for the 7-hour National USPAP Update course. After January 1, 2005, the 7 hour National USPAP Update will meet this requirement.

CLARIFICATION OF THE 7 HOURS NATIONAL USPAP UPDATE

The Board has been asked several questions concerning the 7 hours National USPAP Update. I hope the following will clarify some of the issues.

1. Beginning July 1, 2003, the only 15 hour USPAP course recognized for KREAB credit is the AQB National course or The Appraisal Foundation approved equivalent course, taught by an AQB approved instructor, and successful completion of the course examination.
2. The 7 hour National USPAP Update course is required to be completed every two years by every certified/licensed appraiser. This requirement became effective in Kentucky on July 1, 2003. If you completed a USPAP course prior to July 1, 2003, it will not qualify for the National course.
3. The course must be completed at least one time between July 1, 2003 and June 30, 2005.
4. The 7 hour National USPAP Update course is not in addition to the required 14 hours. You can take the 7 hour National USPAP Update Course and an additional 7 hour course and receive credit for the 14 hour requirement.
5. Anyone applying for one of the KREAB credentials cited in 201 KAR 30:030, after July 1, 2003, must have completed a 15-hour National USPAP course, or The Appraisal Foundation approved equivalent course, taught by an AQB Instructor, and successfully completed the 15 hour course examination.

Change of Address....

Periodically, an active or inactive appraiser comes before the Board to request a special dispensation from the legal requirements because **he or she did not get a notice**. The Board staff sends the notices to the most recent address we have on file. But, if you do not advise us of changes in your location or status, we cannot update your file. Not receiving your notices, for any purpose, is not a defense before the Board. However, failing to notify the Board of your changes is a violation of law!!!

KRS 324A.030 (4) - Each certificate holder or license shall notify the Board of any change of business address, change of company name, or change of surname, within thirty (30) days of the change.

PRE-LICENSING COURSE VS. CONTINUING EDUCATION COURSE

The Board receives several calls a day from individuals not understanding the difference between a pre-licensing course and a continuing education course.

A pre-licensing course is the education completed for initial licensure/certification or for an individual upgrading to another level. A pre-licensing course must be at least 15 hours in length and require the individual to successfully pass an exam at the end of the course.

A continuing education course is one completed for renewal of a license/certification. A continuing education

course can be from 2 hours to “?” hours and the individual is not required to complete a test at the end of the course, excluding the National USPAP Course. ***Continuing education courses will not apply toward the education required to obtain a license/certification.***

Individuals who take a pre-licensing course **and** pass the exam at the end of the course may receive both pre-licensing and continuing education credit for this course. When a pre-licensing course has been taken but the individual did not take the test, or failed the test, he/she shall be awarded continuing education credit only.

RETAINING EDUCATION FILE

Many appraisers have taken the Board’s suggestion and started an education file for retaining the appraisal courses they have taken over the years. This has been a great help to the Board because the Board lacks the time or staff to maintain an educational file on 1,700 +/-

appraisers. If you have not done so, please start an education file. It is a lot easier to maintain an on going file than write the education providers for lost copies. Keeping up with your education is the appraiser’s responsibility, not the Board’s. Thanks for your help.

WHO NEEDS CONTINUING EDUCATION?

There still seems to be some confusion with regard to who and when is required to complete the 14 hours of continuing education.

Your original date of licensure governs when you must complete 14 hours of continuing education. Also, our fiscal year runs from July 1st through June 30th. If your licensure/certification date for all categories of appraisers, **including Associates**, is on or before June 30th; commencing with the next fiscal year, you are required to complete 14 hours of continuing education. You do not have to take continuing education during the fiscal year in which you received your **first** original license. If you upgrade during the fiscal year, your first original license issue date is the level you upgraded from. Any questions, give us a call.

Also, it’s a lot easier if you completed continuing education before the last week in June. If you wait until

the last week in June to complete your education, your certificate will not be issued until the Board has proof of education completion. Proof can be a faxed copy of the certificate; in most cases the provider sends the Board a list of attendees. We will accept the list for continuing education credit, but the appraiser is required to send a copy of the certificate to the Board.

If you schedule classes the last week of June and would like to mail the renewal fee and form early, you may do so but put a note with the form and fee stating when the courses will be taken. The Board must have received payment and proof of education by July 1st to avoid a late renewal.

Please submit course completion certificates at time of completion. Waiting to send with your renewal may delay processing your certification/license.

APPROVED EDUCATION PROVIDERS

Provider	Phone Number	Web Site
A Pass Weikel	(502) 429-8822	www.apassweikel.com
American Society of Farm Managers & Rural Appraisers	(303) 758-3513	www.asfmra.org
American Society of Farm Mgrs & Rural Appr. – KY Chapter	(859) 252-4717	
Appraisal Educators, Inc.	(812) 925-6421	
Appraisal Institute	(312) 335-4216	www.appraisalinstitute.org
Appraisal Institute-Bluegrass Chapter	(502) 568-6894	www.appraisalinstitute.org
Big Sandy Community & Technical College District	(606) 789-5321	www.bigsandy.kctcs.edu
Cox Educational Services	(270) 926-8353	www.georgekcoxvaluationprofessionals.com
Delta Realty Researchers	(859) 737-3133	
Dennis Badger & Associates	(859) 252-3445	www.dennisbadger.com
Education Resource, LLC	(317) 581-0557	www.EducationREsource.com
Greater Louisville Association of Realtors	(502) 894-9860	www.louisville-realtors.com
Home Builders Association of Louisville	(502) 429-6000	www.hbal.com
ICAN, LLC	(859) 581-8770	www.E-ican.com
International Right of Way Association – Chapter 25	(502) 339-1807	www.irwa25.org
Jefferson Community College	(502) 213-2380	www.jcc.kctcs.edu
JVI	(407) 774-3344	
Lexington Community College	(859) 257-4872	www.uky.edu/lcc
Lincoln Graduate Center	(800) 531-5333	www.lincoln-grad.org
McKissock Appraisal School	(814) 723-6979	www.mckissock.com
Morehead State University	(606) 783-5155	www.moreheadstate.edu
National Association of Independent Fee Appraisers	(314) 781-6688	www.naifa.com
Northern Kentucky Real Estate School	(859) 371-1277	www.bramble@one.net
Prestonsburg Community College	(606) 789-5321	www.prestonsburgcc.com
Redd, Brown & Williams Real Estate Services	(606) 789-8119	www.RBandW.com
U.S. Department of HUD, Louisville Multifamily Program Ctr.	(502) 582-6163	www.hud.gov
West Kentucky Community & Technical College	(270) 534-3112	www.westkentucky.kctcs.edu
Wilson Education Group	(859) 734-3174	www.wilsonedgroup.com
World Savings	(210) 543-5464	

**COURSES THAT CAN BE TAKEN EVERY THREE (3) YEARS
FOR CONTINUING EDUCATION CREDIT**

The following courses may be taken every three years to complete the continuing education requirement. The Uniform Standards of Professional Appraisal Practice (USPAP) and/or Standards Update may be taken every year for *continuing education* credit. The Board may add additional courses.

1. Appraisal Principles;
2. Appraisal Procedures;
3. Income Capitalization and Financial Calculations;
4. Appraisal Report Writing;
5. Highest & Best Use Analysis;
6. Sales Comparison Analysis;
7. Cost Approach Methods – Depreciation – Cost From Market, etc.;
8. Appraisal Review ;
9. Appraiser Liability and Kentucky Real Estate Appraisers Board Cases;
10. Site and Site Improvements;
11. Understanding Limited Appraisals and Appraisal Reporting Options;
12. Appraisal Forms – URAR, 2-4 Family, Condominium, etc.;
13. Farm, Ranch & Rural Appraising; or
14. Narrative Appraisal Report;

RECIPROCAL STATES & TELEPHONE NUMBERS

Alabama	(334) 242-8747	New York	(518) 473-2728
Arizona	(602) 542-1539	North Carolina	(919) 420-7920
California	(916) 263-0722	North Dakota	(701) 222-1051
Colorado	(303) 894-2166	Ohio	(614) 466-4100
Georgia	(404) 656-3916	Oregon	(503) 373-1505
Illinois	(312) 793-3000	Pennsylvania	(717) 783-4866
Indiana	(317) 232-2980	South Dakota	(605) 773-3178
Maine	(207) 624-8520	Tennessee	(615) 741-1831
Maryland	(410) 230-6165	Texas	(512) 465-3950
Missouri	(573) 751-0038	Washington	(360) 753-1062
New Hampshire	(603) 271-6186	West Virginia	(304) 558-3919
		Wyoming	(307) 777-7141

Indiana - Reciprocal agreement for classifications of Certified General and Certified Residential. The individual must have been licensed in Indiana for at least two (2) years.

Pennsylvania - Reciprocal agreement for classifications of Certified General and Certified Residential

BOARD FEES

- Initial license/certification - \$200.00
- Current USPAP Fee - \$ 12.00
- Roster Fee - \$ 25.00
- Renewal Fee - \$237.00 - Certified General & Residential, Licensed Real Property
- Renewal Fee - \$212.00 - Associate
- Inactive Status - \$50.00 Initial
- Inactive Status Renewal - \$50.00 per year
- Address Change - No charge unless you need a new license
- Address Change w/license - \$ 10.00
- Letter of Good Standing - No charge
- State Appraisers List - \$ 25.00 - Free download from website
- Continuing Education Course - \$ 50.00
- Pre-Licensing Course - \$100.00
- NSF Check Fee - \$ 25.00
- NSF Renewal Check Fee - \$ 25.00
- NSF Renewal Check Fee- - \$200.00 - May be charged if renewal check is returned after July 1.

Upgrading a license/certification during a fiscal year requires an additional license, roster & book fee. There is no prorating of fees.

If you are upgrading or obtaining a license or certification before the renewal cycle, you have two options: 1) If obtaining a license/certification prior to the renewal date, you will be required to pay the licensing fee at that time and then the renewal fee by June 30th with no prorating of fees, or 2) Waiting until July 1 to have your license or certification issued and only paying one fee. If you have any questions, please call Angie at the Board office or you can email her at Angie.Thomas@ky.gov.

PROCEDURES FOR UPGRADING A LICENSE OR CERTIFICATION

The following list contains information that is required for submission to the Board when upgrading a license or certification. If you have any questions concerning the process, please contact Angie Thomas at the Board.

CERTIFIED RESIDENTIAL UPGRADING TO CERTIFIED GENERAL

1. 180 hours of pre-licensing education* - Included in the 180 hours, 15 hour Basic Income Course
2. Successfully pass the Certified General exam
3. Certified General Experience Affidavit – Signed and Notarized
4. Experience Log – Log must contain 1,500 hours of non-residential work
5. 2 non-residential appraisal reports

LICENSED REAL PROPERTY or ASSOCIATE UPGRADING TO CERTIFIED GENERAL

1. 180 hours of pre-licensing education* - Included in the 180 hours, 15 hour Basic Income Course
2. Successfully pass the Certified General exam
3. Certified General Experience Affidavit – Signed and Notarized
4. Experience Log – Log must contain 30 months **and** 3,000 hours (1,500 hours, at a minimum, must be in non-residential work).
5. 2 non-residential and 2 residential appraisal reports

LICENSED REAL PROPERTY or ASSOCIATE UPGRADING TO CERTIFIED RESIDENTIAL

1. 120 hours of pre-licensing education* - Included in the 120 hours, 15 hour Basic Income Course
2. Successfully pass the Certified Residential exam.
3. Certified Residential Experience Affidavit – Signed and Notarized
4. Experience Log – Log must contain 2 years **and** 2,500 hours
5. 2 residential appraisal reports

ASSOCIATE UPGRADING TO LICENSED REAL PROPERTY

1. 90 hours of pre-licensing education* - Included in the 90 hours, 15 hour Basic Income Course
2. Successfully pass the Licensed Real Property exam
3. Licensed Real Property Experience Affidavit – Signed and Notarized
4. Experience Log – Log must contain 2 years **and** 2,000 hours (some hours must be in non-residential)
5. 2 non-residential and 2 residential appraisal reports

*A pre-licensing course must be at least 15 hours in length and successfully pass an exam at the end of the course.

Report requirements for submission:

1. Reports submitted for experience credit must true and be exact copies, with signatures, of the reports submitted to the client. Modifications to the reports for the purpose of submitting the appraisal for experience credit are not permitted.
2. Appraisal review experience will be awarded; however, review appraisal reports are not considered sufficient examples of appraiser knowledge and demonstration of techniques. Therefore, all appraisers requesting certification must submit complete appraisals presented in the summary form and complying with all requirements in this statement.
3. Reports submitted must be completed within the past twelve (12) months from date of submission.
4. The residential appraisal experience must be a complete appraisal using the self-contained or summary reporting option.
5. A single-family residence, where the income approach is not applicable, and it is so stated, will be acceptable.
6. Non-residential reports must be a complete appraisal with all the (3) approaches utilized. Reports submitted for experience credit that do not comply with this requirement will be returned to the applicant without credit being awarded.
7. Additional appraisal reports may be requested from the log.

Before submitting the reports and experience log, you must have completed the education requirement. If you have completed all the requirements except for passing the exam, you may submit the reports and log for review. Upon Board acceptance and approval of your experience and education, you will be approved pending successful completion of the exam. Once you have passed the exam, you will be able to obtain your license/certification at that time. Effective July 1, 2001, the passing score for all credential exams is 75%.

The following are the Board meeting dates. Submission of reports any later than a week before the Board meeting dates, will not be reviewed until the following month.

May 27, 2005	July 22, 2005	September 23, 2005	November 18, 2005
June 17, 2005	August 26, 2005	October 28, 2005	December 16, 2005

REMINDERS!!

ASSOCIATE REAL PROPERTY APPRAISERS LICENSED AFTER JULY 1, 2001

All Associate real property appraisers licensed after July 1, 2001 shall submit to the Board two (2) complete summary appraisal reports, 1) the first report shall be submitted to the Board six (6) months following the date of issuance of the associate license, and 2) the second report shall be submitted to the Board twelve (12) months following

the date of issuance of the associate license. Reminder letters will be mailed to the associate prior to the report(s) due date. The reports will be reviewed for USPAP compliance and acceptable appraisal practices. Any deficiencies noted will be made known to the applicant so future appraisals will be compliant.

EXAMPLE:

Month Licensed	Reports Due
December 2004	1 st Report - June 2005 2 nd Report - December 2005
January 2005	1 st Report - July 2005 2 nd Report - January 2006

INACTIVE STATUS

If your license/certification has been in an inactive status since July 1, 2002, you will be required to return your license/certification to an active status by June 30, 2005 or the license/certification will be cancelled.

To return to active status, (1) petition the Board for reactivation of the certificate or license; and (2) pay the applicable renewal fee, roster fee and book fee (\$237.00); and (3) provide evidence of completion of

the annually required continuing education hours (14) for each year of inactive status. Remember that if you did not complete the continuing education for the year prior to placing your license/certification in the inactive status, you will also be required to complete that 14 hours of continuing education. (Example: 14 hours x 3 years in an inactive status = 42 + 14 hours for the year prior to placing your license in an active status = 56 total continuing education hours).

APPRAISAL STANDARDS BOARD QUESTIONS AND ANSWERS

This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. The ASB USPAP Q&A is issued to inform appraisers, regulators, and users of appraisal services of the ASB responses to questions raised by regulators and individuals; to illustrate the applicability of the Uniform Standards of Professional Appraisal Practice (USPAP) in specific situations; and to offer advice from the ASB for the resolution of appraisal issues and problems.

QUESTION # 1

Multi-Discipline Certification

I am a real property appraiser who sometimes participates in assignments that include the appraisal of real property, personal property (machinery and equipment), and intangible assets. The value conclusions for each asset type are separately prepared by an appraiser with competency in the asset type. A single report is jointly issued that communicates the assignment results for all of the assets. What is the appropriate wording for the certification in these situations?

RESPONSE TO QUESTION # 1

Standards Rule 2-3 states, in part:

*Each written real property appraisal report must contain a signed certification that is **similar** in content to the following form:*

- *The reported analyses, opinions, and conclusions...are my personal, impartial, and unbiased professional analyses, opinions, and conclusions...*
- *My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice...*

*Comment:...In an assignment that includes only assignment results developed by the real property appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal report. **In an assignment that includes personal property, business or intangible asset assignment results not developed by the real property appraiser(s), any real property appraiser(s) who signs a certification accepts full responsibility for***

the real property elements of the certification, for the real property assignment results, and for the real property contents of the appraisal report. (bold added for emphasis)

When reporting assignment results that are separately prepared by appraisers from different disciplines, the certification must clearly define responsibility for all assignment results and report content. The certification language may be altered to indicate which "reported conclusions" each appraiser is certifying to. The certification language is not required to be exactly as presented in USPAP.

One solution would be for each appraiser to sign a separate certification that identifies the assignment results and report content for which they take responsibility. Another solution to this circumstance would be to include a single certification altered to indicate the assignment results and report content certified to by each appraiser.

Whatever solution is adopted, the certification language must identify the assignment results and report content for which the real property appraiser takes responsibility. One example of such language would be:

- the reported **real property** analyses, opinion, and conclusions...are my personal, impartial, and unbiased professional analyses, opinions, and conclusions...
- my **real property** analyses, opinions, and conclusions were developed, and the **real property content** of this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*...

Each personal property appraiser must take responsibility for the personal property assignment results and report content. Each business and/or intangible asset appraiser must take responsibility for the business and/or intangible asset assignment results and report content.

QUESTION # 2

I am a business appraiser; I am not a real property appraiser. Sometimes I rely on results of a real property appraisal to determine the value of business equity. The report of the real property value analysis is not contained in my business valuation report, although the real property value conclusion (the dollar amount) is indicated in my report. An

example of this would be a real property holding company in which the value of the equity may be significantly dependant on the value of the owned real property. What is the appropriate way to handle such reliance in my business appraisal report?

RESPONSE TO QUESTION # 2

The Comment to SR 10-3 states:

When a signing appraiser(s) has relied on work done by others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work. The signing appraiser(s) is required to have a reasonable basis for believing that those individuals performing the work are competent and that their work is credible.

The Conduct section of the ETHICS RULE states:

An appraiser must not use or communicate a misleading or fraudulent report...

The business valuation report should specifically reference the source of the real property value and may incorporate that value conclusion by any of an extraordinary assumption. Disclosure of the extraordinary assumption could be similar to the following:

"The fair market value of the subject interest is XYZ Company is dependent on the market value of the real property owned by the Company, as provided to us. We have in no way attempted to justify or verify the validity of this asset value. If the real property value were different, the fair market value of the subject interest in XYZ Company could be different."

The business appraisal report would contain a certification by the business appraiser(s). A signed certification related to the real property appraisal will be in the report provided by the real property appraiser (or in the workfile in the case of an oral report).

The business appraiser must rely on a real property appraiser because the business appraiser in this scenario is not competent to perform a real property appraisal or to review the real property appraisal.

In deciding that the work of the real property appraiser is competent and that the work is credible, the business appraiser might note such things as the other appraiser's:

- declaration in a signed certification that the analysis, opinions and conclusions were developed, and the report was prepared, in conformance with USPAP.
- relevant experience, education, or references; or
- evidence of professional status, such as license, professional designation, or other recognition of professional or academic achievement.

QUESTION # 3

I am a personal property appraiser. My value opinions are sometimes influenced by analysis performed by a business appraiser, such as assistance in determine whether earnings are sufficient to justify the otherwise-determined value in continued use of machinery and equipment. What are the certification requirements in this scenario?

RESPONSE TO QUESTION # 3

The personal property report may contain a single certification or two certification statements (one for the personal property appraiser and one for the business appraiser). In either case the certification language should be altered to indicate which "reported conclusions" each appraiser is certifying to. (See question #1 for a more complete answer.)

QUESTION # 4

REQUIRED LEVEL OF DETAIL IN A SELF-CONTAINED APPRAISAL REPORT

A colleague recently told me that she never prepared Self-Contained Appraisal Reports. She believes that it is impossible to write a report that contains all the information and analysis that supports her assignment results. I have heard other express similar thoughts. Is it true that a Self-Contained Appraisal Report must include an exhaustive account of my appraisal process?

RESPONSE TO QUESTION # 4

No. USPAP requirements for Self-Contained Appraisal Reports provide flexibility within a framework.

The key term in understanding the level of information in a Self-Contained Appraisal Report is *described*. As stated in Advisory Opinion 11, *Content of the Appraisal Report Options of Standards Rule 2-2 and 8-2*:

*The Self-Contained Appraisal Report should contain all information **significant** to the*

solution of the appraisal problem. (**bold added for emphasis**)

The reader of the Self-Contained Appraisal Report should expect to find all **significant data reported in comprehensive detail.** (**bold added for emphasis**)

Describe is used to connote a comprehensive level of detail in the presentation of information.

The requirement is to provide all **significant** information and data, not all information and data. Significance is measured against the needs of the intended use and intended users in the assignment. The Self-Contained Appraisal Report option will contain a comprehensive level of information detail, but it cannot contain the sum total of the appraiser's data, analysis and experience that went into making the judgments required.

A basic requirement for **all** reports is stated in Standards Rule 2-1(b), with similar language in STANDARDS 5, 6, 8 and 10:

*Each written or oral real property appraisal report must contain sufficient information to enable the **intended users** of the appraisal to understand the **report property**; (**bold added for emphasis**)*

Additionally, a basic requirement for all reports is stated in Standards Rule 2-2(a), with similar language in Standards Rules 2-2(b) and (c) as well as in STANDARDS 5, 8, and 10:

*The content of a Self-Contained Appraisal Report must be consistent with the **intended use of the appraisal**....(**bold added for emphasis**)*

There are two important points to recognize in these requirements:

- (1) An appraiser's reporting obligations are relative to intended users (which include the client) and intended use. Reports are directed to the needs of the intended users and the requirements associated with the intended use. Since the reporting needs associated with specific intended users and intended uses vary, report content will vary. USPAP allows for flexibility within report types.
- (2) The USPAP requirement is to provide sufficient information to enable the intended users to understand the report, not the appraisal. It is unreasonable to require that intended users understand the

appraisal because this would entail complete documentation of the data and analysis as well as the appraiser's life experience and education that went into making the judgments required in the assignment.

Standards Rule 2-2(a)(ix) and 8-2(a)(ix) state:

Describe the information analyzed, the appraisal procedures followed, and the reasoning that supports the analyses, opinions, and conclusions;

Comment: The appraiser must be certain the information provided is sufficient for the client and intended users to adequately understand the rationale for the opinion and conclusions.

This requirement is directed toward addressing the needs of the client and other intended users in understanding the "rationale". The rationale is the basis for the assignment results, but does not include everything done or considered in the appraisal.

QUESTION # 5

USING THE DEFINITION OF VALUE PROVIDED

A client has asked me to use a definition of value included in an engagement letter for the assignment. Is this permitted?

RESPONSE TO QUESTION # 5

Yes. As part of identify the problem to be solved, the appraiser must identify the type and definition of value, but USPAP does not require the use of any specific type or definition of value. For example, in a real property appraisal assignment, Standards Rule 1-2(c) requires the appraiser to:

identify the type and definition of the value...

In addition, Standards Rule 2-2(a)(v) and 2-2(b)(v) require that the report:

State the type and definition of value and cite the source of the definition;

Comment: Stating the definition of value also requires any comments needed to clearly indicate to the reader how the definition is being applied.

The source of the definition of value could be as simple as "provided in the engagement letter".

The requirements for identifying and reporting the definition of value are similar for personal property and business and intangible asset appraisals.

QUESTION # 6

DISCLOSURE OF THE CLIENT IN A PRIOR ASSIGNMENT

As a condition of engagement, I have been asked to disclose the name of the client for any prior appraisals I have completed on the subject property. Is making this disclosure a violation of USPAP?

RESPONSE TO QUESTION # 6

A definitive answer cannot be provided without examining the circumstances.

The Confidentiality section of the ETHICS RULES states, in part:

An appraiser must protect the confidentially nature of the appraiser-client relationship.

There are some situations in which the appraiser cannot disclose the name of a prior client and still protect the confidential nature of the appraiser-client relationship:

- A client may tell the appraiser to not disclose the fact that he or she appraised a particular property for that client. In that case, the name of the client becomes confidential information (as defined in USPAP) and it is clear that the appraiser cannot comply with the request for disclosure of the client's name.
- There are other cases that simply require judgment on the part of the appraiser to determine whether disclosing the prior client's name would or would not *protect the confidential nature of the appraiser-client relationship*.

An appraiser who is asked to identify the client in a prior assignment may be able to protect the confidential nature of the appraiser-client relationship by identifying the client by type rather than name. Identifying the client by type describes the client with a generalization (for example: financial institution or accountant). However, there may be

circumstances in which disclosing the identity of the client by type would actually disclose the name of the client (for example: property owner, trustee). In such a case, naming the client "by type" would not be a solution.

If disclosure of the client's identity is a condition of a potential new assignment, and the appraiser cannot disclose the client's identity and still protect the confidential nature of the appraiser-client relationship, then the appraiser must turn down the new assignment.

An appraiser must consider the circumstances when forming a response to a request to disclose the name of the client from a prior assignment.

The Q&A shown below appears in the 2005 *Frequently Asked Questions* publication. It has been reprinted here because the question is relevant to this month's USPAP Q&A. The 2005 *Frequently Asked Questions* publication is available for purchase from The Appraisal Foundation at a cost of \$20 (www.appraisalfoundation.org or 202.347.7722)

QUESTION # 7

As a condition of engagement, a financial institution requires that I disclose any prior appraisals I have completed on the subject property. If I disclose that I have previously appraised the subject property, am I violating USPAP?

RESPONSE TO QUESTION # 7

No. Except as noted below, USPAP does not specifically prohibit the disclosure of the fact that a prior appraisal has been performed.

Disclosing the fact that you have previously appraised the property is permitted except in the case when an appraiser has agreed to keep the mere occurrence of a prior assignment confidential.

There are some cases in which the appraiser is asked by the client not to reveal that he or she has appraised that particular property. In such cases, the fact that the appraiser previously appraised the property is confidential information.

If the occurrence of a prior appraisal is confidential, and disclosure of prior appraisals is a condition of a potential new assignment, the appraiser must turn down the new assignment because the appraiser could not make the requested disclosure.

WELCOME NEW APPRAISERS

Benjamin M. Allen	Associate	Louisville, KY
Harry J. Begg	Associate	New Castle, DE
Adriane R. Bitner	Associate	New Albany, IN
Sherry M. Castleberry	Associate	Gilbertsville, KY
Ryan M. Childers	Associate	Somerset, KY
James DeAtley	Licensed Real Property	West Union, OH
Christine Dennis	Associate	Florence, KY
Kevin Eibel	Associate	Independence, KY
Todd B. Harrison	Associate	New Castle, DE
Helane Jefferson	Certified General	Dalton, GA
Christy H. Jones	Associate	Franklin, KY
Scott Kremer	Certified Residential	Louisville, KY
Albert Lowe	Associate	Somerset, KY
Mark P. O'Bryan	Associate	Ashland, KY
James G. Page, II	Associate	Bowling Green, KY
Celeste Parkerson	Associate	Prospect, KY
J. Brian Pearson	Associate	Bowling Green, KY
Wayne A. Rains	Certified General	Chattanooga, TN
Terry L. Rider	Certified General	Henderson, KY
Daniel K. Riddle	Certified General	Evansville, IN
Phyllis K. Rogers	Associate	Winchester, KY
Steven Sunderman	Licensed Real Property	Amelia, OH
Michael Swain	Associate	Bellevue, KY
Stephen Brent Terrell	Associate	Frankfort, KY
Everett Thompson	Certified General	West Hamilton, WV
Ethan T. Waterbury	Associate	Lexington, KY
Sharon B. Watson	Associate	Murray, KY
Charles R. Whitnell, II	Associate	Mayfield, KY
Pamela H. Williams	Associate	Prospect, KY
Nicholas Adam Zajac	Licensed Real Property	Cincinnati, OH

RECLASSIFICATIONS

Jonathan L. Cox	Certified Residential	Nicholasville, KY
Daniel S. Ford	Certified Residential	Louisville, KY
Mark A. Holley	Certified Residential	Louisville, KY
Jon Mullins	Certified General	Lexington, KY
Darrell W. Muncy, II	Certified Residential	Richmond, KY
Karen J. Rogers	Certified Residential	Lexington, KY
Dirk Schneider	Certified General	Cincinnati, OH

Change of Address.....

Periodically, an active or inactive appraiser comes before the Board to request a special dispensation from the legal requirements because **he or she did not get a notice**. The Board staff sends the notices to the most recent address we have on file. But if you do not advise us of changes in your location or status, we can't keep up. Not receiving your notices, for any purpose, is not a defense before the Board. However, failing to notify the Board of your changes is a violation of law!!!

KRS 324A.030 (4) - Each certificate holder or license shall notify the Board of any change of business address, change of company name, or change of surname, within thirty (30) days of the change.

REPORTING COMPLAINTS IN NEWSLETTER

At the March 22, 2002 Board meeting, the Kentucky Real Estate Appraisers Board unanimously voted to report the names of those complaints that have been adjudicated, whereby the respondent received a sanction of one of the following: (1) Fine of \$1,000 or greater; (2) Suspension of license/certification, or (3) Revocation of license/certification.

A couple of years ago the Board voted to accept anonymous complaints. Complaints were filed with little merit and were clearly filed to embarrass. Some of these complaints resulted in a small fine and or a requirement to take additional education. The complainant had one goal in mind and that being to embarrass a licensee and see a name in the newsletter so the newsletter could be used to discredit a licensee.

The KREAB, by statute, will address and dispose of every complaint it receives. The lesser offenses will be disposed of with a Letter of Notice, small fine or

additional education, without the appraiser's name being published in the newsletter. Complaints that involve fraud and gross negligence that result in a fine of \$1,000 or greater or a suspension or revocation of license, will result in appraiser's name shall be published in the newsletter.

Some appraisers possess what might be referred to as the police court mentality. That being, when you open the newspaper the first item you read is the police report to see who got in trouble. I'm sure there are many appraisers who read only the disciplinary actions in the newsletter and ignore the rest. This is your prerogative but you're missing a lot of useful information.

Since 1996, the Board has encouraged appraisers to file complaints that rise to the level of gross negligence or fraud. The Board has never encouraged nit-picking complaints to embarrass your competition.

GRIEVANCE AND COMPLAINT PROCESS

The KREAB considers the initial correspondence filed with the Board to be a Sworn Statement of Grievance. The Sworn Statement of Grievance is required to be answered and investigated the same as a complaint. Should the Board determine no violation of USPAP and or Kentucky Statutes/ Regulations exist, the grievance shall be dismissed. When a grievance is dismissed by the Board, no record of a complaint shall be recorded in the appraiser's file and the appraiser shall not be required to report or disclose they had a grievance filed against them. The rationale for not reporting grievances dismissed by the Board is to discourage frivolous complaints and complaints filed to embarrass.

Should the Board determine from the investigative report sufficient evidence exists to proceed; the Board will file a formal complaint and set the case for a hearing.

The appraiser shall be afforded the opportunity to settle the complaint at an informal or mediation hearing. If the complaint is settled at an informal hearing or through mediation, the appraiser and Board will enter into an agreed order. Lacking an informal settlement, the case will proceed to a formal hearing.

ANONYMOUS GRIEVANCE - The KREAB will accept an anonymous grievance providing the complainant sends the Board a copy of the appraisal and a list of the items believed violations of USPAP and/or KY Laws & Regulations. The Board will investigate the grievance and if deficiencies exist, file a complaint on behalf of the Board. **The Board will not accept anonymous grievances that fail to state the deficiencies.** The Board will not review appraisal reports to determine if deficiencies exist.

BOARD GRIEVANCE - The KREAB, on its own volition, may file a grievance if in the opinion of the Board the alleged violations are of a serious nature such as gross negligence or fraud or not complying with a directive from the Board.

The KREAB does not encourage frivolous complaints or complaints filed to embarrass.

Effective March 22, 2002, the KREAB will publish the name of the appraiser in the quarterly newsletter who has received a sanction of the following: (1) Fine of \$1,000 or greater, (2) Suspension of license/certification, or (3) Revocation of license/certification.

DISCIPLINARY ACTIONS

Case 01 -61

It was alleged the appraiser did not enter correct information pertaining to the specifics of a subject property and failed to disclose or analyze a prior sale of the subject property within the previous 12-months.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated.

During the mediation it was discovered the appraiser's file data was sufficient to address the questions and concerns. Therefore, the appraiser demonstrated a competent and credible value opinion and the results were not considered misleading.

By unanimous vote the Board voted to dismiss the case with a letter of advice that he/she be more specific and descriptive in future reports of value, especially those items noted as lacking in report content.

Case 01 -62

It was alleged that the appraiser failed to analyze subject property characteristics and was negligent or incompetent in developing and/or communicating the appraisal. Also, the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated and the appraiser agreed sufficient evidence existed to warrant a violation of Standards Rule 1-2(e), and Standards Rule 2-2(b)(iii), (vii).

Based upon the findings the appraiser agreed to a letter of admonishment being placed in his/her permanent file.

Case 02 -06

It was alleged that the appraisers failed to analyze subject property characteristics and was negligent or incompetent in developing and/or communicating the appraisal and the appraisers failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

During the mediation it was discovered the appraisers file data was sufficient to address the questions and concerns. Therefore, the appraiser demonstrated a competent and credible value opinion and the results were not considered misleading.

By unanimous vote the Board voted to dismiss the case with a letter of advice that he/she be more specific and descriptive in future reports of value, especially those items noted as lacking in report content.

Case 02 -45

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies in USPAP Standards Rules 1-1(a) and 2-2(b)(iii).

Based upon the findings the appraiser accepted a letter of warning and a \$250.00 fine for not disclosing the analysis of market rents when developing the subject property operating income statement for direct capitalization. The letter shall be placed in the appraiser's permanent file.

Case 02 -50

It was alleged that the appraiser, and supervising appraiser exercise negligence and incompetence when developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies of USPAP Standards Rules 1-1(a); 1-4(c); and 2-2(b)(vii) did exist.

Based upon the findings the appraisers accepted a fine of \$250.00 and completion of the 7-hour National USPAP course be completed in addition to the regular continuing education requirement of 201 KAR 30:050, Section 7 by June 30, 2005.

Case 02 -57

It was alleged that the appraiser did not complete a real property appraisal assignment as requested by the client; however, he/she charged a fee for the assignment. It was also alleged the value opinion reported by a mortgage company was less than that of a 1997 assignment opinion.

Based upon a conversation with the appraiser it was determined that he/she never completed the assignment and only charged a trip fee. There was no finding of any USPAP or KRS 324A violation in this matter. Therefore, the Board voted unanimously to dismiss the case with no action.

Case 02-70

It was alleged that both the appraiser and supervising appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies of USPAP Standards Rules 1-1(a); 2-2(b)(iii), (vii) and (ix) did exist.

Based upon mediation agreement the appraisers agreed to complete not less than 30-hours of basic appraisal principles and appraisal procedures, the 7-hour national USPAP update course, and 7-hours in real estate fraud and flipping. The said 44-hours of total education shall be in addition to the requirement in 201 KAR 30:050, Section 7, and the course work must be complete no later than June 30, 2005.

Case 03-17

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated.

Based upon no findings of USPAP or KRS 324A violations the Board voted unanimously to dismiss the complaint without further action.

Case 03-20

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist and agreed to violations of the Uniform Standards of Professional Appraisal Practice Standards Rule 1-1(a); 1-2(e); 1-4(a) and 2-1(a)(b).

Based upon the findings the appraiser agreed to pay a fine of \$250.00 due with the agreed order acceptance and complete the 7-hour national USPAP course and a course of at least 15-hours with successful completion of the course examination in site and site improvements (or similar course to be approved by the Board) prior to June 30, 2005. The said education shall be in addition to that required in 201 KAR 30:050, Section 7.

Case 03-23

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. The appraiser demonstrated proof that he/she did not complete the assignment of the report that was presented for complaint.

Based upon the investigation results the Board voted unanimously to dismiss the case without prejudice with leave to reinstate if evidence should ever be discovered to dispute the information known today pertaining to this case.

Case 03-64

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

Case 03-66

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist and agreed to violations of the Uniform Standards of Professional Appraisal Practice Standards Rule Ethics Rule.

Based upon the findings the appraiser agreed to 1) pay a fine of \$250 payable with the agreed order, 2) complete a 15-hour national USPAP course with successful completion of the examination by June 30, 2005. The class shall be in addition to the 14-hour continuing education required in 201 KAR 30:050, Section 7, 3) shall not permit any Associate to appraiser property in Kentucky at any time without the

appraiser's direct supervision and accompaniment, 4) agrees that a random file audit may be conducted by any agent of the Board for a period of two years from the date of agreed order, and that the Board may proceed under 201 KAR 30:070 on those reports if necessary, and 5) shall maintain and submit to the Board every six months an experience log. The log shall be submitted for two years from the date of the agreed order.

Case 03-71

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist and agreed to violations of the Uniform Standards of Professional Appraisal Practice Standards Rule 1-1(a)(b)(c) and 2-2(b)(vii)(ix).

Based upon the findings the appraiser agreed to pay a fine of \$250.00 due with the agreed order acceptance and complete a course of at least 15-hours and successfully complete the course examination after July 1, 2005 but before December 31, 2005. The said education shall be in addition to that required in 201 KAR 30:050, Section 7

Case 03-81

It was alleged the appraiser plagiarized a real property appraisal report that was submitted to the Board for experience credit.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged minor mistakes did exist that were violations of the Standards of Professional Appraisal Practice Standards Rule 1-1(a).

The appraiser agreed to accept a letter of admonishment be placed in his/her permanent file.

Case 03-88

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist and agreed to violations of the Uniform Standards of Professional Appraisal Practice Standards Rule 1-1(a); 2-2(b)(iii).

Based upon the findings the appraiser agreed to complete a 15-hour Basic Appraisal Procedures course with an exam a 15-hour national USPAP course with successful completion of the examination by June 30, 2005. The said education shall be in addition to that required in 201 KAR 30:050, Section 7.

Case 03-95

It was alleged the appraiser did not complete the necessary research and analysis to develop a credible opinion of value.

The complaint was answered and the case was investigated. The investigation failed to reveal deficiencies USPAP or KRS 324A.

Based upon the investigation results the Board voted unanimously to dismiss the case without other action being necessary.

Case 03-102

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

Case 03-105

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

Case 03 -106

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

Case 04 -12

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

Case 04 -25

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

Case 04 -92

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged USPAP Standards Rules deficiencies did exist in 1-1(a)(b)(c); 1-2(e); 1-4(a); and 2-1(a)(b).

Based upon the findings the appraiser accepted a fine of \$250.00, completion of the 7-hour national USPAP update course, and a 15-hour site and site improvements class with successful completion of an examination. The said 22-hours of education shall be in addition to the regular continuing education requirement of 201 KAR 30:050, Section 7, and must be completed by June 30, 2005.

Case 04-03

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaints were answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged USPAP Standards Rules deficiencies did exist in Standards Rules 1-1(a)(b)(c); 1-4(a)(c); 2-1(a); 2-2(b)(vii)(ix).

Based upon the findings the appraiser accepted a fine of \$250.00, not undertake assignments of properties greater in use than 1-4 family residential without a) associating with a Kentucky Certified General Real Property Appraiser for purposes of receiving assistance in the appraisal development and reporting process, or b) until the respondent completes a minimum of 30-hours of approved income property appraisal courses and a minimum of 15-hours of approved income property appraisal report writing course (the total education for this order shall not be less than 45-hours) and shall be in addition to the regular continuing education requirement of 201 KAR 30:050, Section 7 and must be completed by June 30, 2005. The appraiser must submit to the Board, every six months for two years from the date of agreed order, a log of appraisal assignments and the board or board staff will be provided upon request a copy of reports selected from the logs at random.

Case 04 -11

It was alleged the appraiser did not complete the necessary research and analysis to develop a credible opinion of value.

The complaint was answered and the case was investigated. The investigation failed to reveal deficiencies USPAP or KRS 324A.

Based upon the investigation results the Board voted unanimously to dismiss the case without other action being necessary.

Case 04-13

It was alleged the appraiser did not complete the necessary research and analysis to develop a credible opinion of value.

The complaint was answered and the case was investigated. The investigation failed to reveal deficiencies USPAP or KRS 324A.

Based upon the investigation results the Board voted unanimously to dismiss the case without other action being necessary.

Case 4-21

It was alleged the appraiser did not complete the necessary research and analysis to develop a credible opinion of value.

The complaint was answered and the case was investigated. The investigation failed to reveal deficiencies USPAP or KRS 324A.

Based upon the investigation results the Board voted unanimously to dismiss the case without other action being necessary.

Case 04-22

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies of USPAP Standards Rules 1-1(a)(c) and 2-2(b)(vii) did exist.

Based upon the findings the appraiser agreed to complete a course of not less than 15-hours, with successful completion of an examination, in sales comparison. The said education shall be in addition to the regular continuing education requirement of 201 KAR 30:050, Section 7 and the course work shall be completed by June 30, 2005.

Case 04-26

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. The respondent agreed that violations of USPAP Standards Rules 1-1(a)(c); 1-4(c); and 2-2(b)(vii) did exist. It was determined the problem in this action centered on 201 KAR 30:030 in that the appraiser was a Certified Residential Real Property appraiser performing a scope of work greater than 1-4 family residential, but less than \$250,000 transaction value without the necessary education and experience training.

Based upon the findings the appraiser agreed to a fine of \$250.00, a basic income course of not less than 15-hours with successful completion of the class examination and the education shall be completed in addition to the continuing education required by 201 KAR 30:050, Section 7 by June 30, 2005. Also, the respondent shall not supervise any Associate Real Property Appraisers in work other 1-4 family scope for a period of three (3) years or until successful completion of the basic income course and successful completion of the examination. The Board shall review of income property appraisal files completed after successful competing the course and examination. The respondent agrees that a random file audit of the work log and assignment files may be conducted by an agent of the Board for a period of two years from the date of agreed order, and that the Board may proceed under 201 KAR 30:070 on those reports if necessary. The respondent shall limit the scope of practice to 1-4 family residential until successful completion of the Basic Income Course examination and a Board review of income property appraisals, selected from the appraiser's log, developed and reported after the Basic Income Course and examination.

Case 04-44

It was alleged the appraisers did not complete the necessary research and analysis to develop a credible opinion of value.

The complaint was answered and the case was investigated. The investigation failed to reveal deficiencies USPAP or KRS 324A.

Based upon the investigation results the Board voted unanimously to dismiss the case without other action being necessary.

Case 04-46

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

Case 04-56

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist and agreed that violations of the Uniform Standards of Professional Appraisal Practice Standards Rule 1-1(a) and Ethics Rule Confidentiality Section.

Based upon the findings the appraiser agreed to 1) pay a fine of \$500 payable with the agreed order, and 2) complete the 15-hour national USPAP course with successful completion of the examination. The class shall be in addition to the 14-hour continuing education requirement in 201 KAR 30:050, Section 7 and shall be completed prior to June 30, 2005.

Case 03-23

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the

appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. The appraiser demonstrated proof that he/she did not complete the assignment of the report that was presented for complaint.

Based upon the investigation results the Board voted unanimously to dismiss the case without prejudice with leave to reinstate if evidence should ever be discovered to dispute the information known today pertaining to this case.

Case 04-69

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. The investigation failed to reveal deficiencies USPAP or KRS 324A.

Based upon the investigation results the Board voted unanimously to dismiss the case without other action being necessary.

APPRAISER LICENSE STATISTICS

LICENSEES	NO.	INACTIVE STATUS	NO.
Certified General	492	Certified General	13
Certified Residential	760	Certified Residential	30
Licensed Real Property	113	Licensed Real Property	5
Associate	478		
TOTAL AS OF 4/11/05	1843		48

KENTUCKY REAL ESTATE APPRAISERS BOARD

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ADMINISTRATIVE REGULATION CHANGE **EXPERIENCE HOURS**

Effective July 1, 2003, all experience hours obtained for credit toward Certified General, Certified Residential and Licensed Real Property must be completed under the supervision of a certified or licensed appraiser and the applicant **must** hold an Associate Appraiser license. You may continue working on your own or for a certified or licensed appraiser without an Associate license, but experience hours obtained in this manner will not count toward certification. Remember, the supervising appraiser must sign and certify that he/she supervised the work of the associate submitting the log.

If you have any questions, call the Board office.

You can obtain the KREAB Statutes and Regulations at
<http://www.lrc.state.ky.us/krs/324A00/CHAPTER.HTM> - Statutes
<http://www.karea.org/kar201ch30.html> - Regulations

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