

Kentucky Real Estate Appraisers Board

QUARTERLY NEWSLETTER NO. 59 - NOVEMBER 2005

Attention all Kentucky Licensed and Certified Real Property Appraisers, the USPAP effective date cycles are changing

- ◆ The 2005 Edition of USPAP will remain effective until June 30, 2006.
- ◆ The 2006 Edition of USPAP will be effective from July 1, 2006 - December 31, 2007
- ◆ Future USPAP editions will be on a two-year effective date.

Updates on the National USPAP Course

The 2006 edition of USPAP and the National USPAP Courses will be published in January 2006. To facilitate the transition from one edition of the National USPAP Course to another:

- Course providers will be allowed to offer a 2005 National USPAP Course (or its equivalent) while the 2005 USPAP is in effect (through June 30, 2006).
- All 2005 National USPAP Course work and examinations must be completed by June 30, 2006; with student tracking forms submitted within 30 days of course completion. Student Tracking Forms for 2005 National USPAP Courses will not be accepted after July 31, 2006.
- Course providers offering a 2005 National USPAP Course in 2006 must provide all students with a copy of the ASB's 2006 "Significant Changes from the Prior Edition of USPAP" document.
- Course providers offering a 2005 National USPAP Course in 2006 must clearly notify students and prospective students that the course being offered is not a 2006 National USPAP Course.

KREAB 2006 SEMINARS

The Board is offering a 7 hour continuing education course on January 20th in Bowling Green, February 10th in Lexington and March 10th in Louisville.

The seminar will feature Danny Wiley, Appraisal Standards Board Member.

To register for the class, complete the registration form found in this newsletter or on the Board Website at www.kreab.ky.gov and return form and registration fee to the Board. Register Early!!!!

Some Advise on your 2005-2006 Continuing Education Plans....

By: C.W. Wilson, Chair

C.W. Wilson
Chair

The most dramatic and significant changes in USPAP in more than a decade will go into effect at the end of June, next year. The 2005 version will remain in effect until that time and the document will not be updated again until 18 months after the June effective date, presumably January of 2008.

The changes center on the deletion of the Departure Provision and most language related to it, most notably the 'Binding' and 'Specific' requirements. Large scale edits have been undertaken to revise language throughout the Standards, Statements, and Advisory Opinions. The new emphasis will be on the Scope of the Work.

As a result, it is the recommendation of KREAB that appraisers in Kentucky who have not met their biennial requirement for a 7 hour USPAP Update wait until the revised class is in the hands of the AQB Certified USPAP Instructors in March before taking the class. This assumes that the Appraisal Foundation Boards will complete their work 'on time', as promised. You will thus have from March through June to take a class which will prepare you for the changes effective June 30th.

"Take your 7 hour USPAP Update after January of 2006....."

KREAB

So, if you sign up for a 7 hour Update, make certain that it is taught by an AQB Certified USPAP Instructor who has and is using the 2006 version of the Foundation's curriculum and power point presentation.

KENTUCKY REAL ESTATE APPRAISERS BOARD

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Larry Disney - Executive Director
Email: Larry.Disney@ky.gov
Angie Thomas - Staff Assistant
Email: Angie.Thomas@ky.gov
Janie Gross - Executive Secretary
Email: Janie.Gross@ky.gov

Kentucky Real Estate Appraisers Board
2480 Fortune Drive, Ste. 120, Lexington, KY 40509
Telephone: (859) 543-8943 - Fax: (859) 543-0028
Web Site: www.kreab.ky.gov

Fannie Mae Forms Revisions...

The 2005 versions of nine new Fannie Mae forms are on the street and going into effect on a staggered basis between November 1, 2005 and January 1, 2006. The forms look different, have some significant streamlining, and some real puzzling points. Most appraisers appear to be coming up to speed and are having little difficulty with the transition. It remains to be seen whether the lending community will be as effective at the change over.

Fannie Mae expects the forms to be in effect November 1. VA also opted for November 1 but is transitioning the appraisers up to January 1. FHA signed on in late (September) and has an 'either/or' policy until January 1 (but also is dropping some other form requirements including the long established Valuation Conditions sheet). Freddie Mac expects to be fully on the 2005 version by January 1.

I don't know if you, or anybody, can keep all that straight. I would suggest that for the next two months you inquire of your client just which form meets his requirements at the time of the engagement.

You must, as a certified appraiser, remember a few simple concepts:

1. The appraisal process is essentially unchanged;
2. Appraisal development and reporting are two different steps;
3. You have a primary obligation to USPAP and the Standard 2 provisions for any and all real estate appraisal reports;
4. The Supplemental Standards which impact the reporting requirements may not supercede USPAP; and,
5. You, the appraiser, are obligated to assure USPAP compliance.

New Emphasis

The new forms are targeted at the currently hot issue of mortgage fraud. They thus emphasize a careful documentation of the subject's sales and listing history and the comparable sales' status as market typical, arms-length transactions.

They also eliminate redundant reporting of square footage, room counts, and a number of irrelevant entry lines. Fannie and HUD have both indicated that they have no requirement for a Cost Approach but, inexplicably, expanded the optional Cost Approach section for more documentation. The good news is that the essential Sales Comparison Analysis is not changed. And, of course, my personal favorite entry in the form, bath wainscoting, is still there.

Most appraisers with whom I have discussed the issues feel that the change will require some minor increase in sales history documentation but otherwise will be nothing more than a bump in the road for their daily practice.

appraisal (e-pra'zel) *n.* the act or process of developing an opinion of value; first line of defense against mortgage fraud

Unsettled Issues

What is most unclear at this point is the meaning of Certification Item 23 and the implication that the borrower 'may' rely on the report in some manner. This runs counter to the USPAP concept of identifying Intended Users at the time of engagement and limiting reliance to those identified individuals or groups. The point has been raised with Fannie at various meetings and by your Board in writing. Read the July 2005 Q and A from the

Appraisal Standards Board and see that they also are concerned about the implications of this language. Fannie Mae has issued a 11/1/05 clarification in a Q and A format which does, in my opinion, nothing to improve the situation.

Only time will tell, but probably some ambitious attorney will attempt to establish a claim under the Tort of Negligence on behalf of a borrower against an appraiser using Certification 23 and thus re-write what is a long history of appellate court decisions which have protected us.

Remember, the Fannie Mae Certification forms (now 3 pages) clearly state that "modifications, additions or deletions to the intended use or intended users..." and "modifications, additions or deletions to the certifications are not permitted". There is no good answer for this problem at this point in time other than to meet your USPAP obligations to identify all known intended users at the time of the engagement and document them in the report.

Another issue is the use of the Cost Approach when it would otherwise be necessary and applicable under USPAP even though Fannie Mae and HUD specifically say they don't want it. The example would be a new house where most appraisers competent for that assignment would do a cost approach and most appraisal users would expect to see a cost approach. You probably have an obligation to perform and report the technique, in spite of the fact that a specific client does not intend to rely on it. Maybe, in time, the Cost Approach will disappear from professional usage altogether, but I doubt it. Meantime, you have USPAP obligations which may not be superseded by Fannie Mae's Supplemental Standards.

The Solution

There are certainly other issues which will arise, some significant and some as trivial as an underwriter wanting to know what happened to page 3 of 6 (the Cost Approach) when you comply with both Fannie and USPAP and leave the technique out. And, like in 1986 when we first used a Uniform Residential Appraisal Report (URAR), there will be confusion and frustration on the part of appraisers and lenders. (Incidentally, prior to 1986 there were multiple forms, one for each type of client, and multiple instructions for their use...)

The solution is time. Remember your essential job definition and remember that forms and changing requirements are the fad of the moment, some with very logical and necessary origins (fraud detection) and some just foolishness. As professionals, we must overlook that and continue to strive to perform our services in a competent and ethical manner, be helpful to our clients and strive to not only meet the minimum requirements of USPAP and Supplemental Standards but a 'best practice' standard as well.

I have personally long believed that the residential mortgage appraiser is really being asked two essential questions by conscientious clients: 1) is this deal bogus?; and, 2) is there anything about the physical, legal or economic characteristics of the subject property which would tend to impair it's ability to continue to command at least this much money in the marketplace for the foreseeable future? Those questions could be answered as simply as yes or no and be meaningful to a client, although not USPAP compliant. USPAP and the current Supplemental Standards require much more documentation but the underlying problem posed by a mortgage appraisal remains unchanged.

2005 Fannie Mae Form Language

By: Larry Disney

Larry Disney
Executive Director

The Kentucky Real Estate Appraisers Board considers it to be a primary responsibility for licensed/certified real property appraisers to identify and complete a meaningful scope-of-work for each real property appraisal assignment. This expectation includes specific identification of the client and any other intended user(s). The identification must also be communicated within all written real property appraisal reports.

The revised Fannie Mae form 1004, page 6, dated March 2005 includes language in certification statement number 23 that has created concern and discussion within the appraisal profession by State appraiser regulatory officials and others involved in using, and relying upon real property appraisal reports.

The language in question advises, "The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on the appraisal report as part of any mortgage finance transaction that involves any one or more of these parties."

It is the Kentucky Board belief that the term "rely" and the statement "any mortgage finance transaction" has created the primary problem issues. Black's Law Dictionary, sixth edition, page 1291, defines "reliable" as "trustworthy, worthy of confidence." Therefore, if an individual or entity named in certification number 23 should rely upon a

report for a lending decision; is it not reasonable to assume the reliance expectation would be the same, regardless of whether the lender or individual(s) are specifically identified by the appraiser as a client or intended user(s)?

To assist in clarifying the matter the Appraisal Institute distributed a press release, dated November 21, 2005 that included the following comments by Mark Simpson, Fannie Mae's director of property standards.

"Recognizing that there may be confusion in the appraisal community about the distinction between parties who "use" and parties who "rely" on appraisal reports, Fannie Mae has developed, in cooperation with the Appraisal Institute, the following additional notice or statement that it will accept when the appraiser believes the Lender/Client is the only Intended User:

"The Intended User of this appraisal report is the Lender/Client. The Intended Use is to evaluate the property that is the subject of this appraisal for a mortgage finance transaction, subject to the stated Scope of Work, purpose of the appraisal, reporting requirements of this appraisal report form, and Definition of Market Value. No additional Intended Users are identified by the appraiser."

It was also reported in the press release that Mr. Simpson advised "The use of

this additional notice or statement may help to clarify the identification of the Intended User as addressed in the Uniform Standards of Professional Appraisal Practice and on the revised appraisal report forms. This statement is consistent with Fannie Mae policies and we will purchase loans with this additional language in the reports." He emphasized, however, that "Fannie Mae will *not* accept appraisals with additional notices or statements that may conflict with Certification # 23."

"Appraisers traditionally have not identified the other parties to a mortgage finance transaction that often rely on the accuracy of the appraisal report as Intended Users based on the current definition of an Intended User in the Uniform Standards of Professional Appraisal Practice. However, if the appraiser believes that any of these parties should be identified as additional Intended Users based on information provided by the Lender/Client or from other sources, he or she should identify them as such in the appraisal report," Simpson stated."

The Kentucky Board believes Mr. Simpson has clarified the position of Fannie Mae pertaining to expectation of client, intended use and intended users. However, there was no mention or advice provided for steps the appraiser should take, or degree of due diligence expected, when there is an assumption other parties should be identified as additional Intended Users. Also, what is reasonable due diligence by the appraiser at the time of assignment order for determining additional Supplemental Standards that might be considered applicable by Fannie Mae, but

that expectation is not relayed to the appraiser?

Mr. Simpson's emphasis that Fannie Mae will not accept appraisals with additional notices or statements that may conflict with Certification #23 can certainly be taken to imply that regardless of whether real property appraisers, regulatory officials, or others feel that only those individuals identified specifically as clients and intended user(s) by the appraiser, Fannie Mae will continue to expect all parties named in Certification #23 to enjoy equal reliability upon the report for the purpose of mortgage lending.

The problem for both appraisers and regulatory officials is the implied widening of use expectation. If the appraiser is expected to identify the assignment use, client and user(s); how can there possibly be an open expectation of compliance without providing specific guidance of how to perform in accordance with that added expectation standard?

The Kentucky board concern appears to be shared by other groups, i.e., the Association of Appraiser Regulatory Officials (AARO), in October 2005, issued a resolution of concern that called upon Fannie Mae to clarify the language in certification statement 23 and make it more specific with the identification language in USPAP. The resolution can be viewed at the AARO web site (www.aaro.net).

Also, Mr. Robert C. Wiley, President of Appraisers Liability Insurance Trust released an advisory, dated October 18, 2005, for all appraisers who have E & O policies with the company. The following is taken directly from that advisory:

"Concerns remain over other aspects of the forms, in particular over various Appraiser Certification statements. These include #23 of the Appraiser's Certification, which says that the borrower "may" rely on the appraisal. In the legal sense "may" is ambiguous; "may" be able to denote permission or a possibility to

rely on the appraisal. Since the majority of our claims are from borrowers alleging some undisclosed defect or condition, a borrower's counsel may attempt to use this new language to argue that the appraiser had a duty to the borrower since the borrower "may" rely on the report.

It is therefore even more important than before that appraisers insert language into EVERY appraisal about the report not being a home inspection, that only a visual inspection of accessible areas was done and that the appraisal cannot be relied upon to disclose conditions and/or defects in the property. Additional language may also explain that simply because a borrower or third party may receive a copy of the appraisal, does not mean that the borrower or third party is an Intended User as that term is defined in the forms.

Even if the borrower "may" rely on the appraisal report, they should not be relying on it to disclose condition and defects. That is the job of the home inspector. Inserting this additional language can also help in lender claims, where it is alleged that the appraiser failed to disclose termites and other conditions that made the home sell for less after foreclosure.

Also of concern is language in #21 and #23 of the Appraiser's Certification about another lender, other than the appraiser's

lender/client, getting the report. Certification #21 says the lender/client may give the appraisal to another lender, at the request of the borrower, without even having to get the appraiser's consent. Certification #23 says this other lender "may" rely on the appraisal report. Does that mean that this new lender can also sue the appraiser? Does the appraiser owe a duty to this lender?

In summary, we are of the opinion that the appraiser needs to be concerned about increased liability to third parties, such as the borrower and other lenders of whom they may have no knowledge. Just because the forms say these parties may receive copies of the reports and may rely on them, we will still argue that the appraiser owes a duty only to the lender/client and that the appraisal can only be relied upon to the extent that reliance is reasonable.

Many appraisers are drafting language that they intend to include in their future reports in an effort to "clarify" certain Limiting Conditions and Certifications. We must caution that the new forms specifically state that, "Modifications or deletions to the certifications" are not permitted. However, the appraiser may "expand the scope of work to include any additional research or analysis necessary based on the complexity of this appraisal assignment". Also, USPAP requires that an appraiser supplement an appraisal report if the

required form does not adequately cover all USPAP requirements.

Suggested Additional Language to Clarify Intended User and Scope of Work:

"The Intended User of this appraisal report is XXX (Name of your Lender/Client)."

"The Intended Use is to evaluate the property that is the subject of this appraisal for a mortgage finance transaction, subject to the stated Scope of Work, purpose of the appraisal, reporting requirements of this appraisal report form, and Definition of Market Value. No additional Intended Users are identified by the appraiser."

"The appraiser is not a home inspector and this appraisal report is not a home inspection, the appraiser only performed a visual observation of accessible areas and the appraisal report cannot be relied upon to disclose conditions and/or defects in the property."

It has also come to our attention that there is a rumor circulating that the new forms will negate real estate appraisers' E&O coverage. We see nothing in the new guidelines that would negate or adversely effect coverage that is available under our ALIT Program E&O policy (subject to all policy terms and conditions)."

The Kentucky Board believes that Fannie Mae intends parties listed in certification #23 should be able to rely upon the

information contained in Fannie Mae appraisal assignments to be accurate for lending decision purposes. It is also believed there is no intention or expectation that the the assignment use be expanded or implied to be greater than what is identified in the appraiser's assignment scope of work.

Based upon the above, it is the position of the Kentucky Real Estate Appraisers Board that all Kentucky licensed and certified real property appraisers must complete a USPAP compliant scope-of-work for each assignment, including the identity of the client and all expected intended users that were named at the time of assignment acceptance, and any identified supplemental standards. It is also suggested that language similar to that above be included for each assignment. Although Fannie Mae might not permit altering the language in printed forms, appraisers are advised to writer an addendum and at minimum make it a part of the work file.

If a regulatory complaint is filed and the Board can determine the appraiser complied with identification and scope of work expectations, regardless of who filed the complaint, the responding appraiser will have no greater expectation placed on him/her by the Board, provided he/she performed the assignment ethically and competently.

The Kentucky Board has no legal authority pertaining to civil suits and criminal complaints; therefore, if questions exist and anyone has express doubts or questions before performing assignments for Fannie Mae use, or before using the revised 2005 forms, he/she should consult an attorney.

There are a number of courses and training seminars currently being offered for using and completing the Fannie Mae 2005 forms. The Kentucky Board advises that each appraiser enroll in one or more of the seminars before completing the forms. Often, it is a good idea to gain perspectives from multiple instructors who are versed in a subject. Therefore, it might be helpful to attend more than one Fannie Mae forms session offered by different providers and instructors.

On behalf of the Kentucky Real Estate Appraisers Board I offer thanks and

appreciation to the Appraisal Institute, and to Mr. Robert C. Wiley, President of Appraisers Liability Insurance Trust for permitting the Board to copy the information reported above into this newsletter.

The Kentucky Board encourages every licensed/certified appraiser to stay abreast of the merging issues of this and other matters by reading the announcements and advisories from The Appraisal Foundation sponsoring

professional organizations, appraiser errors and omissions insurance companies, AARO, Government Sponsored Enterprises, VA and FHA, and the federal financial institutions regulatory agencies.

Also, if anyone has questions concerning this article or the advisories referenced, please contact Larry Disney, Executive Director of the Kentucky Real Estate Appraisers Board.

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).

NATIONAL USPAP UPDATE COMPLETION

July 1, 2005 began the second two year cycle for completion of the 7 hour National USPAP Update. Every appraiser who holds a KY real property appraiser credential must complete the 7 hour National USPAP

Update by June 30, 2007 as a prerequisite for renewing the Kentucky Appraiser license/certification. The course can either be taken for Fiscal Year 05/06 or Fiscal Year 06/07 renewal.

THE CHANGING REQUIREMENT FOR EDUCATION AND EDUCATION APPROVAL

By: Larry Disney

The following is very important for 1) those individuals currently holding a Kentucky Real Property Appraisal credential as defined in 201 KAR 30:030 and wishing to apply for a higher license scope, 2) for those individuals who are planning to complete qualifying appraisal education and apply for an Associate Real Property Appraiser credential, and 3) for education providers and instructors of real property appraiser qualifying education courses in the Commonwealth of Kentucky.

It is now approximately two years until the mandatory January 1, 2008 AQB education criteria becomes a requirement of the Kentucky Real Estate Appraisers Board. However, the Board and staff advise all students who will be completing qualifying real property appraiser education courses during this time period to be aware of the following:

The Kentucky Board adopted the "firm" date approach for implementation. This means that any individual who desires to earn a credential must have completed all parts of education, experience, and the current qualifying examination prior to mid night on December 31, 2007. If, for any reason, this is not possible all education completed by the individual will require content analysis and verification for compliance with the 2008 criteria requirements. "Any" course work the Board deems deficient or lacking shall be denied. The individual seeking approval will be required to satisfactorily complete the content and hours considered lacking in the

2008 criteria. Also, if the individual enters 2008 lacking any part of the criteria, not only will he/she be required to comply with the real property appraiser education, but also the applicable college degree or specific college semester hour requirement.

Because of the increased hours and the core content coverage, it is possible that the education completed in courses approved today will not be granted either full or partial 2008 credit. To avoid being disappointed it is suggested you ask your education provider if the education content you are taking today will be accepted for credit in 2008. If the answer is affirmative you might request the answer in writing. Also, you are encouraged to contact the Board staff to discuss any questions you may have about education content, requirements, approval, etc.

Also, the Board and staff recommend before registering for any real property appraiser qualifying education course you ask education providers if the qualifying education for which you are registering will assist you in preparing for the current national qualifying examination. It is suggested you request the answer in writing. Any student, education provider, or instructor who has questions about the examination can review the content outline in the Applied Measurement Professionals, Inc. (AMP) "Candidate Handbook for Kentucky Real Estate Appraisers Program." The handbook can be viewed on line. www.goamp.com

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

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.

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

The Fannie Mae forms are mandated for use by Fannie Mae on November 1, 2005 and by Freddie Mac on January 1, 2006. Real property appraisers are urged to request a copy of the forms and be familiar with the Fannie Mae and Freddie Mac supplemental standards.

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

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. Brennan, 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.

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.

APPRAISER LICENSE STATISTICS

As of November 23, 2005

LICENSEES	NO.	INACTIVE STATUS	NO.
Certified General	494	Certified General	14
Certified Residential	757	Certified Residential	39
Licensed Real Property	105	Licensed Real Property	7
Associate	486		
TOTAL	1842		60

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.

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	22	49	71	11
2003	115	55	46	101	14
2004	109	43	23	66	43
2005	79	10	0	10	69
TOTALS	679	233	306	539	140

"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.

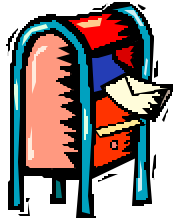
ASSOCIATE INFORMATION

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.

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



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

Fax: (859) 543-0028

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. The 15-hour National USPAP course or its equivalent **MAY NOT** be substituted for the 7-hour National USPAP Update course.
2. The 7 hour National USPAP Update course is required to be completed every two years by every certified/licensed appraiser.
3. The course must be completed at least one time between July 1, 2005 and June 30, 2007.
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.

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.

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 are 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) 254-2741	
Appraisal Educators, Inc.	(812) 925-6421	
Appraisal Institute	(312) 335-4100	www.appraisalinstitute.org
Cox Educational Services	(270) 926-8353	www.georgekcoxvaluationprofessionals.com
Delta Realty Researchers	(859) 737-3133	www.deltaresearchers.com
Dennis Badger & Associates	(859) 252-3445	www.dennisbadger.com
Home Builders Association of Louisville	(502) 429-6000	www.hbal.com
JVI Appraisal Division, LLC	(407) 531-5333	
McKissock Appraisal School	(814) 723-6979	www.mckissock.com
National Society of Real Estate Appraisers, Inc.	(859) 282-7677	
Redd, Brown & Williams Real Estate Services	(606) 789-8119	www.RBandW.com
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 (Certified General, Certified Residential & Licensed Real Property)	\$237.00
Renewal Fee (Associate)	\$212.00
Initial Inactive Status	\$50.00
Address Change	No charge
Address Change with new certificate	\$10.00
Letter of Good Standing	No charge
State Appraiser List	\$25.00
Continuing Education Course Approval	\$50.00
Pre-Licensing Course Approval	\$100.00
NSF 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.

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.

	December 16, 2005	February 24, 2006
November 18, 2005	January 27, 2006	March 24, 2006

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
May 2005	1 st Report - November 2005 2 nd Report - May 2006
June 2005	1 st Report - December 2005 2 nd Report - June 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
REVIEW REPORT ON THREE APPRAISAL REPORTS

I have been asked to review three appraisal reports and to report my findings in one appraisal review report. Does USPAP permit this?

RESPONSE TO QUESTION # 1

Yes. A single appraisal review assignment can include the review of several appraisal reports, with the assignment results presented in one appraisal review report. Similarly, a single appraisal report can provide assignment results for an appraisal that includes several properties.

QUESTION # 2
DON'T ACCEPT UNLESS YOU CAN APPRAISE FOR...

I received an appraisal order that says: "If you can't appraise the property for \$xxx,000, you must not accept the appraisal assignment." How should I respond to this appraisal order?

RESPONSE TO QUESTION # 2

Accepting such an assignment would violate the Management section of the ETHICS RULE, which states, in part:

It is unethical for an appraiser to accept an assignment, or to have a compensation arrangement for an assignment, that is contingent on any of the following:

1. *the reporting of a predetermined result (e.g., opinion of value);*
2. *a direction in assignment results that favors the cause of the client;*
3. *the amount of a value opinion;*
4. *the attainment of a stipulated result; or;*

5. *the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.*
(Bold added for emphasis)

You could respond to this request with the following statement: "I cannot accept the assignment with this condition because it violates professional ethics. You should be aware that I must develop the appraisal before I will know the results. I can only accept the assignment if you remove the predetermined value requirement."

Please refer to Advisory Opinion 19 *Unacceptable Assignment Conditions in Real Property Appraisal Assignments* for additional guidance on appraisal requests with conditions.

QUESTION # 3
IMPROVEMENT ONLY APPRAISAL

In a real estate appraisal, is it permissible to appraise only the improvements?

RESPONSE TO QUESTION # 3

Yes. Standards Rule 1-2 (e)(v) states that the subject of an assignment may be a physical segment of a property.

The subject of a real property appraisal is not required to include all of the physical parts of an identified parcel or tract of real estate. The subject of a real property appraisal can be all or any part of an improved or unimproved parcel or tract of identified real estate. For example, the subject of a real property appraisal could be a part of the land, the improvements on or to the land, or some other configuration within a parcel or tract of identified real estate.

Use of a hypothetical condition or extraordinary assumption is not necessary in the specific case of appraising the building component of an improved property, although one or both may be necessary in other specific cases.

QUESTION # 4
SUDDEN MARKET CHANGES RELATED TO CATASTROPHIC EVENTS

I live and work just outside the area recently devastated by Hurricane Katrina. My market area is

experiencing sudden changes in supply and demand, and real estate sales prices have climbed rapidly. Does USPAP provide advice to real estate appraisers on how to handle sudden market changes brought about by such catastrophic events?

RESPONSE TO QUESTION # 4

Although USPAP does not directly address the appraisal issues associated with catastrophic events, the following passages may be especially important in appraisals involving properties in markets that are changing rapidly, for any reason.

Standards Rule 1-2(e) requires an appraiser to identify economic attributes relevant to the subject property; Standards Rule 1-3(a) specifically requires analysis of supply and demand.

For Self-Contained and Summary Appraisal Reports, USPAP requires disclosure of "economic property characteristics relevant to the assignment." Market conditions (including sudden market changes related to catastrophic events) are "economic property characteristics," and so should be identified in the development of an appraisal and disclosed in the appraisal report.

Standards Rules 2-2(a)(v) and 2-2(b)(v) address the type and definition of value used in an assignment. The Comments to these Standards Rules state, in part:

Stating the definition of value also requires any comments needed to clearly indicate to intended users how the definition is being applied.

In cases of sudden market change, it would be necessary to specifically disclose such things as how the appraisal has addressed the motivation of buyers and sellers, supply and demand, the conditions of the sale (e.g. exposure in a competitive market), etc.

As noted in STANDARD 2, the content of all real property appraisal reports, "...must be consistent with the intended use of the appraisal..." In the case of a rapidly changing market, the report must have enough information to allow intended users to understand the market conditions and to use that information in their decision making.

QUESTION # 5

STATUS OF THE 2006 EDITION OF USPAP

When will the 2006 Edition of USPAP be available?

RESPONSE TO QUESTION # 5

The ASB is holding a public meeting on October 28, 2005 in Washington, DC. At this meeting, the Board will vote on the adoption of proposed modifications in USPAP as presented in the Exposure Draft released in July 2005.

Any changes approved at the October meeting will be incorporated into the 2006 USPAP, which is planned for publication in late January 2006.

QUESTION # 6

Should appraisers start using the 2006 USPAP in January 2006.

RESPONSE TO QUESTION # 6

NO. The current 2005 edition of USPAP is effective until June 30, 2006.

Although the 2006 USPAP will be available for review in January 2006, the ASB recognizes that the marketplace will need time to adjust to the changes. The 2006 USPAP will become effective on July 1, 2006.

QUESTION # 7

Why is the ASB changing the usual annual USPAP schedule?

RESPONSE TO QUESTION # 7

Since the Appraisal Standards Board began the process of considering changes to the 2005 USPAP, it has moved cautiously because of the degree of change and number of proposed edits. The ASB believes that providing a five month period between the publication and effective date will allow appraisers, the users of appraisal services, and regulators an opportunity to study and understand the 2006 USPAP. This meant that the traditional schedule for USPAP had to be modified.

QUESTION # 8

How long will the 2006 USPAP be effective?

RESPONSE TO QUESTION # 8

The 2006 USPAP will likely remain effective through the end of 2007 (i.e., for 18 months). The ASB anticipates converting to a two-year USPAP publication cycle in 2008.

QUESTION # 9

How can I learn more about the 2006 USPAP?

RESPONSE TO QUESTION # 9

Until the ASB votes on the proposed changes at its October 28, 2005 public meeting, interested parties can refer to the concept papers and Exposure Draft materials posted on The Appraisal Foundation website (www.appraisalfoundation.org).

Before the end of the year, the ASB will make materials available to describe the adopted changes to USPAP. The ASB will publish a series of informational brochures that answer questions that are likely to be of interest to specific groups. The ASB is considering brochures to address the specific concerns of such groups as residential appraisers, commercial appraisers, personal property appraisers, business appraisers, residential lenders, commercial lenders, and regulators. These materials are being developed as a supplement, and not a substitute, for a thorough examination of the 2006 USPAP.

WELCOME NEW APPRAISERS

Jason M. Adams	Certified General	Fairborn, OH
Stephen J. Barone	Certified General	Pittsburgh, PA
John R. Burwell	Associate	Crestwood, KY
Teresa Young Canter	Associate	Nicholasville, KY
Derek A. Cluck	Certified Residential	Evansville, IN
Stephanie M. Cornett	Associate	Lexington, KY
Eric Bradley Dierig	Associate	Florence, KY
Jonathan Disney	Associate	Lexington, KY
J. Stephen Douglass	Associate	Lexington, KY
Heather Marie Duncan	Associate	Middlesboro, KY
Frank Joseph Durso	Certified Residential	Austin, TX
Luzette R. Eaves	Certified General	Rochester, NY
Marjorie G. Gallagher	Certified Residential	Crestwood, KY
James P. Gibson	Associate	Versailles, KY
Wendy Yvette Gittens	Associate	Elizabethtown, KY
Donna S. Gorsick	Certified Residential	Chesapeake, VA
Kennith D. Green	Associate	Berea, KY
Joshua C. Hanes	Associate	Bowling Green, KY
Mark N. Harris	Certified General	Columbus, OH
Shawn W. Henson	Associate	Richmond, KY
Christopher Hook	Associate	Lexington, KY
Lori B. Humphries	Associate	Flemingsburg, KY
Darrin M. Ike	Certified General	Sidney, OH
Tom L. Johns	Licensed Real Property	Cincinnati, OH
Dawn R. Kinner	Associate	Paintsville, KY
Elizabeth A. Louis	Licensed Real Property	Cincinnati, OH
Allison R. Marcum	Associate	Lexington, KY
Jouett A. McDowell	Associate	Lexington, KY
Micki B. Mensch	Associate	Elizabethtown, KY
Herman Natwick	Certified General	Fargo, ND
Twinetta Jo Nusz	Associate	Shepherdsville, KY
Chad A. Ostertag	Associate	New Albany, IN
Pamela Owens	Associate	Covington, KY
John M. Petkovsek	Certified General	Evansville, IN
Shannon L. Powell	Associate	Lexington, KY
Charlotte T. Pyles	Associate	Frankfort, KY
Aaron James W. Reed	Associate	Winchester, KY
Erin H. Reed	Associate	Shelbyville, KY

Brian Sharp	Associate	Bowling Green, KY
Kyle James Sill	Associate	Georgetown, KY
Sherry Lynn Spalding	Associate	Crestwood, KY
Ena Hensley Thompson	Associate	Pikeville, KY
Donald B. Van Vliet	Certified Residential	Lawrenceburg, IN
Donna Johnson Walsh	Associate	Louisville, KY
John F. Watt	Certified General	Pittsburgh, PA
Billy T. Wilson	Certified Residential	Cincinnati, OH
Judith M. Woolfolk	Associate	Lexington, KY

RECLASSIFICATIONS

Robert Bitner	Certified Residential	Louisville, KY
Winston R. Burdette	Certified Residential	Danville, KY
Joan A. Davidson	Certified General	Ft. Mitchell, KY
Janice Elaine Evans	Certified General	Evansville, IN
Glenn T.H. Ferrin	Certified Residential	Winchester, KY
Lisa A. Keaton	Certified Residential	Walton, KY
Judith A. Trutter	Certified Residential	Cincinnati, OH

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 Nos 02-56 and 02-67

It was alleged the appraiser committed various and sundry violations of 324A.050 and USPAP in the performance of completing and reporting the above reference appraisal assignments.

The appraiser named as respondent in the two cases passed away on July 14, 2005. Therefore, the Board voted unanimously to close these matters and the decision, with reasoning, will be reported to The Appraisal Subcommittee.

Case No. 04-38

It was alleged that the appraisers failed to exercise due diligence in developing a real property opinion of value, communicated the results of the development in a manner considered misleading, and did not perform the assignment per recognized methods and techniques as required in USPAP.

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

Based upon mediation agreement the appraisers agreed to have a letter of admonishment be placed in the permanent file.

Case No. 04-54

It was alleged that the appraiser failed to analyze subject property characteristics and 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 matter was answered and the case investigated. The appraiser responded that the appraisal report originally completed versus the report submitted in the complaint were not one and the same. The appraiser submitted information to support the claim.

Finding no evidence to the contrary, by unanimous vote the Board voted to dismiss the case with leave to reinstate the matter if future findings warrant reopening the matter with information that was not available at the time of investigation.

Case No. 04-100

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.

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 No. 05-14

It was alleged that the appraiser, and supervising appraiser exercise negligence and incompetence when 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 appraiser's file data was sufficient to address the questions and concerns. Therefore, the appraisers 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 No. 05-17

It was alleged that the appraiser failed to analyze subject property characteristics and 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 matter was answered and the case investigated. The appraiser responded that the appraisal report originally completed versus the report submitted in the complaint were not one and the same. The appraiser submitted information to support the claim.

Finding no evidence to the contrary, by unanimous vote the Board voted to dismiss the case with leave to reinstate the matter if future findings warrant reopening the matter with information that was not available at the time of investigation.

Case No. 05-18

It was alleged that the appraiser failed to analyze subject property characteristics and 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 matter was answered and the case investigated. The appraiser responded that the appraisal report originally completed versus the report submitted in the complaint were not one and the same. The appraiser submitted information to support the claim.

Finding no evidence to the contrary, by unanimous vote the Board voted to dismiss the case with leave to reinstate the matter if future findings warrant reopening

the matter with information that was not available at the time of investigation.

Case No. 05-27

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 No. 05-28

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 No. 05-29

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 No. 05-30

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.

KENTUCKY REAL ESTATE APPRAISERS BOARD
2480 FORTUNE DRIVE, SUITE 120
LEXINGTON, KY 40509
PHONE (859) 543-8943 – FAX (859) 543-0028
WEBSITE: www.kreab.ky.gov

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The Kentucky Real Estate Appraisers Board is offering a continuing education seminar that will be held in three different locations throughout the state and consist of seven (7) hours of continuing education.

Registration fee for the seminar is \$125.00 in advance or \$150.00 at the door. There will be no refunds, but if you are unable to attend the seminar for which you are registered, if seating is available, you may apply the fee toward a different location (this year's seminar only). Lunch will be provided. The seminar will be held from 8:30 a.m. – 4:30 p.m.

with registration beginning at 8:00 a.m. KREAB reserves the right to deny continuing education credit to anyone arriving 15 minutes after the starting time. Early registration is recommended.

To register for the course, complete the registration form and return the form along with the fee of \$125.00 to the KREAB. Register early, seating is limited.

The KREAB course will not be a duplicate of any course offered by the KREAB.

	CITY	DATE	LOCATION
	BOWLING GREEN	January 20, 2006	Holiday Inn University Plaza 1021 Wilkinson Trace, Bowling Green, KY For reservations call: (270) 745-0088
	LEXINGTON	February 10, 2006	Holiday Inn North 1950 Newtown Pike – Exit 115 off I-75 Lexington, KY 40511 For reservations call: (859) 233-0512
	LOUISVILLE	March 10, 2006	Holiday Inn Hurstbourne 1325 S. Hurstbourne Parkway, Louisville, KY For Reservations call: (502) 426-2600

When making reservations, please mention that you are with the Kentucky Real Estate Appraisers Board group. Rooms will only be held for a certain period of time. Early registration is required to receive a discounted room rate.

NOTICE: If your registration form and fee are not received in this office prior to the seminar, you will be charged \$150.00

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2480 FORTUNE DRIVE, SUITE 120
LEXINGTON, KY 40509**