

Kentucky Real Estate Appraisers Board

QUARTERLY NEWSLETTER NO. 62 – JANUARY 2007

NEWS FROM THE EXECUTIVE DIRECTOR

BY: LARRY DISNEY

Larry Disney

Greetings and Happy New Year. On behalf of the Kentucky Board and staff I wish everyone a safe, healthy, and prosperous 2007.

During the past six months the Board and staff members have been very busy with preparations for the 2008 AQB criteria changes. Many of the inquiries and concerns involve questions similar to the following:

Education:

- 1. If Qualifying Education courses are taken under the current criteria content (prior to 2008) will credit also be awarded for 2008 education?**

The answer for the above question is not as easy as yes or no. In many cases the current criteria education will be recognized as credible education for 2008. However, each State appraiser regulatory agency will differ in the approval process, including the awarding of hours and recognition of certain subject topic contents. It is also possible that some content will be approved in one state, but not in another.

It is essential that anyone with questions about education approval call the state appraiser regulatory agency in the state for which he/she seeks approval prior to assuming that any education content will be considered credible for 2008.

- 2. What schools or education providers are offering education courses that will be approved for the 2008 criteria?**

While the Kentucky Board staff can tell a student the schools or providers that have courses approved, we cannot tell anyone when the courses are going to be offered. Although each provider and school is required to submit a listing with dates and location of classes, they typically do not do so until at minimum 30 days prior to the course offering. Therefore, it is best if students contact the schools directly and make inquiries.

- 3. Will an applicant for 2008 education content be permitted to take courses outside the state of Kentucky and receive credit for qualifying education?**

Yes. But, the following caveats must be met prior to Kentucky Board approval being granted for education that has not been previously approved by the Board. 1) The education offering must be approved by the appraiser regulatory agency in the State which the course is offered. 2) If the course is not approved by the Course Approval Program (CAP) of the Appraiser Qualifications Board (AQB) the applicant must present a complete course description, course time outline, a course topic matrix showing the number of hours covered for each required topic and content, and the course objectives. 3) The applicant must submit a satisfactory completion certificate that reveals the course was approved by the appraiser regulatory agency in the state which it was offered, that he/she not only completed the course, but also successfully completed the final examination, and the total number of approved credible hours.

- 4. Will an applicant for 2008 qualifying education content be permitted to take courses via distance delivery?**

Currently the answer is no. Distance education cannot be recognized for Kentucky qualifying

education credit, for either in-state or out of state applicants.

However, the Board has agreed unanimously to begin accepting distance education delivery courses for qualifying education classes, hopefully by July 1, 2007. The administrative regulations are now being written and will hopefully be approved by the appropriate legislative groups within the next 4 to 5 months.

5. Will the requirements for continuing education change?

There will be no change in required continuing education from the current 14 hour for each fiscal year renewal cycle.

However, two prominent changes will become effective in Kentucky for the following:

- a. Any Kentucky credential holder who obtains a credential between July 1 and December 31 will be required to complete 14 hour of continuing education before July 1 of the following year. (July 1, 2007 to December 31, 2007 will require CE completion prior to July 1, 2008.)

Any Kentucky credential holder who received an initial credential from January 1 to June 30 will be required to complete 14 hours of continuing education before July 1 of the following year. (January 1, 2008 to June 30, 2008 will require CE completion prior to June 30, 2009.)

- b. Up to **one half** of an individual's continuing education requirement may also be granted for participation, other than as a student, in appraisal educational processes and programs. Examples of activities for which credit may be granted are teaching, program development, authorship of textbooks, or similar activities that are determined to be equivalent to obtaining continuing education. Credit for instructing the same course or seminar can only be awarded one time within a three (3) year period.

Experience:

1. Will the Kentucky experience requirements change with the coming 2008 criteria?

Yes. Beginning at 12:00 am on January 1, 2008 Licensed Residential Real Property Appraisers who are currently licensed, or will be licensed after January 1, 2008, will not be permitted to supervise Associate Real Property appraisers.

For experience to be considered credible by the Kentucky Board, the experience claimed must have been completed after January 30, 1989 and must be compliant with the Uniform Standards of

Professional Appraisal Practice effective as of the date listed for each assignment presented.

Examination:

1. Will the qualifying examination requirements change with the 2008 criteria?

Yes.

Beginning at 12:00 am on January 1, 2008 all state appraiser regulatory agencies will be required to administer a revised qualifying examination that is being developed and approved by the Appraiser Qualifications Board for both the licensed and the two certified appraiser credentials.

Hopefully, the Appraiser Qualifications Board (AQB) will soon make available information to the appraiser regulatory agencies about the availability of the examination. Upon receiving that information, the Kentucky Board will make it available via the Board web-site and the newsletter.

Both the current and the 2008 criteria requirements will permit appraiser regulatory agencies to recognize successful examination results for two (2) years. If, after two (2) years from initially passing the examination an applicant has not met all requirements necessary for receiving a credential (including agency approval), that applicant must re-take the examination.

Training Status:

1. Is it required now, or will it be in 2008, that a Kentucky Associate Real Property Appraiser applicant complete experience or an examination prior to receiving that credential?

No.

Currently the only requirement for earning the Kentucky Associate credential is to complete 75 hours of education content, including 15 hours of basic income appraising, and the 15 hour National USPAP course.

In 2008 the Kentucky education requirements for Associate will increase from 75 to 90 hours. But, instead of simply measuring the education in hours completed there will also be specific required course topics and contents, including 30 hours of basic appraisal principles, 30 hours of basic appraisal procedures, 15 hours of national USPAP, and Kentucky applicants must also complete 15 hours of basic income property appraising.

Therefore, beginning at 12:00 am on January 1, 2008 instead of the current required 75 hours, Kentucky applicants for Associate Real Property

Appraiser will be required to complete 90 hours of education topic content.

There is not now, and will not be in 2008, a requirement for a Kentucky Associate applicant to complete qualifying experience or a qualifying examination prior to receiving the credential.

The Kentucky Board has a frequently asked questions publication on the website at www.kreab.ky.gov that will address many of the questions for education, experience and examination. The advisories list both the current and the 2008 criteria requirements for obtaining a real property appraiser credential in Kentucky.

CHANGE IN THE LICENSED REAL PROPERTY APPRAISER CREDENTIAL REQUIREMENTS FOR KY

Because of the many changes that will be brought forth by the 2008 AQB criteria requirements, the Board and staff have been busy reviewing current statutes and regulations.

One area of concern that propelled the 2008 criteria into its current content was national testimony from the users of appraisers' services that since the inception of Title XI and appraiser regulation the quality of appraisals, appraisal reports and the competency of appraisers, especially for residential assignments, was troubling.

Also, in recent years many of the professional appraisal organizations, lenders, government agencies, and individual appraisers who complete and receive appraisal assignments nationally, offered testimony that the State appraiser regulatory agencies are not consistent when granting reciprocity agreements, if they do at all.

In a quest to be more consistent and in an attempt to understand the reciprocity inconsistencies, the Kentucky Board and staff initiated discussions with many state appraiser regulatory agencies, including agencies in the states surrounding Kentucky.

The number one issue that surfaced when the differences and concerns of reciprocity were discussed was the Licensed Real Property Appraiser credential and how it could be effectively regulated.

During the Kentucky Board investigations into the matter it was discovered that some appraiser regulatory agencies will eliminate the Licensed Real Property Appraiser credential altogether. Others have created a much greater expectation for earning the credential, while others have refused to recognize reciprocity with another states Licensed Residential Appraisers.

The Kentucky Real Estate Appraisers Board believed this matter had to be addressed, especially with the pending 2008 criteria beginning January 1, 2008. Therefore, the Board voted unanimously at the December 15, 2006 meeting to take the following action.

1. Beginning December 15, 2006 the Kentucky Board will not grant recognition by reciprocity the credential of Licensed Real Property Appraiser to any appraiser who resides in another state.
2. Beginning at 12:00 am on July 1, 2007 the Kentucky Board will not renew the credential of any Licensed Real Property Appraiser who holds that credential by reciprocity, and resides in another state.

The Board action will not impact Kentucky residents who currently hold the Licensed Real Property Appraiser credential. Kentucky residents will continue to be renewed for that credential for so long as they remain in good standing with the Kentucky Board statutes and regulations that govern real property appraising.

Also, the Kentucky Board decision does not impact a resident from another state who is currently credentialed as a certified residential or general real property appraiser in Kentucky by reciprocity so long as he/she remains in good standing with the Kentucky Board statutes and regulations that govern real property appraiser regulation.

The decision will not impact a resident from another state who applies by reciprocity for the Certified Residential and Certified General credential in the future, provided he/she is in good standing with their home state and who meets the Kentucky statutes and regulations that apply to real property appraiser regulation.

NATIONAL USPAP UPDATE CLARIFICATION

- The 7 hour National USPAP Update course must be completed every two years.
- The 15 hour National USPAP course **will not** meet the requirements for the 7 hour National USPAP Update. The 15 hour course may be completed for continuing education credit but will not apply for the 7 hour National USPAP Update requirement.
- The 7 hour National USPAP Update course **can be** completed every year.
- Anyone licensed before July 1, 2006 will be required to complete the 7 hour National USPAP Update course by June 30, 2007. The course must have been completed from July 1, 2005 – June 30, 2007.
- The completion date of the National USPAP Update course will determine the next fiscal year when the course is to be completed.

Example:

| If your Last National USPAP Update was completed within the following cycles: | You must complete your next 7 Hour USPAP Update no later than the following dates: |
|--|---|
| July 1, 2005 – June 30, 2006 | June 30, 2008 |
| July 1, 2006 – June 30, 2007 | June 30, 2009 |
| July 1, 2007 – June 30, 2008 | June 30, 2010 |

EDUCATION NOT APPROVED BY THE KREAB

Anyone who requests education approval for a course not approved by the KREAB must submit a course description, course time outline, and if taken outside the State of Kentucky, a completion certificate indicating approval by the appraiser regulatory agency in the State where the course was offered.

CHANGE IN CONTINUING EDUCATION REQUIREMENT

CONTINUING EDUCATION REQUIREMENT BEGINNING JULY 1, 2007 FOR ALL INITIAL KENTUCKY CREDITIAL APPLICANTS

- Anyone receiving a new license between the dates of July 1, 2007 – December 31, 2007 will be required to obtain 14 hours of continuing education by the renewal date of June 30, 2008.
- Anyone receiving a new license between the dates of January 1, 2008 – June 30, 2008 will not be required to obtain 14 hours of continuing education for the renewal date of June 30, 2008 renewal date but will be required to obtain the 14 hours by June 30, 2009.

This change only affects individuals that are licensed in the first six months of a renewal cycle.

KENTUCKY REAL ESTATE APPRAISERS BOARD

BOARD MEMBERS

Russell Sloan, Chair – Appraiser Member
Dorsey Hall, Vice Chair – Banking Member
Loren Huff - Consumer Member
J.W. Grabeel - Appraiser Member
Theresa Marshall – Banking Member

STAFF

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
2624 Research Park Drive, Suite 204, Lexington, KY 40511
Telephone: (859) 543-8943 – Fax: (859) 543-0028
Website: www.kreab.ky.gov

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 move 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. The requests for 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, worked two years in a real property appraiser’s office without applying for an Associate Real Property Appraiser License. On July 1, 2006 the individual filed 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 Requirements¹ | 1/1/08 Requirements^{1 2} | 1/1/08 College-Level Course Requirements³ |
|-----------------------|---|--|--|
| 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 tojohn@appraisalfoundation.org or by phone at (202) 624-3044.

APPRAISER LICENSE STATISTICS - As of January 17, 2007

| LICENSEES | NO. | INACTIVE STATUS | NO. |
|------------------------|-------------|------------------------|------------|
| Certified General | 498 | Certified General | 19 |
| Certified Residential | 789 | Certified Residential | 42 |
| Licensed Real Property | 107 | Licensed Real Property | 4 |
| Associate | 429 | | |
| TOTAL | 1823 | | 65 |

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.

**Attention all Kentucky Licensed and Certified
Real Property Appraisers,
The USPAP effective date cycles are:**

- ◆ 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 per the Appraisal Standards Board advisory.

KREAB 2007 SEMINARS

The Board is offering a 7 hour continuing education course on February 28th in Bowling Green, March 30th in Louisville and April 27th in Lexington.

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!!!!

The Board will be conducting a Board meeting at the same location of the seminars. The Board meetings will be held the day before each seminar and is scheduled to begin at 1:00 p.m.

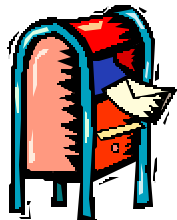
SUMMARY OF CASES

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 is 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 | 48 | 67 | 1 |
| 2002 | 82 | 23 | 55 | 78 | 4 |
| 2003 | 115 | 57 | 54 | 111 | 4 |
| 2004 | 110 | 61 | 40 | 101 | 9 |
| 2005 | 84 | 35 | 22 | 57 | 27 |
| 2006 | 58 | 20 | 11 | 31 | 27 |
| 2007 | 1 | 0 | 0 | 0 | 1 |
| TOTALS | 744 | 299 | 372 | 671 | 73 |

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



**Kentucky Real Estate Appraisers Board
2624 Research Park Drive, Suite 204
Lexington, KY 40511**

Fax: (859) 543-0028

“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 23(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 Kentucky Board for a period of one (1) year, be in good standing with the Kentucky 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 the first six (6) months and at the end of the first twelve (12) months of initial license 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 the description 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 give the associate credit in the certification for significant professional assistance is a violation of the USPAP and could result in a sanction by the Board.

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 moving to another credential. 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. ***But, continuing education courses absent successful completion of an examination 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 the course. However, a pre-licensing course taken by an individual who does not take the test, or failed the test, can receive continuing education credit only.

WHO NEEDS CONTINUING EDUCATION?

There still seems to be some confusion with regard to who is 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. Our fiscal year runs from July 1st through June 30th. If your licensure/certification renewal 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 move to another credential during the fiscal year, your first original license issue date is the basis date for renewal. Any questions, please call the Board office.

Beginning July 1, 2007, anyone receiving a new license between the dates of July 1, 2007 – December 31, 2007 will be required to obtain 14 hours of continuing education by the renewal date of June 30, 2008. This

change only affects individuals that are licensed in the first six months of a renewal cycle (July – December).

Also, it's a lot easier if you will complete 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 wish to mail the renewal fee and form early, you may do so but include a note with the form stating when the courses will be taken. The Board must receive payment and proof of education by July 1st to avoid a late renewal charge.

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

APPROVED EDUCATION

**Please Refer To The KREAB Website For Information On Education.
(Please read carefully the education information regarding the courses approved through the AQB)**

WWW.KREAB.KY.GOV

KREAB 2007 SEMINARS

The Board is offering a 7 hour continuing education course on February 28th in Bowling Green, March 30th in Louisville and April 27th in Lexington.

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!!!!

The Board will be conducting a Board meeting at the same location of the seminars. The Board meetings will be held the day before each seminar and is scheduled to begin at 1:00 p.m.

**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;

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 moving 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 a 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 MOVING A LICENSE OR CERTIFICATION
PRIOR TO THE 2008 CRITERIA CHANGES**

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 MOVING 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 MOVING 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 MOVING 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 MOVING 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 successful completion of a closed book exam at the end of the course.

Report requirements for submission:

1. Reports submitted for experience credit must be true 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 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 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.

After submitting the experience log, sample of reports will be requested from the log.

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.

| | | |
|---|-----------------------------------|---------------|
| January 26, 2007 | March 29, 2007* Louisville, KY | May 25, 2007 |
| February 27, 2007* Bowling Green, KY | April 26, 2007 | June 22, 2007 |

PLEASE MAKE NOTE, THESE REQUIREMENTS FOR UPGRADING ARE ONLY APPLICABLE UNTIL DECEMBER 31, 2007. EDUCATION CHANGES WILL BE EFFECTIVE JANUARY 1, 2008.

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

RECIPROCAL STATES & TELEPHONE NUMBERS

| | | | |
|---------------|----------------|----------------|----------------|
| Alabama | (334) 242-8747 | New York | (518) 473-2728 |
| Arizona | (602) 542-1539 | North Carolina | (919) 420-7920 |
| California | (916) 552-9000 | 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

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.

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 blindsided by not activating your status in a timely fashion.

| YEAR LICENSED PLACED INACTIVE: | LICENSE MUST BE ACTIVATED BY: |
|---------------------------------------|--------------------------------------|
| July 1, 2004 | June 30, 2007 |
| July 1, 2005 | June 30, 2008 |
| July 1, 2006 | June 30, 2009 |

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.

*For further information regarding USPAP Q&A, please contact: **John S. Brennan**, Director of Research & Technical Issues.*

*The Appraisal Foundation
1029 Vermont Avenue, NW, Suite 1900
Washington, DC 20005
(202) 624-3044
(202) 347-7727 Fax*

QUESTION # 1

Identification of Intended Users

I know that it is my responsibility to identify the intended users when I perform an assignment.

USPAP defines “intended user” as *the client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client.*

However, I need clarification regarding whether certain parties should automatically be considered intended users in certain circumstances described below.

- A. If I perform an appraisal for estate tax purposes and the client will provide my report to the IRS with her tax return, must the IRS be identified as an intended user in this situation?
- B. I have been hired by an attorney representing a husband in a divorce to appraise certain assets held in the marital estate and to appear as an expert witness. I know my report will go to the court as well as to the parties on the other side of the litigation. Must the court and/or the parties on the other side of the litigation be identified as intended users?
- C. I frequently perform appraisals for purposes of purchase price allocation. The corporation that is my client will use the values for financial reporting purposes. My reports are provided to the auditors of the corporations for their review as part of the audit process. In such cases, must the auditors be identified as intended users?
- D. I am appraising a property for a regulated lender. I know that my appraisal will be reviewed by the banks outside auditors and the OCC reviewers. Must the auditors and OCC reviewers be identified as intended users?

RESPONSE TO QUESTION # 1

No. Intended users are identified by the appraiser through communication with client and are not established based on who might receive or use the report.

The definition of “intended user” has a specific meaning in USPAP. In the context of the USPAP definition of intended user, the fact that the IRS, the court, an independent auditor, or the OCC in the above cases use your report for review, audit, or other purposes does not automatically make them intended users. These parties receive the report through established processes of disclosure or regulation.

One way to understand the concept is to think about what the *intended use* for each party. The appraiser must identify both the intended users and the intended use is of the appraisal, because these two factors affect many elements of the appraisal assignment, such as the appropriate scope of work and the appropriate type of report.

In each case, the use of the report by these other parties is different from the *intended use* the appraiser identified, which was related to the client’s use. Such other parties may be evaluating the decision made by the appraiser’s client to obtain an appraisal, as well as the appraisal results, and other matters of which the appraiser may not be aware. As an example, the client filing the estate tax return is using the appraisal as an indication of the amount to state on the tax form. However, the IRS may “use” the appraisal report to determine whether the value reported on the tax return is adequately supported, whether they agree with the value, and/or whether they should challenge the taxpayer because they disagree with the value.

As indicated in Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended User*,

Parties who receive a copy of an appraisal, appraisal review, or appraisal consulting report as a consequence of disclosure requirements applicable to an appraiser’s client do not become intended users of the report unless they were specifically identified by the appraiser at the time of the assignment.

QUESTION # 2

Trainee Access to Workfiles

I am a trainee appraiser and have been working with the same supervising appraiser for some time. Recently, my supervising appraiser told me that since I was only a trainee, I had no right to access workfiles on appraisals where I provided significant professional assistance. Is my supervising appraiser correct? Do trainees have no rights regarding access to workfiles?

RESPONSE TO QUESTION # 2

As background, USPAP places workfile retention requirements on the appraiser. In assignments where more than one appraiser is involved (e.g. a trainee appraiser and a supervising appraiser) each appraiser shares responsibility for complying with the Record Keeping section of the ETHICS RULE.

Supervising appraiser should be aware that all appraisers, including “trainee appraisers,” must maintain access to workfiles for a minimum of five years. A supervising appraiser must not impede a trainee appraiser’s ability to access workfiles. Denying access to workfiles is a violation of the ETHICS RULE.

This Rule specifies the personal obligations and responsibilities of the individual appraiser. However, it should also be noted that groups and organizations engaged in appraisal practice share the same ethical obligations.

QUESTION # 3

Updating a Prior Assignment with a Different Scope of Work

Several months ago I appraised a property using only a sales comparison approach. My client is now asking that I perform an update of my prior appraisal, but they now want me to include a cost approach. Does USPAP allow me to do this?

RESPONSE TO QUESTION # 3

Yes. “Update” is a business term; under USPAP, the second assignment from the same client is a new assignment with its own scope of work and the requirement to produce credible assignment results. Advisory Opinion 3, *Update of a Prior Appraisal*, states, in part:

*When developing an opinion regarding a property that was the subject of a previous assignment, the scope of work in the **new assignment** may be different from the scope of work in the prior one. (Bold added for emphasis)*

Therefore, the new assignment can be performed with a scope of work greater than that performed in the original assignment.

QUESTION # 4

Disclosure of the Intended User in a Report

USPAP requires that each appraisal review, or appraisal consulting report state the intended users of the assignment results. How can one determine if the intended user statement in a report is adequate?

RESPONSE TO QUESTION # 4

USPAP requires disclosure of the intended users in order to ensure that:

1. The client and any other intended users can recognize their relationship to the assignment and report; and
2. Unintended users will not be misled by “putting them on notice” that they are neither the client nor an intended user.

Therefore, the statement regarding the intended users must be sufficient to accomplish these objectives. The appraiser is not obligated to identify an intended user by name. If identification by name is not appropriate or practical, the appraiser may identify an intended user by type.

STATEMENT 9, *Identification of Intended Use and Intended Users*, provides an example of a statement that may be appropriate for inclusion in a report:

This report is intended for use only by (identify the client) and (identify any other intended users by name or type). Use of this report by others is not intended by the appraiser.

QUESTION # 5

Disclosure of the Intended Use in a Report

USPAP requires that each appraisal, appraisal review, or appraisal consulting report state that intended use of the assignment results. How can one determine if the intended use statement in a report is adequate?

RESPONSE TO QUESTION # 5

USPAP requires disclosure of the intended use to avoid misleading parties in possession of an appraisal, appraisal review, or appraisal consulting report. For additional clarity, one might also state that other uses are not intended. The use description provided in the statement must be specific to the assignment.

STATEMENT 9, *Identification of Intended Use and Intended Users*, provides an example of a statement that may be appropriate for inclusion in a report:

This report is intended only for use in (describe the use). This report is not intended for any other use.

QUESTION # 6

Personal Property Appraisal Requirements

I’m a personal property appraiser and I’ve been asked to donate my professional services to help raise funds for a charitable organization. The charity wants to hold an event where anyone can bring in their personal property items and, for a nominal fee (paid to the charity), receive my opinion as to the value of their item(s). This appears to be

similar to television shows where people bring in their personal items to be valued. If I decide to participate, would my opinions be considered appraisals and if so, how could I comply with USPAP in performing these assignments?

RESPONSE TO QUESTION # 6

USPAP defines “appraisal” as:

The act or process of developing an opinion of value; an opinion of value.

Therefore, the opinions you described would be appraisals.

To comply with USPAP, a personal property appraiser would have to comply with the requirements of STANDARD 7 and STANDARD 8, in addition to the applicable rules (e.g. ETHICS RULE, COMPETENCY RULE). This means the appraiser would have to perform the level of research and analyses required to produce credible assignment results (given the intended use). Since the appraiser would be communicating the appraisal as an oral report, the report must address (to the extent that it is both possible and appropriate) the substantive matters of a Summary Appraisal Report. In addition, the appraiser would have to prepare a workfile as required by the Record Keeping section of the ETHICS RULE.

These television shows may make it appear that the appraiser is providing his or her appraisal “off the cuff” and not in compliance with USPAP. However, it is more likely the appraiser has been provided with the personal property item to be appraised prior to the actual taping of the show. The appraiser may also be providing the property owner with a written appraisal report; although it may not be discussed during the television show. Therefore, it is possible the appraiser is rendering a USPAP-compliant appraisal and report, even if it does not appear that way during the airing of the show.

QUESTION # 7

Appraisal Fee Paid at Close of Financing Transaction

I have a potential lending client that wants to arrange for my appraisal fees to be paid at the closing of each financing transaction. Does USPAP permit this fee arrangement?

RESPONSE TO QUESTION # 7

USPAP does not address the time frame for payment of fees. In the situation described there must be a clear agreement that the fee cannot depend on the closing of the financing transaction. Accepting an assignment where the appraisal fee is paid only upon successful closing of the transaction is a violation of the Management section of the ETHICS RULE:

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 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)***

One way appraisers can avoid any ambiguity is by having a written agreement with the client detailing the manner in which the appraisal fee will be paid if the transaction does not close.

QUESTION # 8

“Discounted” Appraisal Fees

It is a violation of USPAP to offer reduced appraisal fees for clients that send me a large volume of business? Could I also offer a discount for the method of payment, such as collecting the fee from the borrower at the time of inspection?

RESPONSE TO QUESTION # 8

As appraiser may establish his or her fees based on a number of factors, including the amount of business received, business relationships, method of payment, client-specific requirements, etc. However, appraisers must ensure that they comply with the Management section of the ETHICS RULE.

QUESTION # 9

Client Approval for Future Assignments

Some of my clients include a condition in engagement correspondence that addresses future assignments for the same subject property. Specifically, my acceptance of the assignments requires that I agree to obtain client approval before I accept future assignments related to the subject from another party. Advisory Opinion 27, *Appraising the Same Property for a New Client*, states that USPAP does not require a release for future assignments related to the subject?

RESPONSE TO QUESTION # 9

Yes. Appraisers are often subject to agreements that exceed the requirements of USPAP. These additional client requirements are permissible so long as they do not conflict with the requirements of USPAP. Although USPAP does not require obtaining approval from a prior client before accepting an assignment to appraise the same property for a new client, a client can establish such a requirement.

QUESTION #10

Communicating Assignment Results Without a Written Report

My clients sometimes want me to communicate assignment results verbally, instead of issuing a written appraisal report. Does USPAP allow me to do this?

RESPONSE TO QUESTION #10

Yes. USPAP defines “report” as follows:

*Any communication, written or **oral**, of an appraisal, appraisal review, or appraisal consulting service that is transmitted to the client upon completion of an assignment. (Bold added for emphasis)*

Therefore, verbally communicating assignment results constitutes an oral report under USPAP. The use of an oral report must be appropriate given the intended use of the assignment results, and the report must comply with the applicable reporting requirements (i.e. Standards Rule 2-4, 3-4, 5-4, 8-4 and 10-4). The Record Keeping section of the ETHICS RULE also requires that the appraiser’s workfile for an oral report include a summary of the oral report and a signed and dated certification.

The Q&A’s shown below appear in our 2006 *Frequently Asked Questions* publication. They have been reprinted here because they are questions which continue to be asked on a regular basis. Additional questions may be reprinted in future months. The 2006 *Frequently Asked Questions* publication is available for purchase from The Appraisal Foundation at a cost of \$20.00 for a hard copy or \$14.95 for an electronic PDF file.

QUESTION #11

CONFLICTS OF INTEREST

The principals of a local mortgage company propose to acquire an appraisal firm and have the appraisal firm complete assignments for the mortgage company. Is this a conflict of interest for the appraisers completing assignments for the mortgage company?

RESPONSE TO QUESTION #11

An appraiser should review the ETHICS RULE and Standards Rule 2-3 when completing appraisal assignments in situations where the appraisal company that engages (by employment or contract) the appraiser is owned by the client.

It is important to note that USPAP does not prohibit the acceptance of an assignment in this specific situation. In an appraisal assignment developed under STANDARD 1 and reported under STANDARD 2, an appraiser must specify the particulars in a situation where he or she has any present or prospective interest with respect to the parties involved in the property that is the subject of the report.

The engagement of an appraiser by an appraisal company that is owned by the client or by owners of the client does not, in and of itself, mean that the appraiser has an interest or bias with respect to the property or properties involved. If the appraiser has an interest but could provide the service

in an ethical, unbiased manner the appraiser could accept the assignment as long as the appraiser was competent and properly disclosed the interest in accordance with Standards Rule 2-3.

If the appraiser’s interest in the property or the parties involved in the assignment prevented the appraiser from providing an unbiased service, then the appraiser should not accept the assignment for it would be in violation of the ETHICS RULE and parts of the appraiser’s certification in Standards Rule 2-3.

QUESTION #12

SAMPLE APPRAISALS AND THE ETHICS RULE

I am a fee appraiser currently seeking to get on the approved list for a local mortgage company. In order to be considered for approval, this lender requires appraisers to provide sample appraisal reports performed within the past year. Is there a way that I can accomplish this without violating USPAP?

RESPONSE TO QUESTION #12

In order to provide his information an appraiser must satisfy the Confidentiality section of the ETHICS RULE. This section states:

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

An appraiser must act in good faith with regard to the legitimate interests of the client in the use of confidential information and in the communication of assignment results.

An appraiser must be aware of, and comply with, all confidentiality and privacy laws and regulations applicable in an assignment.

An appraiser must not disclose confidential information or assignment results prepared for a client to anyone other than the client and persons specifically authorized by the client; state enforcement agencies and such third parties as may be authorized by due process of law; and a duly authorized professional peer review committee except when such disclosure to a committee would violate applicable law or regulation.

The Comment further explains that if all essential elements of confidential information a removed through redaction or the process of aggregation, client authorization is not required for the disclosure of the remaining information, as modified.

The appraiser in this case has three options:

1. Turn down the request to provide the information, or
2. Secure a release from the client of each sample appraisal report, or

3. Provide sample reports, but redact all information that should not be provided to anyone other than the client, such as confidential information or assignment results.

QUESTION #13

RESPONSIBILITY FOR WORKFILE RETENTION

- a) Jim, an independent contractor, works for my appraisal company on a regular basis. I have always kept all appraisal file documentation (including hard copies of appraisal reports, field notes, drawings, etc) at my office. Now Jim wants to keep the files relating to his work in his own possession. Under USPAP, which appraiser should keep the workfile?
- b) Is the Record Keeping section of the ETHICS RULE upheld if an institutionally employed appraiser ensures that his organization retains copies of his appraisal work for five years? Or, must the appraiser also maintain a personal file of all work performed?
- c) A client's attorney requested that I supply all of my files/records regarding an assignment. Can I do this and still be in compliance with the record keeping requirements of USPAP? Also, what must I retain in my files as proof that the files are now the responsibility of the attorney? Will a simple letter from the client be sufficient?

RESPONSE TO QUESTION #13

According to USPAP, the **appraiser**, not the appraiser's employer or client, is ultimately responsible for the retention of the workfile for the prescribed period. (See Record Keeping section of the ETHICS RULE.)

An appraiser who is employed by, or works in conjunction with, another party must make arrangements with that party to protect and preserve the workfile, and to allow the appraiser to make the workfile available to other parties (e.g., State Appraisal Boards and such representatives) when required by due process of law.

There are a number of ways an appraiser who works for or with another party can ensure that files are retained so that the appraiser can have access to the files to meet the requirements of the ETHICS RULE. For example, an appraiser and his employer or colleague may agree that the files will remain in the employer's or colleague's custody for the duration of the requisite period and that the appraiser will have access to those files, if needed.

USPAP does not dictate the form, or workfile documentation. It is not necessary to include original documents in the file; photocopies and electronic files are acceptable as "true copies." Because there have been cases where employers and others have denied appraisers access to workfiles, an appraiser may wish to make and retain copies of workfiles. However, USPAP does not address any specific manner by which an employer or contractor and appraiser should handle record retention. This is a business matter, which should be arranged in the context of the employer-or contractor-appraiser relationship.

By the same token, providing the workfile to a duly authorized party, such as a client's attorney, is permitted by USPAP. However, this does not relieve the appraiser of the responsibility for that workfile. At no time may an appraiser abdicate his or her responsibility for a workfile. Therefore, when an appraiser relinquishes possession of a file to a client or the client's representative, the appraiser should retain either a copy of the workfile or a written reference to an agreement with the client that the appraiser will have access to the workfile, if the need arises.

QUESTION #14

APPRAISAL MANAGEMENT COMPANY AS AUTHORIZED AGENT FOR A CLIENT

I accept assignments from an Appraisal Management Company (AMC) that has informed me they are an authorized agent for the lenders they represent. The AMC does not want me to list their name as the client, and asks that I only list the name of the lender that are representing. USPAP says the appraiser's client is the party who engages the appraiser. Is it ethical to omit the AMC's name as the client on my reports?

RESPONSE TO QUESTION #14

Yes. If the AMC is acting as a duly authorized agent for a lender, identifying only the lender's name as your client is acceptable.

QUESTION #15

SUBSEQUENT USER REQUESTS A "RELiance LETTER"

I delivered an appraisal report to my client. A week later, an entity other than one of the identified intended users contacted me and asked that I provide a "reliance letter," enabling them to rely on the appraisal report for their own investment use. My client says they have no problem with my doing that. Can I provide this entity with such a letter, even though I had not originally identified them as an intended user?

RESPONSE TO QUESTION #15

No. You cannot add what is effect a new "intended user" after the completion of an assignment, no matter what terminology you use.

USPAP defines Intended User as:

The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment. (Bold added for emphasis)

The proper way to handle this is to initiate a new assignment with this entity as the client and provide them an appraisal, being careful to develop an appropriate scope of work consistent with their own intended use.

This new assignment could be based on virtually the same data and analysis, and the value conclusion might be the same. However, in the new assignment you must consider the assignment elements most appropriate to the scope of work for that client and the assignment, which could well be different from those of your prior client.

QUESTION #16

PURCHASE CONTRACT IS NOT PROVIDED TO THE APPRAISER

I was recently engaged to conduct a market value appraisal of a one-to-four unit residential property. The intended use of this appraisal is to assist the client in analyzing the loan collateral associated with the property's purchase. I requested a copy of the purchase contract from the client, but they refused to provide it although they acknowledged that a contract for purchase of the property in fee simple exists. They did, however, provide a sale price orally. Can I continue this assignment, without the purchase contract, and comply with USPAP?

RESPONSE TO QUESTION #16

Yes, you can complete the assignment in compliance with USPAP. However, you will need to ensure compliance with Standards Rule 1-5(a) in developing the appraisal, and with Standards Rule 2-2(a)(viii), (b)(viii), or (c)(viii), as applicable to the type of appraisal report determined most appropriate, given the intended users, in reporting the assignment results.

Standards Rule 1-5(a) states:

When the value opinion to be developed in market value, an appraiser must, if such information is available to the appraiser in the normal course of business:

(a) analyze all agreements of sale, options, or listings of the subject property current as of the effective date of the appraisal;

The Comment to Standards Rule 1-5 states:

See the Comments to Standards Rules 2-2(a)(viii), 2-2(b)(viii), and 2-2(c)(viii) for corresponding reporting requirements relating to the availability and relevance of information.

For example, the corresponding reporting requirements in Standards Rule 2-2(a)(viii), in the Comment, are, in part:

...If such information is unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required.

Complying with these Standards Rules ensures that the existence and unavailability of the purchase contract is appropriately disclosed, and intended users will not be misled as to how this situation was handled in the analysis and report.

QUESTION #17

UPDATE OF AN APPRAISAL COMPLETED BY ANOTHER APPRAISER

I was recently asked to update an appraisal performed by another appraiser who works for a different appraisal company. Can I prepare an update if the original appraisal was performed by another appraiser?

RESPONSE TO QUESTION #17

Yes, Advisory Opinion 3, *Update to a Prior Assignment*, provides advice on how such an assignment can be performed in compliance with USPAP.

WELCOME NEW APPRAISERS

| | | |
|------------------------|------------------------|------------------|
| Brandi L. Adams | Certified Residential | Bardstown, KY |
| Jon Archiable | Licensed Real Property | Cincinnati, OH |
| James Brian Banks | Certified Residential | Houston, TX |
| Craig S. Benton | Certified General | Atlanta, GA |
| Laura E. Bonner | Licensed Real Property | Cincinnati, OH |
| Bruce D. Burriss | Certified General | Westerville, OH |
| Ken Carroll | Associate | Wilder, KY |
| Marina S. Cawood | Associate | Middlesboro, KY |
| Roy Louis Cheaney | Certified Residential | Evansville, IN |
| Jason E. Combs | Associate | Lexington, KY |
| Brian M. Delman | Certified Residential | Palm Springs, CA |
| Brian M. Dobson | Associate | Louisville, KY |
| Charles J. Evans | Associate | Flat Lick, KY |
| Frank A. Fehribach | Certified General | Dallas, TX |
| Emmitt L. Ford | Certified General | Vandalia, OH |
| Jeb S. Fuller | Certified General | Marietta, GA |
| Alisha M. Gammon | Associate | Nashville, TN |
| Matthew Hale | Associate | Prestonsburg, KY |
| Amanda S. Harbison | Associate | Louisville, KY |
| Michael D. Harness | Associate | Florence, KY |
| Byron Hendrickson | Certified Residential | Mayfield, KY |
| Beth Ann Hoffman | Certified General | Huntsville, AL |
| Catherine K. Hollowell | Licensed Real Property | Hamilton, OH |
| Joe Huffman | Certified General | Holt, MO |
| Russell Lee Hughes | Certified General | Edwardsville, IL |
| Jimmie Johnson | Certified Residential | Indianapolis, IN |
| Kay C. Kauchick | Certified General | Lutz, FL |
| Paul Kumar | Certified Residential | Evansville, IN |
| Debra Fister McGinty | Certified Residential | Lexington, KY |
| K. Michael Meadows | Certified Residential | Somerset, KY |
| Marc C. Muncy | Associate | Richmond, KY |
| Stacey Nicholas | Certified General | LaGrange, KY |
| Beth A. Riggs | Certified General | Cincinnati, OH |
| Christine A. Sandusky | Licensed Real Property | Loveland, OH |
| Pamela Slone | Associate | Cynthiana, KY |
| Jeffrey J. Thiemann | Certified General | Cincinnati, OH |
| Carl Russell Thornton | Certified General | Houston, TX |
| Gerald A. Tout | Certified General | Westerville, OH |
| Mark T. Watson, II | Certified General | Brentwood, TN |
| Glenn D. Wilson | Certified Residential | Louisville, KY |

RECLASSIFICATIONS

| | | |
|----------------------|------------------------|--------------------|
| Andrew N. Alexander | Certified Residential | Richmond, KY |
| Benjamin Bolinger | Certified Residential | Hopkinsville, KY |
| Jeff Burchett | Certified Residential | Jeffersonville, KY |
| Eric R. Fegan | Certified Residential | Wilder, KY |
| Casey Gamero | Certified Residential | Pekin, IN |
| John Matthew Leggett | Certified Residential | Louisville, KY |
| Mary K. Minko | Certified Residential | Lexington, KY |
| David Morris | Certified Residential | Mayfield, KY |
| Andrew G. Quiggins | Certified Residential | Louisville, KY |
| Anthony J. Sickles | Licensed Real Property | Mt. Washington, KY |

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.

DISCIPLINARY ACTIONS

| Case No. | Agreed Order | Dismiss | Dismiss with a letter of advice | Letter of Admonishment |
|--|---|---|--|-------------------------------|
| 02-63 | X Education | | | |
| 03-27 03-28 03-29 03-30 | X 30 days suspension No Associates-3 yrs Random file audit | | | |
| 03-46 | X Surrender license that was in an inactive status. | | | |
| 03-62 04-40 04-42 04-103 06-36 | | X Dismissed Respondent passed away | | |
| 04-24 | | X | | |
| 04-28 05-16 | X Education | | | |
| 04-29 | X Education | | | |
| 04-35 | X Education | | | |
| 04-37 | Respondent 1 X Fine Education Random file audit | | Respondent 2 X | |
| 04-67 04-73 | Respondent 1 X Fine Education Random file audit | Respondent 2 X | | |
| 04-39 | X Education | | | |
| 04-41 | | | | X |
| 04-50 | X Education No Associates-2 yrs | | | |
| 04-57 05-62 | X Fine Education | | | |
| 04-60 | | | X | |
| 04-61 | X Education No Associates-2 yrs | | | |
| 04-62 | | X | | |
| 04-65 | | | X | |
| 04-71 | | | X | |

| Case No. | Agreed Order | Dismiss | Dismiss with a letter of advice | Letter of Admonishment |
|--|--|---------|---------------------------------|------------------------|
| 04-74 | | X | | |
| 04-82 | | X | | |
| 04-88 | X Education | | | |
| 04-105 04-106 | X 30 days suspension Fine Education | | | |
| 04-108 | | X | | |
| 05-01 | X Education | | | |
| 05-13 | | | X | |
| 05-24 | | | X | |
| 05-26 | X Education | | | |
| 05-39 | | X | | |
| 05-42 | X Fine Education Random file audit Provide log to Board | | | |
| 05-43 | | | X | |
| 05-44 | | | X | |
| 05-45 | | | X | |
| 05-47 | | | X | |
| 05-50 | X Education No Associates-3 yrs Random file audit Provide log to Board | | | |
| 05-51 05-52 05-53 05-54 05-55 05-56 | X Respondent 1 30 days suspension Education No Associates-3 yrs Provide log to Board Random file audit Respondent 2 Education New Supervisor Provide log to Board Random file audit | | | |
| 05-57 05-58 05-59 06-15 | | X | | |
| 05-60 | X Education Random file audit | | | |
| 05-63 | | X | | |

| Case No. | Agreed Order | Dismiss | Dismiss with a letter of advice | Letter of Admonishment |
|-------------------------|--|-------------------|---------------------------------|------------------------|
| 05-65 05-66 05-67 | X Education License suspended until education has been completed. No associates -3 yrs | | | |
| 05-68 | | X | | |
| 05-72 | | X | | |
| 05-75 | | | X | |
| 05-76 | X Education | | | |
| 05-77 | X Education Random file audit Provide log to Board Limit scope of work to 1-4 units – 3 yrs No associates -3 yrs | | | |
| 05-80 | Respondent 1 X Education No associates -3 yrs Random file audit | Respondent 2 X | | |
| 05-82 | | | X | |
| 05-83 | X Education No additional associates for 2 yrs. Random file audit Submit log to Board | | | |
| 05-84 | X Suspended 6 months. At end of suspension, agrees to surrender license. Not eligible for reinstatement for 3 years. | | | |
| 06-02 06-03 | X Education Random file audit Submit log to Board Limit scope of work to 1-4 units-3 yrs No additional associates for 2 yrs | | | |
| 06-04 | | | X | |
| 06-05 | | | X | |
| 06-06 | | | | X |
| 06-07 | X Education | | | |
| 06-08 | | | X | |

| Case No. | Agreed Order | Dismiss | Dismiss with a letter of advice | Letter of Admonishment |
|----------------------------------|---|---------|---------------------------------|------------------------|
| 06-09 06-10 06-11 06-12 | | X | | |
| 06-13 | | | | X |
| 06-16 | | | X | |
| 06-17 | | | | X |
| 06-19 | | X | | |
| 06-20 | | | X | |
| 06-21 | X Fine Education No associates -3 yrs Random file audit | | | |
| 06-23 | | X | | |
| 06-24 | | | X | |
| 06-25 | X Fine | | | |
| 06-27 | | X | | |
| 06-28 | X Fine Education | | | |
| 06-32 | X 30 days suspension Education No Associates-2 yrs Random file audit Submit log to Board | | | |
| 06-33 | | | X | |
| 06-39 | | X | | |
| 06-40 | | X | | |
| 06-43 | | X | | |
| 06-47 | | X | | |

THIS COURSE IS NOT THE 7 HOUR NATIONAL USPAP UPDATE COURSE.

KENTUCKY REAL ESTATE APPRAISERS BOARD
 2624 Research Park Drive, Suite 204
 Lexington, KY 40511
 Phone: (859) 543-8943 – Fax: (859) 543-0028
 Website: www.kreab.ky.gov

KREAB DAY WITH THE BOARD
 7 hours Continuing Education Credit

Name: _____

Address: _____

Email Address: _____
 (Confirmation for the course will be emailed.)

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.

The seminar topics discussed will be:


- Instructor – Mark Ratterman - Completing the Fannie Mae 2006 URAR 1004 Form (Instructions and How to Guide- By Mark Ratterman)
- Instructor – Larry Disney - KREAB Emerging Issues – Regulations, Deficiencies in Experience Review, and 2008 Criteria Changes

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 **Kentucky Real Estate Appraisers Board, 2624 Research Park Drive, Suite 204, Lexington, KY 40511**. Register early, seating is limited.

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

The 7 hour National USPAP Update course must be completed through an approved provider.

|  SELECT | CITY | DATE | LOCATION |
|---|----------------------|-------------------|---|
| | Bowling Green | February 28, 2007 | Holiday Inn University Plaza 1021 Wilkinson Trace, Bowling Green, KY 42103 (270) 745-0088 |
| | Louisville | March 30, 2007 | Holiday Inn Hurstbourne 1325 S. Hurstbourne Pkwy, Louisville, KY 40222 (502) 426-2600 |
| | Lexington | April 27, 2007 | Four Points by Sheraton 1938 Stanton Way, Lexington, KY 40511 (859) 825-8001 |

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.

Phone: (859) 543-8943 – Fax: (859) 543-0028 - Website: www.[kreab.ky.gov](http://www.kreab.ky.gov)

**KENTUCKY REAL ESTATE APPRAISERS BOARD
2624 RESEARCH PARK DRIVE, SUITE 204
LEXINGTON, KY 40511**

