

# Kentucky Real Estate Appraisers Board

QUARTERLY NEWSLETTER NO. 63 – AUGUST 2007

## “KREAB” Announcements

By: Larry Disney, Executive Director

Within 18 weeks the 2008 criteria will be effective and the Board will begin implementing the requirements in a segmented process.

The Appraiser Qualifications Board (AQB) minimum criteria consists of the following three items that one must complete prior to becoming a credentialed real property appraiser, 1) education, 2) examination, and 3) experience.

The Appraisal Subcommittee (ASC) recognized two methods that state appraiser regulatory agencies can consider when implementing the 2008 criteria. One is the firm date which will require all three criteria to be completed and the credential awarded no later than midnight December 31, 2007. The second option, referred to as segmented, will permit an agency to recognize parts of the criteria completed prior to midnight December 31, 2007, and only that part(s) of the current criteria will be recognized for credentials awarded after the 2008 criteria becomes effective.

State appraiser regulatory agencies will recognize many different methods of implementation; therefore, it is critical that a Kentucky applicant consider the following information as applicable only in Kentucky. This applies to anyone making initial application or anyone who plans to move from one credential to another.

- The requirement to complete “all” of the current education and the national examination must be completed by any applicant seeking a credential from the KREAB by no later than midnight December 31, 2007. There will be no exceptions for any reason to this regulation. The ASC has been consistent and steadfast when advising the state appraiser regulatory agencies that any applicant who has not completed all current education and the current national examination prior to midnight December 31, 2007 shall be required to comply with all parts of the 2008 criteria that are found lacking afterward.
- What part(s) of the criteria will the KREAB permit to be carried forward into 2008, provided they are totally completed prior to midnight 12-31-07?

If an applicant seeking a KREAB credential completes the current requirements of “both” education and the national examination prior to midnight December 31, 2007 that applicant will

be given 24 months from the date he/she successfully completes the national examination to satisfy all experience, including time and assignment hours for the credential level being sought. Therefore, experience will be the only uncompleted criteria component allowed to carry into 2008.

- Recent comments that a Kentucky applicant for a real property credential will be given 24 months from January 1, 2008 is not correct. The 24 months period of time for completing experience shall begin on the date an applicant completes the national examination.
- Anyone who successfully completes current education and the national examination, but for any reason cannot complete the experience time and assignment hour requirements within 2 years after passing the examination will be required to complete all education deemed lacking from the 2008 topics and content. Also, the applicant will be required to complete the 2008 national qualifying examination and complete all remaining experience, prior to receiving the Kentucky credential.

### Education Approval:

The Board believes that education should be available to both credential holders and those seeking credentials with as little difficulty as possible. But, it is also believed the quality of the education is more critical than the quantity.

Two types of education are addressed by the board on a regular basis, qualifying (QE) and continuing (CE).

It has been brought to the attention of the Board staff that both currently credentialed appraisers and individuals seeking an initial credential fail to understand the methods of course approval recognized by the KREAB.

Currently, and under the 2008 criteria requirements, the KREAB will recognize qualifying and continuing education if the education courses are approved by one of the following:

- The “KREAB Course Approval Program” affords providers an opportunity to apply for approval by submitting course materials directly to the Board for staff review, including the course provider application, and each course instructor

application. The course, the provider, and the instructor must meet the minimum requirements listed in 201 KAR Chapter 30.

- Courses approved by the AQB-Course Approval Program (AQB-CAP) will be recognized by the KREAB provided the content of the course meets the outline of education topic coverage listed in the AQB criteria. If a course offered in Kentucky is approved by this method the education provider must also submit a provider application and an application for all instructors who will teach the course in Kentucky.
- The KREAB will also recognize courses that have been approved by another state appraiser regulatory agency if 1) course content is inclusive of topic coverage listed in the AQB criteria, 2) the KREAB staff is given the topic content description and a course time outline, 3) the student provides the KREAB a copy of the course satisfactory completion certificate, and 4) the state in which the course was offered is listed in good standing with the ASC, and has adopted the AQB minimum criteria requirements current at the time of course approval.
- The KREAB will recognize courses offered by distance delivery, provided the courses are 1) approved by either the AQB or the KREAB staff, and 2) approved for delivery by the International Distance Education Certification Center (IDECC). In addition, the KREAB requires all distance education courses submitted for Kentucky credit to be reviewed by the KREAB Distance Education Consultant prior to the Board decision to accept or reject the course. (*Distance Education course approval in Kentucky does not extend to the national USPAP 7 hour or 15 hour classes. These two classes must be completed in the traditional classroom offering.*)

#### **National Examination:**

The national examinations for state credentialed real property appraiser have been revised and approved by the AQB. The three revised examinations for licensed, certified residential and certified general will each contain 165 questions, 150 will be scored and the remaining 15 will be included for future test development purposes.

It is reported the time for completion of the examinations will be approximately 4 hours for licensed, 6 hours for certified residential and 8 hours for certified general. The examination must be completed during a one day sitting, with a short break period provided.

It is believed the examination administrators will most likely be the same groups administering the examination today. Kentucky currently contracts with Applied Measurement Professionals, Inc. (AMP).

Representatives of "AMP" informed the KREAB they intend to offer the revised examination for 2008 under the current contract terms until June 30, 2008. During the month of May 2008 the KREAB will advertise for a

contract to offer the examination administration services for the fiscal year 2008-2009 as required by Kentucky law.

The AQB reported that the revised examination will be practice based and not a regurgitation of the qualifying education content that has been previously completed by an applicant. However, the AQB also stated that it is not expected or believed necessary that an applicant first complete experience training prior to sitting for the examination. Therefore, upon successful completion of all applicable qualifying education requirements an applicant seeking a KREAB credential in 2008 will be eligible to sit for the examination, which is no different from today's current criteria.

Students and those who will sit for the 2008 examination should know that practice based means exactly what the title indicates. The examination will test the knowledge of various parts of the appraisal process.

The Board cannot recommend certain courses over others nor can the Board approve or deny courses based on the content coverage of one course being predominately lecture driven versus another that is predominately practice based exercises and examples. Therefore, the staff and Board of the KREAB cautions students to carefully select courses based on the content and the objectives that will assist the student in mastering the skills necessary to complete appraisal development.

#### **Appraisal Requests and Current Mortgage Problems:**

No doubt everyone has heard and read news accounts of the many problems facing the real estate mortgage profession today. Unfortunately, many of those problems are now being linked to deficient appraisals, reports and appraisal requests. This is especially true of residential appraisal assignments reported on pre-printed forms.

The best advice today is to be very careful and review all requests for assignment. Also, review all sales contracts and prior sales of the subject property and the properties selected for comparable sales analysis.

However, simply reviewing the information is not sufficient. It is expected the appraiser will verify, analyze, and provide a written summary of any findings that might be considered to impact the market value of the subject property.

There are many types of requests that lead to problems with a current sale and are discovered later, unfortunately after the sale has closed.

One of the more common problems involves someone requesting a real estate agent to alter a sales contract after agreement of sale. Regardless of whether there are instances when this type of request might be permitted, I doubt seriously the following scenario would be considered appropriate.

**Scenario 1** - A sales contact was written and agreed for a sales price of \$160,000, including \$5,000 seller concessions. For whatever reason, shortly before the closing was to take place, the seller's agent was contacted by the lender and informed problems had been detected and the closing date would have to be delayed. The lender also

faxed a revised contract with language that would increase the sales price to \$190,000, and a revised HUD-1 that included a seller carried second mortgage of \$30,000. When the seller's agent inquired about how this would work, the lender stated the seller would not really be expected to carry a second and further the agent should not worry, this type of creative financing was used frequently to assist buyers who need help in purchasing property.

Luckily, the seller's agent advised the seller to not sign the contract and informed the lender that the seller would not sign any document with the altered information. The buyer's agent was also contacted and notified of the problems and possible future harm if the transaction closed.

The end result in this scenario was good. The transaction was terminated because of the actions of a competent and ethical real estate professional.

Upon conveying this story to others in the past few weeks I have been asked repeatedly, "What would be the harm if the sale had closed under terms of the scenario given?"

Let's assume the sale did close using the revised contract and the altered HUD-1. What would have been the harm?

The sale would have probably been recorded at the \$190,000 amount. Therefore, tax assessors, appraisers, and real estate agents would have incorrect data recorded for sales comparison and analysis. The end real estate investor who purchased the loan would possibly have a loan without sufficient collateral. The buyer would probably be upside down in the mortgage. The parties might have been accused of fraud if the HUD-1 listed information known to be false.

Assume the loan had closed and the lender later received the property as real estate owned (REO). If this scenario occurred, we would possibly be asking the following questions:

- What was the property market value as of the date of sale?
- How many days was the property marketed?
- Was there any suspicious activity on the part of the appraiser(s)?
- Was there any suspicious activity on the part of the real estate agents representing the buyer and the seller?
- Was there any suspicious activity on the part of the lender?
- Was there any suspicious activity on the part of the buyer or seller?

The above questions, and others, are typically analyzed within each complaint investigated by the Real Estate Appraisers Board, the Real Estate Commission, and the Office of Financial Institutions. Typically, all of these agencies will be involved and will collaborate in cases of suspected real estate mortgage fraud.

In sports it has been said time and again that the best offense begins with a good defense. The same can be said for regulatory agency licensees who strive to comply with statutes, regulations, and ethical practice while carrying out their professional duties.

The KREAB advises the Kentucky credentialed appraisers to become familiar with the many mortgage fraud schemes that are now being exposed. Become familiar with the expectations of USPAP, specifically the Ethics Rule, and the Standards Rules. Also, read and understand the statutes of KAR 324A and the administrative regulations of 201 KAR Chapter 30, both are available for review on the KREAB website @ [www.kreab.ky.gov](http://www.kreab.ky.gov).

**Scenario 2** - Another common problem is the request from lenders that appraisers list someone other than the current owner as the property owner of record, and to list assignments as a refinance when in fact the loan applicant has no more ownership interest in the property than a lease to buy agreement.

Appraisers are cautioned, if information reported in a recorded deed lists someone other than the borrower as the subject property owner and if there is no recorded seller financing agreement listing terms, including amortization payments, there is a strong likelihood that the loan applicant is not the owner of record.

If the owner is not the person(s) listed as the borrower, the chances are very good that the loan will not be a refinance. Instead it will be a first purchase mortgage.

The above scenarios are only two of the complex problems facing appraisers, real estate agents, and mortgage professionals today.

The "KREAB" asks that Kentucky credentialed appraisers closely monitor all requests for appraisal services, understand the intent of each request, and make every attempt to identify and report any request that might be considered pressure by the client, especially a request that might possibly lead to a breach of the appraisers ethical practice. In summary, always exercise due diligence in every assignment.

If a Kentucky credentialed appraiser feels that he or she is being pressured, or is asked to do anything inappropriate, please contact the KREAB staff @ [www.kreab.ky.gov](http://www.kreab.ky.gov) or contact Larry Disney by telephone @ 859-543-8943 or e-mail [larry.disney@ky.gov](mailto:larry.disney@ky.gov).

**INDIVIDUALS THAT DID NOT RENEW JUNE 30, 2007**

	<b>FirstName</b>	<b>LastName</b>	<b>Type</b>		<b>FirstName</b>	<b>LastName</b>	<b>Type</b>
1	Jason M.	Adams	General	44	Bradley A.	Eldridge	General
2	Larry D.	Adams	Associate	45	George D.	Elkins, Jr .	Associate
3	Rhonda B.	Anderson	General	46	Wilma	Embry	Associate
4	Diane	Ashcraft	Residential	47	Stephen P.	Faherty	General
5	Roger A.	Ball	General	48	Darby	Franklin	Associate
6	Robert K.	Barnes	General	49	Charles W.	Freudenberg	General
7	William J.	Barrow, II	Associate	50	Donald J.	Fries	General
8	Douglas M.	Bates	Associate	51	Berry K.	Fry	General
9	Charles Andrew	Bissell	General	52	Matthew G.	Fugate	Associate
10	Louis A.	Black	Associate	53	Christin E.	Gibson	Associate
11	Christopher	Brabandt	Associate	54	Janice F.	Gill	General
12	Michael J.	Brangers	Residential	55	Brian T.	Gordon	Associate
13	Christopher J.	Brown	Associate	56	Amanda E.	Greer	Associate
14	Eric	Brown	Associate	57	Gino	Guarnieri, Jr.	Associate
15	Marian	Brown	Associate	58	Lisa R.	Hager	Associate
16	Resa W.	Browning	Associate	59	Bobby L.	Haley	Residential
17	Bruce D.	Burriss	General	60	W. Lloyd	Hall	Associate
18	James W.	Burt	General	61	Deena Reed	Haney	Associate
19	James W.	Butler	Residential	62	Kenneth R.	Harrison	General
20	Jennifer Tillema	Caccamise	General	63	Michael A.	Hartman	Residential
21	Teresa Young	Canter	Associate	64	Anthony L.	Harvey	Associate
22	Katherine R.	Carman	Associate	65	Patricia Jo	Hatfield	Associate
23	James E.	Cary	General	66	Carla J.	Hay	Residential
24	Philip M.	Chamberlin	General	67	Beverly	Helton	Associate
25	Julie E.	Clair	Residential	68	Tonia Rochelle	Henderson	Associate
26	Thomas E.	Collier	General	69	Shawn W.	Henson	Associate
27	Charles D.	Collins	Residential	70	Ann P.	Hite	Associate
28	John W.	Combs	Residential	71	Ryan Michael	Hlubb	General
29	Nancy Jewell	Conn	Associate	72	Daniel L.	Holt	Residential
30	Thomas M.	Connelly	Residential	73	Bradley Scott	Hornsby	Residential
31	Jay Douglas	Conrad	Associate	74	David W.	Horton	General
32	Margaret Kimberly	Cook	General	75	Joe	Huffman	General
33	Thomas W.	Cox	Associate	76	Sara J.	Hunt	Residential
34	Sharon A.	Crouch	Residential	77	Angel	Infante	Associate
35	Mitchell B.	Curry	Associate	78	Carissa	Johnson	Associate
36	Vallerie A.	Davis	Residential	79	Carmen	Johnson	Associate
37	Jeremy S.	Dawson	Residential	80	Jimmie	Johnson	Residential
38	Randal D.	Dawson	General	81	Lyndon B.	Johnson	Associate
39	George N.	De Haan	General	82	Peggy Rasnick	Justice	Associate
40	Lilburn Ann	Denney	Residential	83	James E.	Kite	General
41	Mark T.	Derringer	Associate	84	J. Mitchell	Knight	Associate
42	Donald R.	Dix	Residential	85	Kim Michael	Kobriger	General
43	Quinton W.	Durham, Jr.	Residential	86	George B.	Kornegay	Associate

	FirstName	LastName	Type		FirstName	LastName	Type
87	Reece M.	Korosec	Associate	133	Roger E.	Sabo	Associate
88	Everett Pike	Levine	General	134	Ann Maguire	Saich	Associate
89	Linda H.	Linville	Associate	135	Abby	Scherer	Associate
90	Charles	Ludwig	Residential	136	Homer L.	Skeens	Residential
91	James R.	Mansfield	Associate	137	Christian M.	Smith	General
92	Matthew C.	Mansfield	Associate	138	John Lester	Smith	Associate
93	Jeannie	Martin	Associate	139	Robert E.	Snedegar	Associate
94	Donna G.	Mattox	Residential	140	Frank T.	Spoonamore	Residential
95	Carolyn	McAfee	Associate	141	Mark Jeffrey	Stevens	Associate
96	Brian F.	McColgan	General	142	Danita	Sullivan	Associate
97	David E.	McConahy	General	143	Kevin	Surrett	Associate
98	Sharon	McCroskey	Residential	144	Marion C.	Tabb	Residential
99	Thomas J.	McGrath	Associate	145	Timothy R.	Taylor	Residential
100	Bruce C.	Mitchell	Residential	146	James K.	Tellatin	General
101	Leah A.	Montgomery	Associate	147	Stephen Brent	Terrell	Associate
102	Paul E.	Muncy	Residential	148	Richard	Terry	General
103	Leon T.	Myers, Jr.	Associate	149	Everett L.	Thompson	General
104	Herman	Natwick	General	150	Paul E.	Thurston	Residential
105	John Carl	Norfleet	General	151	Gerald A.	Tout	General
106	Philip Marc	Novick	General	152	Russell N.	Van Zant	Associate
107	Larry R.	Oeswein	Associate	153	Melissa R.	Vaughan	Associate
108	Chad A.	Ostertag	Associate	154	Frank G.	Vice	Associate
109	David H.	Overall	Residential	155	Hubert J.	Voges	General
110	Lenore L.	Overton	Associate	156	Penney L.	Watkins	Associate
111	Russell Lee	Page	General	157	Michael B.	Webb	Associate
112	J. Brian	Pearson	Associate	158	Steve	Wehrle	Associate
113	Keith A.	Pendergrass	Associate	159	Anne W.	Wells	Associate
114	Steve	Perry	Associate	160	Jennifer I.	Wheatley	Associate
115	Jeffrey A.	Piehl	General	161	Ches T.	Wheeler	General
116	Jimmy	Powell	Associate	162	Charles R.	Whitnell, II	Associate
117	Shannon L.	Powell	Associate	163	Sean	Woody	Associate
118	Christopher D.	Pride	Associate	164	Jana L.	Wright	Associate
119	Daniel L.	Proctor	Residential	165	Sue Ann	Wright	Associate
120	Karie Sue	Reach	Residential	166	Thomas J.	Wright	Associate
121	Aaron James William	Reed	Associate	167	Jamie W.	Young	Associate
122	Steven R.	Rench	Residential				
123	Julie Gauthier	Reymond	Associate				
124	Blake	Richey	Associate				
125	Roger D.	Riddell	Residential				
126	M. Tom	Riddle	Residential				
127	John E.	Ridge	General				
128	Beth A.	Riggs	General				
129	Betty A.	Roark	Residential				
130	Patricia D.	Roberts	Associate				
131	Elaine P.	Rogers	Associate				
132	Roger M.	Roper	Associate				

**Appraisal of Special Purpose Properties For Condemnation Process**  
**By: George K. Cox, MAI, SRA**

**INTRODUCTION**

Valuing “special use” and “limited market” properties can present a number of challenges for the appraiser, especially in litigation valuation. The courts have generally rejected the cost approach as a credible method of valuation. However, as in most situations, there are exceptions in the valuation of highly specialized properties where there are no sales of similar properties.

Special-purpose properties, referred to as specialties in some jurisdictions and as limited market properties in some jurisdictions and as limited market properties in some appraisal literature have caused the courts to avoid adopting market value as the exclusive test of just compensation. Determining whether a property is a special-purpose property is important to its appraisal.<sup>1</sup>

In my opinion, problems in the appraisal of properties truly special in nature can generally be isolated in three general areas of the valuation process as set forth immediately below.

1. Ambiguity in the definitions
2. Highest and Best Use Analysis
3. The continued emphasis on the so called three-approach concept

**DEFINITIONS**

The distinguishing features between the two classifications contained in the Dictionary of Real Estate Appraisal, fourth edition, published by the Appraisal Institute, set forth as follows.

- *Limited-market properties* that have relatively few potential buyers at a particular time. Examples may include branch bank facilities, large manufacturing plants, and commercial greenhouse facilities.
- *Special-purpose properties* where the property can be used only as originally intended. Examples may include educational facilities, hospitals, and steel mills.

It is interesting to note that special purpose properties are, by definition, limited-market properties, but that limited-market properties may or may not constitute special-purpose properties. If the property can be used for only its originally intended use, then it is a special-purpose property.

Because special-purpose properties are appropriate for only one use or for a very limited number of uses, appraisers may encounter practical problems in specifying highest and best use.<sup>2</sup>

If a single use were the primary factor in qualifying as a special-purpose property a single-family dwelling in a highly zoned residential neighborhood would certainly qualify as being special purpose. Most zoning classifications for commercial and industrial property permit a number of different uses in their respective zoning classification. This is usually not so in highly zoned residential neighborhoods. Also, the single-family residence could also be referred to as a limited-market property if the area in which it is located has a large oversupply of similar properties. As a matter-of-fact, every building constructed is built for a special use. There must be additional factors than use to qualify a property as being truly special in nature.

What we really mean when we talk about special property is a property with very few types of uses, and a very limited demand. This, in contrast to the one family home, which has a very strong demand.”<sup>3</sup>

The second edition, Real Estate Valuation in Litigation<sup>4</sup> classifies special-purpose property as follows:

“A special-purpose property is [a] clubhouse, a church property, a public museum, a public school, and so on. It also includes other buildings having value, such as hospitals, theaters, breweries, etc., which cannot be converted to other uses without large capital investment. The identifying features of a special-purpose property:

1. The property has physical design features peculiar to a specific use
2. The property has no apparent market other than to an owner-user.
3. The property has no feasible economic use.”

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<sup>1</sup> Real Estate Valuation in Litigation, 2<sup>nd</sup> edition, by James D. Eaton, MAI, Appraisal Institute, 227

<sup>2</sup> The Appraisal of Real Estate, 12<sup>th</sup> edition, Appraisal Institute, 326

<sup>3</sup> Down to Earth, by Sanders Kahn, PhD, SREA, 100

<sup>4</sup> Ibid, 227

The following definition has much logic in general appraisal as it does in the appraisal of special-purpose property.<sup>5</sup> The College of Fellows of the American Society of Appraisers, on Definitions, Concepts and Principles of Appraisal Practice:

- In making the kind of appraisal called a Valuation, the subject property should first be classified as Investment Property, Marketable Noninvestment Property, or Service Property. Only the Investment Analysis Method can value an Investment Property, only the Sales Analysis Method can value a Marketable Noninvestment Property, and a Service Property (if it can be valued at all) can be valued only by the Cost Summation Method.
- The so-called “three approaches to value” doctrine, which requires that all three methods be applied to any one property, regardless of its characteristics, and then that the three results be “correlated” to reach a final conclusion as to value, is economically unsound, and produces unreliable results.

What this definition correctly implies is that an investment property, such as an apartment complex, be valued based on analysis of income; the single family residence by comparison to sales of like property; and service properties (special-purpose) such as museums, etc., valued via the cost summation method.

### HIGHEST AND BEST USE

There is no area of greater significance in the appraisal process than proper selection of highest and best use. It goes without saying that if the highest and best use is in error, the valuation process becomes irrelevant.

The generally accepted definition of Highest and Best Use is contained in the Appraisal of Real Estate, 12<sup>th</sup> Edition, published by the Appraisal Institute:

“That reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.”

In C.C.C. & St. L. v. Backus (154, U.S. 439, 38L.Ed. 1041, 14S.Ct. 1122 (1893), the U.S. Supreme Court said: “The value of the property results from the use to which it is put and varies with the profitableness of that use, the present and prospective, actual and anticipated. There is no pecuniary value aside from that which results from such use - the amount and profitable character of such use determines the value.”

There is no question that the most important criteria involved in the development of a credible opinion of market value is the ability to develop the proper Highest and Best Use of the subject property. The primary reasons are as follows:

- HBU determines the property classification
- HBU develops the typical buyer profile within the three property classifications.
- HBU establishes the boundaries of the competitive market area.

The appraiser of unusual property type must first ascertain if the facility to be appraised is in fact a property that is special-use in character. In order to accomplish this task the following initial steps are required.

Once the intended use of the appraisal, the rights to be values, and the effective date of the value opinion has been determined, the next logical step is to conduct a detailed observation and analysis of the property. This is normally accomplished by a personal on site inspection of the property for the purposes of conducting the appraisal. Under certain circumstances, validation of the property details may have to be obtained from other sources. However, it is imperative for the appraiser to have knowledge of the condition and other significant features of the subject as it existed on the effective date of the value opinion.

Henry A. Babcock, PhD advised in his writings that appraisers must identify and classify property. These classifications were 1) investment property; 2) marketable Noninvestment Property, and; 3) Service Property. A short definition of each is explained below:

1. Investment Property – This classification includes properties such as office buildings, apartment complexes, motels, etc where the primary motivation to purchase is based on the property’s ability to produce income and the buyer profile is an owner-investor.
2. Marketable Noninvestment Property – This classification includes property such as single-family dwellings or those properties where the primary motivation is for amenities and the buyer profile is an owner-user...

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<sup>5</sup> American Society of Appraisers, “The Opinion of the College of Fellows on Definitions, Concepts, and Principles of Appraisal Practice,” Valuation (Herndon, Virginia; American Society of Appraisers, June 1975).

3. Service Property – This classification is of those properties such as court houses, museums, etc., and buyer profile cannot be established because of the absence of sales and/or rental data.

The sequence of the preceding analysis does not conform to the conventional appraisal process as graphically displayed on Page 51, 12<sup>th</sup> edition, The Appraisal of Real Estate, published by the Appraisal Institute. In the conventional process the analysis of highest and best use follows the “Scope of Work,” and the “Data Collection and Property Description” sections, which includes collection of sales, cost and depreciation analysis, comparable income and expenses data, capitalization rates etc. For example, how does one proceed with the collection of comparable data without knowledge of the following factors with respect to the subject property?

- Buyer profile (owner/investor or owner/user)
- Define the competitive market (Area In which the subject property must compete)
- Collecting and analysis of comparable data prior to the classification and development of the likely buyer, and probable use development of the highest and best use obtain information on the following factors without first having knowledge of the market participants:
  - Defining of the competitive market area,
  - The collection verification of comparable data (sales, rentals, etc)
  - The appropriate valuation method to support the value conclusion.

#### **THE APPRAISAL PROCESS**

In my opinion there has, and continues to be, too much emphasis placed on the straightjacket approach requiring the appraiser to employ the so-called three approach concept in the appraisal process. The appraisal fraternity, in spite of evidence to the contrary, has ignored the fact that these so-called approaches are based on comparison and to include all three in a single assignment, is not only irrelevant but in some assignments could end in a misleading result. Rarely does the appraiser find sufficient data to properly develop a value opinion by one approach, let alone three.

If the buyer profile is an owner-investor whose primary motivation to purchase is based on the ability of a property to produce income, it seems logical that the appropriate method is the income capitalization. Likewise, if the buyer profile is that of an owner-user, logic dictates that the appropriate method of valuation is the sales comparison analysis. In the event that no buyer profile can be established based on the fact that there is no market for a property the logical choice of valuation, if there is one, is the cost or summation method.

If the appraiser finds sufficient sales or rental properties similar to the subject sufficient to establish a market, the subject property should not be classified as special-use. In the event there is no market the appraiser may chose to develop a value opinion by use of other methods such as the cost method. However, according to the following, if there is no established market for the property, the appraiser is at liberty to use practically any method to value the property. I would suggest that if this situation should present itself seeking advice from competent legal counsel would be highly suggested.

The Uniform Eminent Domain Code provides that “...the fair market value of property for which there is no relevant market is its value as determined by any method of valuation that is just and equitable.”<sup>6</sup>

The United States of Federal Claims has said that “the fair market value of a property, in absence of an actual market, is the estimated or imputed fair market value based on sufficient evidence which justifies a conclusion as to the fair market value which would be established when an informed seller disposes of his property to an equally informed buyer.”<sup>7</sup>

#### **CONCLUSIONS**

For a property to qualify as a special-use, the following factors, as a minimum must exist.

1. The property involved is unique.
2. Or, it is a specialty.
3. Or, there is competent proof of an absence of market data.

The most convincing evidence that a property is in fact, a special-use property is the absence of sales of similar property. Lack of sales data and the classification of a property as a specialty:

... may afford a basis for the application of more liberal rules of evidence or a different measure of value.<sup>8</sup>

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<sup>6</sup> Real Estate Valuation in Litigation, 2<sup>nd</sup> edition, James D. Eaton, MAI, Appraisal Institute, 228

<sup>7</sup> Ibid



Again, in areas of highly subjective issues I would suggest that appraisers seek the advice of competent legal counsel. This could not only save the appraiser from embarrassment but of greater importance, a possible exclusion of the appraiser's testimony.

George K. Cox, MAI, SRA, has a career spanning more than forty years in the valuation arena. In addition as a practicing appraiser, he has experience as an educator, writer, and regulator. He is a certified general real property appraiser in Kentucky, Illinois, and Indiana. Cox is also a licensed real estate broker in Kentucky and Indiana. He has appraised a variety of property types in KY, IN, IL, NM, TX, MS, FL, SC, NC and VA. A former chair of the KREAB, he also served as past president of the Bluegrass Chapter of the Appraisal Institute, and the Evansville Chapter of the Society of Real Estate Appraisers. Cox has developed a number of seminars and has instructed real property appraisal at both the college and professional level.

NOTE: The article by Mr. Cox is based on his own personal opinion and not necessarily those of the KREAB. He can be contacted at [GCox329330@aol.com](mailto:GCox329330@aol.com)

### **KREAB Executive Director Recognized by The Appraisal Foundation**

During the spring conference of the Association of Appraiser Regulatory Officials, Larry Disney the KREAB Executive Director was presented the Appraisal Foundation 2006 Public Service Award by Mr. Lee Hackett, the Appraisal Foundation 2006 Chairman of the Board of Trustees.

The Chairman's Public Service Award was established by 2005 Chairman of the Board of Trustees, Peter Clark in late 2005 as a way to recognize individuals who have worked with the Foundation to better the profession and who in the process, have gone above and beyond the call of duty.

The award was presented to Larry in recognition of his work as a representative of the appraiser regulatory officials in assisting the Appraisal Foundation with development and presentation of training programs for the 2008 Criteria Implementation.

In accepting the award Larry thanked the Association of Appraiser Regulatory Officials, the Kentucky Real Estate Appraisers Board, the Appraisal Foundation, and the Criteria Implementation Task Force group for affording him the opportunity to be involved in the program development. He also thanked Mr. Hackett for his guidance, support and friendship.

## **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](mailto:Larry.Disney@ky.gov)**  
Angie Thomas – Staff Assistant  
**Email: [Angie.Thomas@ky.gov](mailto:Angie.Thomas@ky.gov)**  
Janie Gross – Executive Secretary  
**Email: [Janie.Gross@ky.gov](mailto: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](http://www.kreab.ky.gov)

**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.

**\*\*\*\*\*IMPORTANT REMINDERS\*\*\*\*\***

**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.

**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.
- The completion date of the National USPAP Update course will determine the next fiscal year when the course is to be completed.

Example:

<b>If your Last National USPAP Update was completed within the following cycles:</b>	<b>You must complete your next 7 Hour USPAP Update no later than the following dates:</b>
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

ON THE KREAB WEBSITE [WWW.KREAB.KY.GOV](http://WWW.KREAB.KY.GOV). WILL BE A LIST OF NAMES THAT MUST COMPLETE THE NATIONAL USPAP UPDATE COURSE BY JUNE 30, 2008.

**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 timed 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. This information must be submitted with any course that is not listed on the approved education list that can be viewed on the KREAB website at [www.kreab.ky.gov](http://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:

<b>Category</b>	<b>Current Requirements<sup>1</sup></b>	<b>1/1/08 Requirements<sup>1</sup><sub>2</sub></b>	<b>1/1/08 College-Level Course Requirements<sup>3</sup></b>
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 <b>the</b> required courses, an Associate degree <b>will</b> 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. <b>In lieu of the required</b> courses, a Bachelors degree <b>will</b> qualify.

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

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

<sup>3</sup> 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](http://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](mailto:john@appraisalfoundation.org) or by phone at (202) 624-3044.

**APPRAISER LICENSE STATISTICS - As of August 21, 2007**

<b>LICENSEES</b>	<b>NO.</b>	<b>INACTIVE STATUS</b>	<b>NO.</b>
Certified General	476	Certified General	20
Certified Residential	796	Certified Residential	45
Licensed Real Property	41	Licensed Real Property	3
Associate	347		
<b>TOTAL</b>	<b>1660</b>		<b>68</b>

**ANSI Residential Measuring Standard Revised**

At the March 26, 2004 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.***

A copy of the current Z765-2003 revised standard is available from the NAHB Research Center bookstore at [www.nahbrc.org/bookstore](http://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
- ◆ The next edition of USPAP will be effective for two years, January 1, 2008 – December 31, 2009
- ◆ Future USPAP editions will be on a two-year effective date

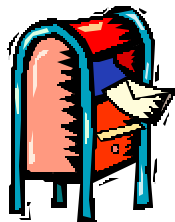
**SUMMARY OF CASES**

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	11	7	18	0
1995	9	8	1	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	18	50	68	0
2002	82	23	58	81	1
2003	115	54	60	114	1
2004	109	47	59	106	3
2005	84	35	46	81	3
2006	58	25	27	52	6
2007	46	2	0	2	44
<b>TOTALS</b>	<b>788</b>	<b>291</b>	<b>439</b>	<b>730</b>	<b>58</b>

**“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

are 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 1<sup>st</sup> through June 30<sup>th</sup>. If your licensure/certification renewal for all categories of appraisers, **including Associates**, is on or before June 30<sup>th</sup>; 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 1<sup>st</sup> 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**

**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 30<sup>th</sup> 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](mailto: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.

August 24, 2007	October 26, 2007	December 14, 2007
September 28, 2007	November 16, 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
Florida	(407) 317-7044	Oregon	(503) 373-1505
Georgia	(404) 656-3916	Pennsylvania	(717) 783-4866
Illinois	(312) 793-3000	South Dakota	(605) 773-3178
Indiana	(317) 232-2980	Tennessee	(615) 741-1831
Maine	(207) 624-8520	Texas	(512) 465-3950
Maryland	(410) 230-6165	Washington	(360) 753-1062
Missouri	(573) 751-0038	West Virginia	(304) 558-3919
New Hampshire	(603) 271-6186	Wyoming	(307) 777-7141

The KREAB will only accept the classifications of Certified General and Certified Residential for reciprocal license.

*Indiana –The individual must have been licensed in Indiana for at least two (2) years.*

**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 blind sided by not activating your status in a timely fashion.

<b>YEAR LICENSED PLACED INACTIVE:</b>	<b>LICENSE MUST BE ACTIVATED BY:</b>
July 1, 2005	June 30, 2008
July 1, 2006	June 30, 2009
July 1, 2007	June 30, 2010

**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  
1155 15<sup>th</sup> Street, NW, Suite 1111  
Washington, DC 20005  
(202) 624-3044  
(202) 347-7727 Fax*

**QUESTION # 1**

**“Effective Date” of USPAP**

Does the 2006 USPAP apply in 2007?

**RESPONSE TO QUESTION # 1**

Yes. The 2006 edition of USPAP became effective July 1, 2006 and remains in effect until a new edition of USPAP is adopted.

**QUESTION # 2**

**Changes to 2006 USPAP**

Is the Appraisal Standards Board considering changes to the 2006 edition of USPAP?

**RESPONSE TO QUESTION # 2**

Yes. The Appraisal Standards Board (ASB) regularly receives comments and suggestions for improving USPAP. The ASB has released for public comment an Exposure Draft that presents proposed changes for the next edition of USPAP. The Exposure Draft can be accessed at The Appraisal Foundation website: [www.appraisalfoundation.org](http://www.appraisalfoundation.org). The deadline for written comments is January 25, 2007. Comments are also invited at the ASB Public Meeting on February 2, 2007 in San Francisco, California.

**QUESTION # 3**

**Next Edition of USPAP**

When will the next edition of USPAP be available?

**RESPONSE TO QUESTION # 3**

The next edition of USPAP is planned for 2008 and is currently scheduled to be available in the fall of 2007. The 2008 edition of USPAP is scheduled to be effective on January 1, 2008 and is planned to remain in effect through the end of 2009. This is consistent with the ASB’s goal of changing USPAP less often and moving to a two-year cycle publication schedule.

**QUESTION # 4**

**Appraisal versus Appraisal Consulting Assignment**

What is the difference between an appraisal assignment and an appraisal consulting assignment?

**RESPONSE TO QUESTION # 4**

Appraisal assignments are those where the purpose is to provide an opinion of value. Appraisal consulting assignments are those where the purpose is to provide an analysis, recommendation or opinion to solve a problem where an opinion of value is a component of the analysis. USPAP defines appraisal consulting as:

*the act or process of developing an analysis, recommendation, or opinion to solve a problem, where an opinion of value is a component of the analysis leading to the assignment results.*

*Comment: An appraisal consulting assignment involves an opinion of value but does not have an appraisal or an appraisal review as its primary purpose.*

Also, the Comment to STANDARD 4 (Real Property Appraisal Consulting, Development) states, in part:

*...the purpose of an assignment under this Standard is always to develop, without advocacy, an analysis, recommendation, or opinion where at least one opinion of value is a component of the analysis leading to the assignment results.*

*...An opinion of value or an opinion to the quality of another appraiser’s work cannot be the purpose of an appraisal consulting assignment. Developing an assignment for those purposes is an appraisal or an appraisal review assignment, respectively.*

An example of a real property appraisal consulting assignment is a feasibility study where the client is seeking advice regarding most profitable development strategies. In the feasibility study, opinions of value would be used to test different scenarios. Those opinions of value may be provided by the appraiser doing the consulting assignment (feasibility study) or by another appraiser.

## **QUESTION # 5**

### **Market Rent Opinion**

I was asked by a client to provide an opinion of the market rental rate for a commercial property. Is such an assignment considered an appraisal?

### **RESPONSE TO QUESTION # 5**

Yes. USPAP defines an appraisal as “an opinion of value,” and market rent is an expression of value for the right to use a property. Therefore, to comply with USPAP in this assignment, an appraiser would have to follow STANDARD 1 to develop the opinion of the market rent, and STANDARD 2 to report the assignment results.

## **QUESTION # 6**

### **Income and Expense Analyses**

I was asked by a client to prepare a five-year market-based forecast of income and expenses for a specific commercial property. Is such a request an appraisal assignment or an appraisal consulting assignment?

### **RESPONSE TO QUESTION # 6**

The request is an appraisal consulting assignment, which includes an appraisal. The market-based income and expenses forecast is an *analysis* by the appraiser that includes an opinion of market rent, which is an opinion of value. The process of developing an opinion of market rent to be used in the analysis is an appraisal, since USPAP defines an appraisal as “an opinion of value.” Therefore, to comply with USPAP an appraiser would have to follow STANDARD 1 to develop the opinion of the market rent (value), and STANDARD 4 to develop the income and expense analysis. The appraisal consulting report would have to comply with STANDARD 5.

## **QUESTION # 7**

### **Sales or Financing Concessions**

The real estate market I appraise in has slowed down over the last 12 to 18 months, and it is now extremely common to see seller concessions as part of a purchase transaction. What are the USPAP requirements regarding proper treatment of sales/financing concessions?

### **RESPONSE TO QUESTION # 7**

Sales or financing concessions may have an effect on the price paid for a property. As such, it is important for the appraiser to recognize this and analyze their impact.

Sales or financing concessions should be considered in light of the type and definition of value used in an assignment. If the value opinion to be developed in a real property appraisal assignment is market value, then

Standards Rule 1-2(c) requires the appraiser to ascertain whether the value is to be the most probable price:

- (i) *in terms of cash; or*
- (ii) *in terms of financial arrangements equivalent to cash; or*
- (iii) *in other precisely defined terms; and*
- (iv) ***if the opinion of value is to be based on non-market financing or financing with unusual conditions or incentives, the terms of such financing must be clearly identified and the appraiser’s opinion of their contributions to or negative influence on value must be developed by analysis of relevant market data; (Bold added for emphasis)***

It should be noted that some client groups, such as Fannie Mae, specify how sales or financing concessions are to be addressed in assignments that are subject to their guidelines. Appraisers performing assignments of this type should become familiar with all applicable guidelines in order to satisfy the requirements of the COMPETENCY RULE.

*The following two USPAP Q&A’s 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.*

## **QUESTION # 8**

### **Obligation to Analyze Prior Listings of Subject Property**

I know that Standards Rule 1-5(a) requires an appraiser to analyze all current listings of the subject property. Does it also require analysis of prior listings of the subject property?

### **RESPONSE TO QUESTION # 8**

No. Similar to sales history requirements for comparable sales, this Standards Rule does not require an appraiser to analyze a prior listing history for the subject property. However, in the development of an appraisal, an appraiser is required under Standards Rule 1-1(b), to **not commit a substantial error of omission or commission that significantly affects an appraisal. If information about a prior listing is known by the appraiser, and that information is relevant to the appraisal problem, it must be considered.**

An analysis of the subject’s prior listing history may be required by applicable supplemental standards in some assignments.

## **QUESTION # 9**

### **Obligation to Analyze Withdrawn or Expired Listings**

I was asked to appraise a single-family residence for refinancing. I am aware that the property had been previously listed but did not sell. During my data investigation and analysis, I noted that the owner's "estimate of value" was \$375,000. When I looked up the listing history, I found it had been withdrawn from the market at the asking price of \$325,000. What are my obligations under USPAP regarding a withdrawn or expired listing of the subject property?

### **RESPONSE TO QUESTION # 9**

Standards Rule 1-5(a) states:

*When the value opinion to be developed is 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.*

Therefore, there is not a specific requirement in Standards Rule 1-5(a) to consider and analyze a withdrawn or expired listing of the subject property, prior to the date of the appraisal.

However, any prior listing of the subject property (as of the effective date of the appraisal) might be significant in that it indicates the property's availability in the market and the market reaction to that availability. Likewise, agreements of sale and options are generally significant to the appraisal problem in that they involve a "meeting of the minds," relating to the property's value, of the potential buyer and seller.

In the development of an appraisal, an appraiser is required under Standards Rule 1-1(b), to *not commit a substantial error of omission or commission that significantly affects an appraisal. If information about a withdrawn or expired listing is known by the appraisal and that information is relevant to the appraisal problem, it must be considered.*

## **QUESTION #10**

### **Record Keeping Requirements for Oral Reports and Testimony**

Does the expectation to have a transcript or a summary apply only in assignments when an appraiser provides an oral report?

### **RESPONSE TO QUESTION #10**

No. The requirements identified in the Record Keeping section of the ETHICS RULE apply to both oral reports and testimony in an appraisal, appraisal review, or appraisal consulting assignment.

## **QUESTION #11**

### **Is a Transcript Required for Oral Report and Testimony?**

Is a transcript of an oral report or testimony required for the workfile when an appraiser testifies about an appraisal assignment?

### **RESPONSE TO QUESTION #11**

No. There is no absolute requirement to have a transcript of the appraisal oral report testimony. The Record Keeping section of the ETHICS RULE requirement is for the workfile to contain summaries (which are typically prepared by the appraiser) or a transcript. In cases where summaries are retained, a transcript is not required.

## **QUESTION #12**

### **Is a Transcript Required if a Written Appraisal Report was Prepared?**

Does the expectation to have a transcript or summary of testimony apply if the appraiser has a written appraisal report and testifies only to the information contained in that report?

### **RESPONSE TO QUESTION #12**

Yes. A transcript or summary of the testimony must be included in the workfile when the appraiser testifies about a written report. While the report that is the subject of the appraiser's testimony must also be included in the assignment workfile, it does not replace a summary of the testimony.

## **QUESTION #13**

### **Is a Separate Certification Required if a Written Appraisal Report was Prepared?**

If an appraiser prepares a written appraisal report, is the workfile required to contain a separate signed certification for any testimony the appraiser provided in support of that report?

### **RESPONSE TO QUESTION #13**

In cases where testimony is provided about information contained in a written appraisal, appraisal review, or appraisal consulting report, a signed certification is required to be included in the written report. The requirement to include a signed certification is satisfied by including a true copy of the report in the workfile, consistent with the Record Keeping section of the ETHICS RULE.



## **QUESTION #14**

### **Is a Transcript of the Entire Proceeding Required?**

Must the workfile contain a transcript or summary of an appraiser's testimony for the entire proceeding, or only for that portion that contains the appraiser's testimony?

### **RESPONSE TO QUESTION #14**

The appraiser's workfile must contain a summary or a transcript of the appraiser's testimony in an appraisal, appraisal review, or appraisal consulting assignment. The appraiser is not obligated to retain summaries or transcripts for other segments of the proceedings in which testimony was provided by individuals other than the appraiser.

## **QUESTION #15**

### **Confidentiality and Intended Users**

I recently performed an appraisal. Yesterday, an intended user who is not the client contacted me to discuss the appraisal. Do I need the client's authorization to discuss the appraisal with this intended user?

### **RESPONSE TO QUESTION #15**

Yes. Although intended users have an important role in the appraiser's decisions about the appropriate scope of work and the content of the report, the appraiser cannot discuss the appraisal with an intended user without the client's authorization. The Confidentiality section of the ETHICS RULE states:

*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...*

The appraiser-client relationship is distinct from the appraiser's relationship to intended users.

## **QUESTION #16**

### **Significant Appraisal Assistance**

In preparing an appraisal assignment, I talk with many different people. I know the report certification must identify individuals who provide "significant real property appraisal assistance." What is significant appraisal assistance?

### **RESPONSE TO QUESTION #16**

USPAP does not include a definition of significant appraisal assistance. However, aspects of this phrase can be explored to clarify its meaning.

First, the term "significant" means that the contribution must be of substance to the development of the assignment results. In other words, the individual must contribute to the valuation analysis in a noteworthy way. An individual

who merely collects or provides data for use in the analysis does not provide significant appraisal assistance.

Secondly, the reference to "appraisal assistance" means that the contribution is related to the appraisal process or requires appraiser competency. One misconception is that non-appraisers who provide assistance should be identified in the certification. This is incorrect because the certification requirements in USPAP apply only to appraisers. Thus, only appraisers sign the certification or are identified as providing significant appraisal assistance. For example, the use of an environmental expert to determine wetland boundaries would not be considered significant real property appraisal assistance.

Examples of contributions made by appraisers that constitute significant real property appraisal assistance include the identification of comparable properties and data inspection of the subject property and comparables, estimating accrued depreciation, or forecasting income and expenses.

## **QUESTION #17**

### **Is an AVM an Appraisal?**

Are the results from an Automated Valuation Model (AVM) an appraisal?

### **RESPONSE TO QUESTION #17**

No. Advisory Opinion 18, *Use of an Automated Valuation Model (AVM)*, states:

*An AVM's output is not, by itself, an appraisal, and communication of an AVM's output is not, in itself, an appraisal report.*

An AVM is a tool that delivers an estimation or calculation, whereas an appraiser arrives at a value opinion by applying his or her judgment and experience. An appraisal is defined as "an opinion of value," which is distinctly different from an estimate or calculation of value. An AVM uses automated processes and cannot produce an opinion of value because only individuals can exercise judgment and form opinions. An AVM is just one tool among many that an appraiser might use to arrive at an opinion of value.

Appraisers are cautioned that this response is based on the USPAP definition of "appraisal." Jurisdictions that use a different definition of "appraisal" may reach a different conclusion.

## **QUESTION #18**

### **Appraiser's USPAP Obligations When Using an AVM**

What are an appraisers' USPAP obligations when using an Automated Valuation Model (AVM)?

### **RESPONSE TO QUESTION #18**

Many appraisers use calculators, spreadsheets, analytic software, and similar tools to analyze market data and calculate assignment results. The nature of the appraiser's service and how these tools are used are important factors in recognizing USPAP obligations. When appraisers use an AVM it can be as part of an appraisal assignment that provides value opinions to the client, or it may be for an assignment to run the AVM and provide the output to the client.

Advisory Opinion 18, *Use of an Automated Valuation Model (AVM)*, provides advice to help appraisers properly distinguish among the uses of an AVM.

An appraiser who uses an AVM for any purpose is subject to the requirements of USPAP that apply to all appraisal practice; the DEFINITIONS, the PREAMBLE, the Conduct, Management, and Confidentiality sections of the ETHICS RULE, the COMPETENCY RULE, the JURISDICTIONAL EXCEPTION RULE and the SUPPLEMENTAL STANDARDS RULE.

When the assignment includes providing an opinion of value for real property, the assignment is an appraisal and STANDARDS 1 and 2 also apply.

### **QUESTION #19**

#### **Appropriate Workfile Retention and Access Arrangements**

USPAP requires an appraiser who is not in custody of his or her workfile to make "appropriate" retention and access arrangements; what does this mean?

### **RESPONSE TO QUESTION #19**

The Record Keeping section of the ETHICS RULE states, in part:

*An appraiser must have custody of his or her workfile, or **make appropriate workfile retention, access, and retrieval arrangements with the party having custody of the workfile.***  
(Bold added for emphasis)

There are a number of ways an appraiser who works for or with another party can ensure that the assignment workfile is retained so that the appraiser may access the workfile.

The following is a common example: an appraiser and his employer or colleague agrees that the workfile will remain in the employer's or colleague's custody for the duration of the requisite retention period and that the appraiser will have access to the workfile. In practice, having such an agreement in writing could prove beneficial to all parties if access and retrieval arrangements are subsequently called into question.

### **QUESTION #20**

#### **Can Access to a Workfile Be Denied?**

Two appraisers perform an appraisal assignment together. Appraiser A retains the workfile and Appraiser B has made access and retrieval arrangements. Are there any conditions under which USPAP allows Appraiser A to deny Appraiser B access to the workfile?

### **RESPONSE TO QUESTION #20**

No. USPAP does not set conditions for workfile access and retrieval. USPAP does not address the intent or reasons of the appraiser seeking access as conditions for allowing or disallowing workfile access and retrieval.

### **QUESTION #21**

#### **Proper Analysis of Agreement of Sale**

I understand that Standards Rule 1-5(a) requires the appraiser to analyze an agreement of sale (if available in the normal course of business). What constitutes proper "analysis?"

### **RESPONSE TO QUESTION #21**

The term "analyze" is not defined in USPAP because it does not have a special meaning within the document or in Standards Rule 1-5. The term is used based on its English language meaning as found in common dictionaries.

The extent of the analysis performed to comply with the requirements of Standards Rule 1-5 (a) is part of the scope of work decision. The acceptability of the appraiser's analysis is judged in the same way that any other scope of work decision is judged. For more information, please see the SCOPE OF WORK RULE, Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

**WELCOME NEW APPRAISERS**

NAME	LEVEL	CITY, STATE
Donald Lee Adkins	Associate	Lexington, KY
Cathy L. Alford	Certified General	Ft. Mitchell, KY
Christopher K. Allen	Associate	Corbin, KY
Rhonda B. Anderson	Certified General	Atlanta, GA
Charles Andrew Bissell	Certified General	Dallas, TX
James Allen Bottorff	Associate	Jeffersonville, IN
Tom Boykin	Associate	Mt. Washington, KY
William Scott Bradford	Certified General	Atlanta, GA
Craig Alan Brodsky	Certified General	Atlanta, GA
Kristina G. Callies	Certified General	Mableton, GA
Alex Carter	Associate	Lexington, KY
Olga M. Castaneda	Certified Residential	Clearwater, FL
Jesse Edward Clanton	Certified General	Hartselle, AL
Bradley N. Coleman	Associate	Lexington, KY
Benjamin Cottingham	Certified General	Indianapolis, IN
Jason B. Disney	Associate	Lexington, KY
Patrick Kevin Finnegan	Associate	Louisville, KY
Robert E. Gambill	Certified General	Portsmouth, OH
Patsy L. Gill	Associate	Winchester, KY
David Frank Gracey	Certified Residential	Plano, TX
Jeremy Taylor Harmon	Associate	Louisville, KY
Aimee Henderson	Associate	Bowling Green, KY
Matthew C. Hoffner	Associate	Nicholasville, KY
Bret R. Hogan	Associate	Alexandria, KY
Britt Alan Jones	Associate	Paducah, KY
James Craig Julian	Certified General	Houston, TX
Gerald P. Liace	Certified General	Downers Grove, IL
Ross D. Lyons	Associate	Lexington, KY
James R. Mason	Associate	Maysville, KY
William J. Mathews	Certified General	Cincinnati, OH
Steven McDermott	Certified General	Plano, TX
Stephanie J. Melton	Associate	Dry Ridge, KY
Lawrence W. Mitchell	Certified General	Indianapolis, IN
Caroline K. Moses	Associate	Elizabethtown, KY
Venton D. Trey Mosley	Associate	Hyden, KY
Jeffrey D. Newsom	Certified Residential	Lebanon, OH
Jeffrey D. Noah	Certified Residential	New Tazewell, TN
P. Linus Norusis	Certified General	Homer Glen, IL
Matthew W. Pendley	Associate	Campton, KY
Zilber R. Plair, III	Certified Residential	Cincinnati, OH
Edward P. Poore, Jr.	Associate	Burnside, KY
Christopher Dale Richter	Certified General	Plano, TX
Mark Schwobe	Certified General	Atlanta, GA
James E. Sells	Associate	Cadiz, KY
Candace Kay Cline Shields	Certified General	Pikeville, Ky
Heather W. Silvey	Associate	Russellville, KY
Billy G. Slone	Associate	Pikeville, KY
David M. Soult	Certified Residential	Cleves, OH
Charles R. Smith	Certified General	Allardt, TN
Jon P. Sweatt	Associate	Central City, KY
Timothy R. Taylor	Certified Residential	Chicago, IL
Melinda Michelle Terrell	Associate	LaGrange, KY
Clinton R. Tompkins	Associate	Goshen, KY
Scott D. Tranter	Associate	Walton, KY
Michael L. Viola	Certified Residential	Cincinnati, OH
Charles E. Volk	Certified Residential	Louisville, KY

David A. White	Associate	Madisonville, KY
Shara L. Williams	Associate	West Van Lear, KY
Michael S. Wilson	Certified Residential	Mason, OH
Jonathan M. Winn	Associate	Bowling Green, KY
Don Wyatt	Associate	Glasgow, KY

**RECLASSIFICATIONS**

NAME	LEVEL	CITY, STATE
Gregory Amburgy	Certified Residential	Kings Mill, OH
Jon Patrick Archibale	Certified Residential	Cincinnati, OH
Robin C. Barmore	Certified Residential	Turners Station, KY
Joy A. Bickel	Certified Residential	Louisville, KY
Hugh R. Callihan	Certified Residential	Louisville, KY
Kristin T. Carey	Certified Residential	Lexington, KY
Bruce H. Davis	Certified Residential	Nicholasville, KY
Christi B. Country -Dick	Certified Residential	Peebles, OH
Amy Marie Fleming	Certified Residential	Cincinnati, OH
Pedro E. Garcia	Certified Residential	New Albany, IN
Paula D. Gilliland	Certified Residential	Louisville, KY
Benjamin T. Godbey	Certified Residential	Richmond, KY
Jarrett J. Hardesty	Certified Residential	Louisville, KY
Todd B. Harrison	Certified General	New Castle, DE
Amy J. Hedrick	Certified Residential	Peebles, OH
David Mark Holbrook	Certified General	Hazard, KY
Johnny S. Johnson	Certified Residential	Prestonsburg, KY
Tom L. Johns	Certified Residential	Cincinnati, OH
Barry M. Kinslow	Certified Residential	Mt. Washington, KY
Michael K. Kirk	Certified Residential	Mt. Orab, OH
Travis Knight	Certified Residential	London, KY
Christopher Paul Maddox	Certified Residential	Mt. Washington, KY
Dell B. McPeake	Certified General	Morganfield, KY
Nicholas McWhorter	Certified Residential	Bowling Green, KY
Del R. Meadows	Certified Residential	Covington, KY
Monica Millard	Certified Residential	Ft. Thomas, KY
Timothy D. Mullins	Certified Residential	London, KY
Christopher R. Noel	Certified Residential	Harrodsburg, KY
Michael R. Pottner	Certified Residential	Mason, OH
Roy M. Roberts	Certified Residential	Nancy, KY
Lisa P. Robertson	Certified Residential	Ashland, KY
Phyllis K. Rogers	Certified Residential	Winchester, KY
Christine A. Sandusky	Certified Residential	Loveland, OH
Steven M. Shockley	Certified Residential	Louisville, KY
Michael "Sam" Skaggs	Certified General	Glasgow, KY
Scott J. Smith	Certified Residential	Batavia, OH
Ryan L. Snow	Certified Residential	Cincinnati, OH
Stephen Scott Spencer	Certified Residential	Berea, KY
Margaret M. Stapleton	Certified Residential	Cleves, OH
Steven V. Sunderman	Certified Residential	Cincinnati, OH
Vincent H. Sunderman	Certified Residential	Batavia, OH
Kevin M. Sweeney	Certified Residential	Mason, OH
R. Rhett Turner	Certified General	Mt. Juliet, TN
Robert West	Certified Residential	Lawrenceburg, KY
Chris L. Willhite	Certified Residential	Georgetown, KY
Cynthia M. Wuestefeld	Certified Residential	Cincinnati, OH

## 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**

<b>Case No.</b>	<b>Agreed Order</b>	<b>Dismiss</b>	<b>Dismiss with a letter of advice</b>	<b>Letter of Admonishment</b>
01-65 02-41 04-72 06-34 06-38 06-53 06-57	Joe Weddington X 365 day suspension, with 30 days served and 335 days probated upon completion of the terms of the agreed order; Provide log every 3 months for one year; Fine - \$1,500; Education – 31 hours; Shall only be entitled to supervise 1 Associate			
02-44 03-47	X Education – 15 hours; Shall complete the supervisor/trainee course			
02-44	X Agrees not to appraise, as a training appraiser or a supervising appraiser, any properties greater than 1-4 use, until respondent completes 60 hours of education; Shall not be permitted to train appraisers to perform assignments greater than 1-4 units use			
02-73	X Respondent was inactive. License Surrendered. Agrees not to seek renewal or reinstatement of his license for a period of five years beginning 2/1/07.			
03-24 04-98 04-99	X License Surrendered. Agrees not to seek renewal or reinstatement of his license for a period of five years beginning 4/1/07.			
03-111 04-42 06-01	X Education – 15 hours; Shall not supervise any Associate appraisers for a period of two years from the date of the Agreed Order.			
03-111 06-01	X Fine - \$350; Education – 15 hours.			

Case No.	Agreed Order	Dismiss	Dismiss with a letter of advice	Letter of Admonishment
04-45 05-38 05-46 05-48	X Fine - \$1,000; Education – 15 hours; Submit log every 3 months for 2 year and grant review for 1 year and grant review of a maximum 10 assignments at random during each of the three month reviews; May retain three Associates currently under supervision, after these three obtains their certification, respondent shall be limited to one associate appraiser for a period of one year thereafter.			
04-45 05-38			X	
04-109	X Fine - \$500; Education – 15 hours; Provide log every 3 months or 1 year and grant review of the assignments			
05-06 05-07	X Education – 7 hours; Letter of Warning			
05-12	X Suspended 365 days with said suspension probated with successful completion of the agreed order; Fine - \$350; Education – 22 hours; Provide log every 6 months for 2 years; Random file audit for 2 years; Limit scope of work to 1-4 family residential for 2 years			
05-20 05-21 05-22	X Fine - \$900; Education – 60 hours			
05-23	X Fine - \$350; Education – 10.5 hours Shall make available to the Board upon request a log of all appraisal assignments completed for a period of 2 years. Further, upon request any assignments selected at random from the log by the Board shall immediately be made available.			
05-31 05-32 05-33	X Education – 7 hours; Letter of Warning			

Case No.	Agreed Order	Dismiss	Dismiss with a letter of advice	Letter of Admonishment
05-37	<p>X</p> <p><b>Respondent 1</b>            Fine - \$900;            Education – 52 hours;            Random file audit for 2 years</p> <p><b>Respondent 2</b>            Education – 22 hours;            Random file audit for 2 years</p>			
05-40	<p>X</p> <p><b>Respondent 1</b>            Fine - \$500;            Education – 15 hours;            Restricted to 1 associates until he attends Board supervisor/trainee course;            Maintain log for 1 year and Board shall at random select assignments from log for review;            In lieu of a suspension, Respondent 1 shall be placed on a 1 year probation with the Board pending all items outlined in this agreed order</p> <p><b>Respondent 2</b>            Darrell Muncy            365 day suspension, with 30 days served and 335 days probated upon completion of the terms of the agreed order;            Fine - \$500;            Education – 45 hours;            Provide log every 3 months for 1 year and the Board may at random select assignments for evaluation;            No associates for 1 year</p>			
05-41	<p>X</p> <p>Fine - \$350;</p>			X
05-46	<p>X</p> <p>Education – 15 hours;            The Board shall have the right to review files for 2 years</p>			
05-48	<p>X</p> <p>Education – 15 hours</p>			
05-49				X
05-61		X		



Case No.	Agreed Order	Dismiss	Dismiss with a letter of advice	Letter of Admonishment
05-64	<p style="text-align: center;">X</p> <p>Suspended for 6 months with said suspension probated with successful completion of the agreed order requirements;            Fine \$500;            Education – 15 hours;            Make available to the Board a log every 6 months for a period of 2 years and the Board may at random select assignments for evaluation;            Agrees that the Board shall be given access all past and current assignments listed on the experience log for 2 years;            Agrees the Board shall review each assignment that was the subject of an appraisal and a report for the client, the sellers, or the buyers that were identified in this case;            Shall limit scope of work to 1 unit property until respondent can demonstrate to the Board steps have been taken to enhance competency and area knowledge for the areas in which respondent works;            No associates for 2 years</p>			
05-69	<p style="text-align: center;">X</p> <p>Certification suspended 1 year with 30 days served and the remainder of the suspension probated upon compliance with the terms of the agreed order;            Fine - \$500;            Education – 45 hours;            Submit log every 3 months for 2 years;            Shall not supervise any associates for 3 years;            Agrees that the Board staff can visit the appraiser’s office and at random select and review files listed on the log of appraisal activity</p>			
05-71	<p style="text-align: center;">X</p> <p>Fine - \$350;            Education – 30 hours;            Agrees the Board shall have the right to review files for 2 years;</p>			
05-74	<p style="text-align: center;">X</p> <p>Fine - \$350;            Education – 22 hours;</p>			
05-79	<p style="text-align: center;">X</p> <p><b>Respondent 1 and 2</b>            Education – 7 hours</p>			

Case No.	Agreed Order	Dismiss	Dismiss with a letter of advice	Letter of Admonishment
06-18	X Fine - \$350; Education – 30 hours; Submit log every 6 months for 2 years and the Board may select at random assignments from the log for evaluation; Agrees the Board shall have the right to review files for a period of 2 years; Shall not supervise any associates for 3 years;			
06-26	X Norman Christie Fine - \$1,500; Submit log every 3 months for 2 year and grant review of a maximum 10 assignments at random during each of the three month reviews; May retain three Associates currently under supervision, after these three obtains their certification, respondent shall be limited to one associate appraiser for a period of two years thereafter.			
06-30	X Fine - \$250; Education – 3.5 hours			
06-31	X Fine - \$250; Education – 3.5 hours			
06-35		X Dismiss with leave to reinstate. Respondent did not renew 6/30/06		
06-37	X Respondent 1 and 2 Education – 7 hours			
06-41	X Fine - \$350; Education – 22 hours; Submit log every 6 months for 2 year and within a 48-hour notice the Board staff or designee will select at random assignments from the log. The Board shall have the right to review files for a period of two years; Shall have not Associates for a period of three years from the date of the agreed order. Shall limit scope of work to 1-4 family residential for 3 years from the date of the agreed order.			

Case No.	Agreed Order	Dismiss	Dismiss with a letter of advice	Letter of Admonishment
06-42	X Fine - \$350; Education – 7 hours; No Associates for 1 year and must complete the supervisor/trainee course; The Board shall have the right to inspect files on notice after reviewing the respondent work log.			
06-44	X <b>Respondent 1 and 2</b> Fine - \$350; Education – 22 hours; Submit log every 3 months for 2 years and within 48-hour notice the Board staff or designee will select assignments for evaluation; Agrees the Board, staff or Board designee shall be granted access to files pulled at random from the appraisers' assignment log for a period of two years.			
06-45			X	
06-51	X Fine - \$350; Education – 15 hours; Agrees the Board shall have the right to review files for 2 years;			
06-52		X		
06-54			X	
06-55 06-56	X <b>Respondent 1</b> Fine - \$150; Education – 15 hours  <b>Respondent 2</b> Fine - \$150; Education – 7 hours			
07-07		X Dismiss with leave to reinstate. Respondent did not renew 6/30/06		
07-20		X		

**KENTUCKY REAL ESTATE APPRAISERS BOARD  
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