WHY DOES THE KS REAL ESTATE APPRAISAL BOARD (KREAB) EXIST?
By Bruce Fitzsimons, KREAB Chairman

The KREAB was created for the express purpose of protecting the public by regulating the profession not to promote the profession. The board’s authority is statutorily derived from State Practice Acts and Federal Laws disseminated as rules and regulations.

Kansas Regulations and Statutes are available at http://www.kansas.gov/kreab/. This web site also provides additional information relating to real estate appraisers in Kansas including legislative updates and proposed regulation changes, disciplinary actions, education and licensing, and renewal information.

As stated above, the primary duty of the KREAB is - Protecting the Public. This is done by way of the following:
1) Establish licensing criteria for the appraisal profession by way of examinations, education, and experience.
2) Reviewing new and renewal license applications. The ultimate goal is that every person who meets accepted minimum qualifications and poses no unacceptable risk to the public can obtain a license.
3) Grant, deny, and set conditions for licensure.
4) Establish minimum and continuing education requirements.
5) Interpret professional standards.
6) Review and seek amendments to statutes and rules on antiquated sections, vagueness of language, and constitutional problems.
7) Disseminate rules and policies.
8) Regulatory or enforcement role. Contested cases resemble a jury trial with board members sitting as “jurors” with a hearing officer presiding.

The Board consists of seven members appointed by the governor representing the general public, financial institutions, and appraisers. Four members are selected to serve on the Investigation Committee and three members serve on the Hearings Committee.

Board meetings are held in Topeka and are open to the public. Appraisers are encouraged to attend these meetings to witness the processes and procedures first hand. Kansas appraisers may receive continuing education credit for attending meetings. For further information on attending board meetings contact Sally Pritchett or Cheryl Magathan at (785) 296-6736.

The KREAB works closely with several other federal agencies and boards the real estate appraisers should be familiar with because they all play an important role in the appraisal profession.

THE APPRAISAL FOUNDATION (TAF)
TAF was formed in 1987 to establish uniform standards for real estate appraisals, as well as educational and experience criteria for appraisers. The newly formed Appraisal Foundation developed its own guidelines and issued the Uniform Standards of Professional Appraisal Practice (USPAP) in 1987. In addition, TAF developed requirements for appraisal certification and licensing as well as a proposed legislative model for state-administered appraiser certification programs.

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TAF is funded in part through grants from the federally created Appraisal Subcommittee which collects registry fees derived from state certified and licensed appraisers. TAF is currently comprised of organizational members from both the appraisal industry and the banking industry.

THE APPRAISAL STANDARDS BOARD (ASB)

The Appraisal Standards Board, an independent board within the Appraisal Foundation, is the entity which writes, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP).

“The most significant aspects of the USPAP include the professional ethics standards, the competency standards, and the substantive standards for real estate appraisals... The substantive standards of the USPAP set forth general guidelines for real property appraisals which serve to provide greater uniformity and reliability for appraisals nationwide.”

Since the original publication of USPAP in 1987, the Appraisal Standards Board has amended USPAP seventeen times. Also, since its inception, the ASB has issued ten statements on appraisal standards and thirty-two advisory opinions, all of which are contained within the 2008-2009 edition of USPAP published by the Appraisal Foundation.

Each specified federal financial institutions regulatory agency complied with the congressional mandate of 12 U.S.C.S. § 3339 and adopted a regulation which required appraisals performed in connection with a federally related transaction to conform to generally accepted appraisal standards as evidenced by the USPAP promulgated by the ASB of the Appraisal Foundation. A “federally related transaction” is defined as any real estate-related transaction which a federal financial institutions regulatory agency engages in, contracts for, or regulates and which requires the services of an appraiser. However, certain \textit{de minimus} value thresholds actually modify the word ‘any’ as used in the definition of “federally related transaction.”

The 2008-2009 USPAP, including Advisory Opinions and USPAP Frequently Asked Questions is available at [http://www.appraisalfoundation.org/s_appraisal/sec.asp?CID\&D=3&DID=3](http://www.appraisalfoundation.org/s_appraisal/sec.asp?CID\&D=3&DID=3). This site also has the proposed changes to the 2010-2011 edition of USPAP and banking regulations.

THE APPRAISAL QUALIFICATIONS BOARD (AQB)
APPRAISER QUALIFICATIONS & COMPETENCY

In order to ensure that only qualified appraisers performed the requisite appraisals for federally related transactions, Congress required such appraisals to be performed by state licensed or certified appraisers. Each federal financial institutions regulatory agency was directed to prescribe which categories of federally related transactions would be appraised by a state certified appraiser and which by a state licensed appraiser.

Through Title XI of FIRREA, a state certified appraiser was defined as “any individual who has satisfied the requirements for state certification in a state or territory whose criteria for certification as a real estate appraiser meets the minimum criteria for certification issued by the AQB of the Appraisal Foundation.”

In contrast, a state licensed appraiser is defined by Title XI of FIRREA as “an individual who has satisfied the requirements for state licensing in a state or territory.”

Each specified federal financial agency complied with this congressional mandate and adopted a regulation that required appraisals performed in connection with a federally related transaction to be performed by a state certified or licensed appraiser. Further that certified appraisers have met criteria established by the AQB (another independent board within the Appraisal Foundation), and that licensed appraisers have met state established criteria.

THE APPRAISAL SUBCOMMITTEE (ASC)

This elaborate system, designed to ensure the real estate appraisals utilized in connection with federally related transactions are performed by qualified appraisers in accordance with uniform standards, is monitored by the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (ASC). The ASC is authorized to employ staff “as may be necessary to carry out the functions of [FIRREA].” Congress authorized the ASC to perform specified functions and granted it specified powers.

A primary required function of the ASC is to monitor certification and licensing requirements established by the states. Such monitoring is to assure compliance with the FIRREA purpose that appraisals be performed by “individuals whose competency has been demonstrated.” FIRREA specifically prohibits the ASC from setting qualification or experience requirements for the states in licensing real estate appraisers, and provides that recommendations of the Subcommittee “shall be nonbinding on the States.”

The ASC does, however, have the authority to approve or disapprove a state agency as a certification and licensure agency under Title XI of FIRREA. If the ASC finds that a state agency “fails to recognize and enforce the standards, requirements, and procedures” prescribed by Title XI or finds that “decisions concerning appraisal standards, appraiser qualifications and supervision of appraiser practices are not made in a manner that carries out the purposes” of Title XI, the Subcommittee must notify the agency in writing. The Subcommittee must then allow the agency to present information which contests this decision and correct the conditions that prompted the denial. Further, the ASC’s denial of a state licensing program or agency is subject to judicial review.

What happens should the ASC determine that a state agency has failed to recognize and enforce the appraisal standards prescribed pursuant to Title XI of FIRREA or that a state decision concerning appraisal standards is not made in a manner that carries out the purposes of Title XI of FIRREA? In that event, the federal primary mortgage
market financial regulatory agencies, i.e., (the Federal Reserve Board, FDIC, OCC, OTS and NCUA, and their regulated institutions, as well as the secondary mortgage market financial institutions, i.e. the Federal National Mortgage Association (FNMA, or Fannie Mae) and the Federal Home Loan Mortgage Corporation (FHMC, or Freddie Mac) would be prohibited from recognizing and accepting certificates and licenses issued by the state certifying and licensing agency.

In the absence of recognition and acceptance of such certificates and licenses, Title XI of FIRREA prohibits these agencies and institutions from making, insuring, selling or purchasing real estate loans in the state because they would be unable to hire properly certified or licensed appraisers to prepare the necessary appraisals. Consequently, credit secured by real estate would become virtually unavailable in a state which the ASC determined was not “in compliance” with Title XI of FIRREA. The effect of such a determination by the ASC would be to bring nearly all real estate related financial transactions in that state to a grinding halt.

**APPRAISER REGULATORY SYSTEM – ESTABLISHED IN 1989 BY THE FINANCIAL INSTITUTIONS REFORM, RECOVERY, AND ENFORCEMENT ACT (FIRREA)**

[Diagram of the Appraiser Regulatory System]

**Federal Financial Institutions Examination Council**
www.ffiec.gov

**Appraisal Subcommittee**
of the Federal Financial Institutions Examination Council
www.asc.gov

**The Appraisal Foundation**
www.appraisalfoundation.org

**State Regulators**

**AQB Appraiser Qualifications Board**

**ASB Appraisal Standards Board**
One of the largest barriers of entry into the appraisal profession is finding a supervisor to train a new candidate entering the profession. This is a national problem. Although someday we may see internships implemented as part of appraisal degree programs throughout the country, until that happens there has to be another answer. In addition, how does the Appraiser Trainee really know if the supervisor has the knowledge and experience to supervise? A strong foundation completing the first few appraisal assignments in a more formalized setting can provide the Appraiser Trainee with the knowledge and insight that is needed.

The Trans-American Institute of Professional Studies has developed an experience program entitled “Career Launch” to assist Appraiser Trainees with initial appraisal experience credit. The program is designed to meet the AQB Criteria for experience and utilizes classroom education (examinations if warranted), case studies, and individual mentoring. The training is also designed to be flexible and facilitates learning at the trainee’s own pace. It is important for the Appraiser Trainee to understand that all appraisal assignments completed through the program must be USPAP compliant before they are accepted for experience credit. The amount of experience credit received is based on the complexity of the assignment. All of the work completed for the program is documented through the school on an experience log.

The Trans-American Institute also trains the Mentor/Supervisors. Each Mentor must successfully complete the training course before working as a Mentor with the program. Mentors must have a minimum of ten years field experience, be in good standing in all states where they hold a credential and have demonstrated a thorough understanding of the Uniform Standards of Professional Appraisal Practice.

Appraiser Trainees and Mentors work closely together throughout the process. It is up to the student as to how much training they want to receive in the program. The AQB criteria allows up to 50% of the total required experience to be gained in this manner, however most Appraiser Trainees feel comfortable after three to six assignments. They are then ready to market themselves to a certified appraiser who feels more comfortable hiring the trainee since they do not have to start at the beginning of the training process. The work completed through the program will help the Appraiser Trainee identify the right supervisor and to really know if the supervisor is following good appraisal practices.

Furthermore, the program is open to licensed and certified appraisers who want to ensure USPAP compliance in their own practices. Another service offered is a Standard Three Review to make sure the level of information in the appraisal report is appropriate and that the report has been written in compliance with USPAP. It is important to remember that the appraisal profession is constantly changing. The Uniform Standards of Professional Appraisal Practice requires all appraisers to keep abreast of these changes.

At their June Board meeting, the members of the KS Real Estate Appraisal Board held their annual election of officers. Bruce Fitzsimons (Overland Park) was elected as Chairman, and Doug Haverkamp (St. George) was elected as Vice-Chair.

Mr. Fitzsimons has been employed with First National Bank of Olathe since 1990. He is Chief Appraiser and Vice President of Credit Administration, Mortgage and Consumer Lending. He is a certified residential appraiser with 14 years of appraisal experience and over 30 years of experience in banking/financial services.

Mr. Haverkamp has 18 years of banking related experience and now serves as a Vice-President and Relationship Manager for Commerce Bank, N.A., responsible for new commercial business development, credit quality and serves as their market specialist for government programs, agricultural banking and appraisals. He has worked at the county, district and state level within Farm Service Agency with experience in agricultural, residential and commercial lending. Mr. Haverkamp was issued his certified general appraiser license in Kansas in March, 2004.

Mr. Fitzsimons (left) presents outgoing Chair, Tim Keller, Lawrence, with a plaque commemorating his service to the Board.
The 2009/2010 renewal period will come to a close on September 30 and, as in the past, the renewal was followed by an audit of continuing education of approximately 20% of all licensed/certified appraisers.

Although the renewal and audit processes are relatively unchanged, the Board staff continue to see the same issues each year.

**RENEWAL OF LICENSE**
Licenses/certifications are renewed annually, with renewal applications being mailed to each appraiser’s mailing address during the first week of March.

It is the responsibility of each appraiser to notify the Board, in writing, of any change to their residence, mailing, and/or business address [ref. K.S.A. 58-4114]. As Board mail is not forwarded, it is very important that you notify the board immediately upon any change of address. On-time renewal is accepted from receipt by the appraiser of the renewal application through May 31. Renewals postmarked after May 31 are subject to a $50 late fee. Late renewals are accepted through September 30.

Renewals during even years (2010, 2012, etc.) do not require that you report your continuing education. While it is always recommended that you complete at least 14 hours during each year, K.A.R. 117-6-1, requires that each appraiser whose license has been in effect for one or more years shall meet 28 hours, which may be averaged over each two-year education cycle. In other words, the 28 hours may be completed at any time during the education cycle. Education cycles run from July 1 of each odd year (2009, 2011, etc.) to May 31 of the following odd year. The current education cycle began on July 1, 2009 and will end on May 31, 2011. Of the 28 hours, 7 must be in USPAP Update….the 15-hour tested USPAP course cannot be used in lieu of the Update course.

When logging your continuing education, no course for which you do not have a certificate of completion should be logged. All information entered into the continuing education log should be taken from the certificate of completion.

Too many renewal applications are returned each year due to failure on the part of the appraiser to read and follow the instructions provided with the application, and failure to proof the information. What follows are some of the most common reasons for return of a renewal:

- Appraiser failed to log the 28 hours required (odd-year renewals only).
- Appraiser failed to properly complete the education log.
- Application was not signed or questions were not answered.
- Charge authorization was not completed properly or was unsigned.

Always maintain a copy of your renewal application for your files. During odd-year renewals, copies of the certificates of completion for those courses logged should be attached to the copy of the renewal application you maintain for your records.

**CONTINUING EDUCATION AUDIT**
The selection of appraisers to be included in each audit is random. No appraiser is ever specifically targeted for the continuing education audit. Is it possible that you will be audited twice, or more, in a row? Yes. We do not exclude appraisers who were audited in the past when making the selection for the current audit.

In the renewal section above, it was recommended that when you file your renewal application, you keep a copy of the form, with a copy of each course completion certificate which you logged. This makes the audit so simple. You simply pull the certificates attached, copy, and submit them with the audit form. There is no searching for the certificates or guessing which courses you had logged.

The audit is not intended as a punishment, but as a means of keeping the paper processing and maintenance down.

What follows are some of the most common issues noted during the 2009 continuing education audit:

- Non-resident courses (taken outside Kansas and not approved in Kansas) must show, either on the certificate of completion or by other means, that the course was approved by the state regulatory body of the state the course was given in.
- It is the appraiser’s responsibility to know if a course is approved in Kansas or, if taken elsewhere, approved in that state.
- Course information must be taken from the certificate of completion. Entering invalid dates, course titles, or providers on your renewal CE log, then finding those errors during the audit, can leave the appraiser subject to disciplinary action by the Board.
- On-Line Courses. Probably the most common problem with on-line courses has been that these courses were logged prior to receiving a certificate and the completion date used does not match the completion date on the certificate.

**NEED TO REPORT A CHANGE OF ADDRESS?** The Board has an address change form on their website at http://www.kansas.gov/kreab and click on Licensing. This is not a required form, it simply makes providing the information needed easy. If you are e-mailing or simply writing in an address change, make sure that you include your name, license #, and the type of address you are changing (residence, mailing, or business). It is helpful if you will also provide your contact information (e-mail, phone, fax, etc.) even if they are not changing.
USPAP Q & A

Q. Does USPAP allow me to appraise a property without knowing the intended use or user if there is an agreed upon scope of work?

A. No. USPAP requires an appraiser to identify the intended use and any intended users by name or type prior to determining the scope of work in an appraisal assignment.

Q. A property is being appraised for a probate court in a state which has a statute stipulating that appraisal fees for these assignments shall be based on the appraised value of the property. Does USPAP allow me to appraise the property under this compensation arrangement?

A. Yes. This is an example where the JURISDICTIONAL EXCEPTION RULE applies. In order to comply with the requirements of the JURISDICTIONAL EXCEPTION RULE, the appraiser must disclose in the appraisal report the reason(s) that prohibit compliance with USPAP, and cite the basis for the jurisdictional exception.

Q. Does a review appraiser have to be licensed or certified in the state where the subject property is located?

A. Appraiser credentialing requirements are not covered by USPAP. However, since this question is often asked, we have provided the following response from the Appraisal Subcommittee (ASC):

"Included in ASC Policy Statement 5 is the ASC’s position on when an out-of-state review appraiser must obtain a credential for purposes of performing a technical review. The ASC has concluded that for federally related transactions, so long as the review appraiser does not perform the technical review in the state within which the property is located, and so long as the review appraiser is certified or licensed by another state, that appraiser need not be registered for temporary practice or otherwise credentialed by the state agency where the subject property is located. With that said, state law may be more restrictive than federal law and may require a temporary practice permit or other credential. It is therefore imperative to consult with the state where the property is located."

Q. I am an appraiser in a firm that performs valuations of business interests and assets (both tangible and intangible) for financial reporting purposes in accordance with Financial Accounting Standards Board (FASB) standards. Does USPAP apply to valuations for financial reporting purposes?

A. Yes, USPAP is applicable to appraisers performing assignments for financial reporting purposes. You have identified yourself as an appraiser. Regardless of the intended use of the work you perform, when you represent yourself as an appraiser you should comply with USPAP. Further, there may be laws or regulations that require compliance with USPAP.

It is possible that others in your firm, such as accountants or business and/or financial analysts, may also perform valuations for financial reporting purposes. In these cases, because USPAP applies only to appraisers, there is no obligation for non-appraisers to comply with USPAP (unless there is law or regulation that requires compliance).
USPAP does not establish who or what assignments must comply with USPAP. Such requirements are established by law, regulation, or agreement with the client. Additionally, certain professional organizations require that their members comply with USPAP.

Therefore, regarding who must comply: Individuals providing appraisals (defined in USPAP as an opinion of value) who fall under one of the above requirements must comply with USPAP in valuations for financial reporting.

And, regarding what assignments must comply: Appraisals that are required by law to comply with USPAP must comply regardless of whether the individual performing the appraisal would otherwise be required to comply. In some states, it is mandatory for real estate appraisals (an opinion of value of real estate) to comply with USPAP, no matter what the intended use.

Additionally, regardless of the intended use of the appraisal, individuals who hold themselves out as appraisers should comply. It is important to note that, although assignments performed in compliance with Statement of Financial Accounting Standards No. 141, Business Combinations, issued by the Financial Accounting Standards Board are often referred to as "allocations," the asset values determined in these assignments are "appraisals" as defined in USPAP, as they are "opinions of value." Therefore, these "allocations" must comply when the appraiser, or the assignment, is required by law, regulation, agreement of the client, or when the appraiser belongs to a professional organization that requires compliance. In addition, any individuals holding themselves out to be appraisers should comply, even when not required to do so.

Refer to Advisory Opinion 21, USPAP Compliance for further guidance.

Assuming otherwise identical assignment elements and scope of work, will an appraiser's value opinion be the same regardless of whether the appraiser was hired by the defendant or the plaintiff or a third-party?

In an appraisal prepared for a tax assessment appeal with otherwise identical assignment elements and scope of work, will the appraiser's value opinion be the same regardless of whether the appraiser was hired by the government or the taxpayer? In an appraisal prepared for a gift donation for tax filing purposes with otherwise identical assignment elements and scope of work, will the appraiser's value opinion be the same regardless of whether the appraiser was hired by the IRS or the taxpayer?

Assuming otherwise identical assignment elements and scope of work, will an appraiser's value opinion be the same independent of the client and other intended user(s)?

Before answering these questions, we first need to review portions of the SCOPE OF WORK RULE.

In any appraisal, appraisal review or appraisal consulting assignment, the appraiser must identify the problem to be solved, then determine and perform the scope of work necessary to develop credible assignment results in the context of the intended use. Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an assignment. It is the appraiser's responsibility, with input from the client, to identify the assignment elements. Assignment elements are the:

- client and any other intended users;
- intended use of the appraiser's opinions and conclusions;
- type and definition of value;
- effective date of the appraiser's opinions and conclusions;
- subject of the assignment and its relevant characteristics; and
- assignment conditions.

Assignment conditions include assumptions, extraordinary assumptions, hypothetical conditions, laws and regulations, jurisdictional exceptions and other conditions that affect scope of work.

The answer to each of the above questions is yes. Providing the other assignment elements (except the client) and the scope of work are the same, the appraiser's value opinion will be the same.

As an example, suppose an appraiser is requested to provide an opinion of the market value of a property for a specific intended use, such as for a potential sale or acquisition. Unless other assignment elements are different, and the appraiser establishes and follows a different scope of work as a result of differing assignment elements, there will be no difference in the value opinion regardless of whether the intended user is the buyer, seller, or a third party.

In all assignments, the appraiser must comply with the Management section of the ETHICS RULE, which prohibits compensation that is based on "a direction in assignment results that favors the cause of the client." In all
assignments, the appraiser must comply with the Conduct section of the ETHICS RULE which states, “An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.” In addition, “An appraiser must not advocate the cause or interest of any party or issue.” If an appraiser’s results vary solely depending on whether the client is a buyer or seller, the appraiser would be acting as an advocate for the cause of the client.

There are times, however, when assignments involving the same property will have different assignment elements. These could include different effective dates, types and definitions of value (market value, as opposed to insurable value, for example) or assignment conditions. As a result of a change in assignment elements, the value conclusion may be different; but the value conclusion will not differ simply because the client changed. The value conclusion differs because one or more of the other assignment elements changed; as a result, the appraiser established and followed a different scope of work.

Q When I complete the new Market Conditions form (such as the Fannie Mae 1004MC) and include it within my report, does the certification contained in the URAR form apply to the Market Conditions form as well?

A Yes. The name of the form in question is the Market Conditions Addendum to the Appraisal Report. Any addendum is part of a larger report (in this case, a URAR form). In addition, the Market Conditions form is clearly identified as an addendum, as evidenced by the following language at the top of the form:

The purpose of this addendum is to provide the lender/client with a clear and accurate understanding of the market trends and conditions prevalent in the subject neighborhood. This is a required addendum for all appraisal reports with an effective date on or after April 1, 2009.

The Comment to Standards Rule 2-3 states, “In an assignment that includes only assignment results developed by the real property appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal report.” Thus, the certification applies to the entire appraisal and report, including any addenda.

QUESTIONS REGARDING 2010-11 REVISIONS TO THE ETHICS RULE

The Appraisal Standards Board recently adopted changes to the Conduct section of the ETHICS RULE that will become effective January 1, 2010 for the 2010-11 edition of USPAP. The specific language that has been adopted, and which has initiated questions and concerns is:

If known prior to accepting an assignment, and/or if discovered at any time during the assignment, an appraiser must disclose to the client, and in the subsequent report certification:

- any current or prospective interest in the subject property or parties involved; and
- any services regarding the subject property performed by the appraiser within the three year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity.

Comment: Disclosing the fact that the appraiser has previously appraised the property is permitted except in the case when an appraiser has agreed with the client to keep the mere occurrence of a prior assignment confidential. If an appraiser has agreed with a client not to disclose that he or she has appraised a property, the appraiser must decline all subsequent assignments that fall within the three year period.

The goal of maintaining public trust makes it important that the client have knowledge regarding an appraiser’s prior services associated with the subject property in advance of engaging that appraiser.

Q I heard about the changes to the Conduct section of the ETHICS RULE and I am concerned. Is it true that I will not be able to reappraise a property for three years after a prior appraisal?

A No. The revised ETHICS RULE that goes into effect on January 1, 2010, will require appraisers to disclose any services regarding the subject property provided as an appraiser or in any other capacity during the three years prior to the new assignment. It does not include any prohibition against reappraising a property.

Q I occasionally receive requests to appraise a property that I have appraised in the past. With the changes to the ETHICS RULE, I will be required to disclose any assignments that I performed within the three years prior to the date of acceptance of the assignment. Is such a disclosure not a violation of an appraiser’s responsibility under the Confidentiality section of the ETHICS RULE?

A Generally, no. The Confidentiality section of the ETHICS RULE prohibits, with some exceptions, the disclosure of “confidential information or assignment results prepared for a client.” The mere fact that an appraiser appraised a property is not confidential information as defined in USPAP. However, the appraiser must be careful not to disclose confidential information from a previous assignment in the new assignment.

Q I am concerned that when I tell a prospective client that I have previously provided a service related to a property, it will lead to questions that I cannot answer without violating the Confidentiality section of the ETHICS RULE. Would it make sense to indicate in the new form that the appraiser previously appraised the property?
RULE: I am sure the new client will want to know when I appraised it, and what my value conclusion had been. How can I address these questions and comply with USPAP?

A It is likely that many potential clients will ask such questions. However, without authorization from the original client, the appraiser cannot disclose the results of the previous appraisal or any other confidential information. One way to address this problem would be to explain that as an appraiser, you are subject to confidentiality requirements and cannot disclose that information. You could go on to explain that the confidentiality requirements are in place to protect clients, including the one who is engaging you for the new assignment.

Those parties who regularly order appraisals will become accustomed to the new disclosure requirements, and will likely stop asking after a relatively short time.

Q Some of my best clients require me to keep all information regarding any assignments that I perform for them confidential. The Comment states in part, “If an appraiser has agreed with a client not to disclose that he or she has appraised a property, the appraiser must decline all subsequent assignments that fall within the three year period.” Will this prevent me from appraising a property for a different client during that three year period?

A Perhaps, but USPAP does not require that the disclosure provide any specific details. For example, the disclosure, both prior to accepting the assignment and in the report’s certification, could include a statement similar to one of the following:

- I have provided a previous service regarding the subject property within the three years prior to this assignment; or
- I have previously appraised this property in the three years prior to this assignment.

If an appraiser cannot make such a statement without violating an agreement with a previous client, then the appraiser must decline the assignment. Appraisers should review their client agreements to specifically determine what information they have agreed to keep confidential.

Q Most of my assignments are completed using common residential appraisal report forms. I am concerned that my clients will not allow changes to the certification on the report forms. The Conduct section of the ETHICS RULE requires that I disclose prior services regarding the subject property in the certification. Does this mean that I will not be allowed to appraise a property for these clients if I had performed a service regarding that property in the previous three years?

A USPAP compliance is the appraiser’s responsibility and adding this information to the certification will be a requirement beginning January 1, 2010. While deletion or modification of client-imposed certifications are generally not allowed, most clients will likely allow additional certifications that do not constitute material alterations to the appraisal report. It is not uncommon for appraisers to add supplemental certifications and this may be necessary in some cases until commonly-used appraisal forms are revised to reflect the changes to USPAP.

Q The Conduct section of the ETHICS RULE requires that I disclose prior services regarding the subject property provided within the three years prior to acceptance of an assignment. I am appraising a residential property on which I acted as the general contractor when it was built four years ago. Since this service was more than three years ago, am I correct in not disclosing that to a new client?

A USPAP establishes a minimum standard of three years, and that is what you are required to disclose. However, the overriding goal of USPAP is to promote and maintain public trust in appraisal practice. Therefore, when an appraiser believes that having provided a previous service that occurred prior to the three years may be relevant to the client, it would be important that the appraiser disclose the information.

Q If the firm that employs me as an appraiser has provided leasing or property management services in the past three years for the subject property, must this be disclosed?

A Not necessarily. The ETHICS RULE requires disclosure of services “provided by the appraiser.” However, if an appraiser believes that the provision of a service by the appraiser’s firm or other related entity may be relevant, he or she should disclose that information to a potential client.

Q If I will be conducting an auction of the subject property after the appraisal, does this have to be disclosed?

A Yes. This is an example of a “current or prospective interest in the subject property.” USPAP currently requires that such an interest be disclosed in the certification, but not necessarily prior to accepting the assignment. Under the 2010 requirements, the appraiser must also disclose this prior to acceptance of an assignment or upon discovery during the assignment.

Q May the disclosure that must be made at the time of acceptance be oral? May it be made in an email to the client?

A USPAP does not specify how the disclosure upon acceptance or discovery must be made. It may be appropriate in some cases to provide an initial oral disclosure. If the client decides to proceed, it may be appropriate that the appraiser’s disclosure be restated in writing. One
way to accomplish this is by including it in a letter of engagement. In other cases an email would be appropriate.

The Record Keeping section of the ETHICS RULE requires that the appraiser’s workfile include “all data, information, and documentation necessary to...show compliance with this Rule...” So, the disclosure prior to acceptance or upon discovery must be documented in the appraiser’s workfile.

Q. I have been engaged to perform a real property valuation assignment. The assignment is to develop an opinion of the market value of the subject property in its current “as-is” condition. USPAP states, “Current appraisals occur when the effective date of the appraisal is contemporaneous with the date of the report.” In this context, what defines contemporaneous with the date of the report?

A. In USPAP, there are three different types of appraisals: retrospective, current, and prospective. Statement on Appraisal Standards No. 3 (SMT-3) addresses retrospective appraisal assignments, while Statement on Appraisal Standards No. 4 (SMT-4) addresses prospective appraisal assignments.

“Current” appraisal assignments are based on the effective date of the appraisal being contemporaneous with the date of the report. Contemporaneous means arising, existing or occurring during the same time period. In this context contemporaneous is not intended to mean simultaneous. Because the “same time period” may very well differ from assignment to assignment, one single specific time period cannot be provided that can be used for all assignments. However, for an assignment to include a current appraisal opinion there must not have been a significant change in the property characteristics or market conditions between the effective date of the appraisal and the date of the report.

Q. I am a business valuation appraiser and do not perform real property appraisal assignments. As a result, I sometimes rely on the results of a real property appraisal to determine the value of business equity. The real property appraisal report is not contained in my business valuation report; however, the real property value conclusion (the dollar amount) is indicated in my report. An example of this would be a real property holding company in which the value of the equity may be significantly dependent on the value of the owned real property. What is the appropriate way to address such reliance of the real property appraisal within my business valuation appraisal report?

A. The Comment to SR 10-3 states, in part:

**When a signing appraiser(s) has relied on work done by appraisers and others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work. The signing appraiser(s) is required to have a reasonable basis for believing that those individuals performing the work are competent. The signing appraiser(s) also must have no reason to doubt that the work of those individuals is credible.**

Additionally, the **Conduct** section of the ETHICS RULE states, in part:

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

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

“The fair market value of the subject interest in XYZ Company is dependent on the market value of the real property owned by the Company, as provided to us. We have not verified the validity of this asset value, which we assume to be reliable. The use of this assumption might have affected our assignment results.”

The business appraisal report must contain a certification by the business appraiser(s). A signed certification related to the real property appraisal will be in the report provided by the real property appraiser (or in the workfile in the case of an oral report). The business appraiser must rely on a real property appraiser because the business appraiser in this scenario is not competent to perform a real property appraisal or to review the real property appraisal.

In deciding that the individual providing the real property appraisal is competent, the business appraiser might note such things as the real property appraiser’s:

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

It is important to note that the determination of another appraiser’s competency may not be established by a single factor, but instead may require a combination of factors. Ultimately, it would be the business valuation appraiser’s decision as to whether the real property appraiser is competent, and that decision must be based on reasonable criteria. In addition, it is of paramount importance that the business valuation appraiser has no reason to doubt that the work of the real property appraiser is credible.

Q. I am completing an appraisal assignment for which I was engaged by an appraisal management company (AMC) on behalf of a lender. The AMC has asked me to collect a fee from the prospective borrower. I am to retain my portion of the total fee as the fee for my appraisal services, and forward the balance to the AMC. The AMC requires that there is to be no disclosure in the report of the total fee, nor of the manner in which the fee is to be split. Does USPAP permit this type of fee arrangement?
If there was no compensation to procure the assignment, there is no USPAP requirement that the split of the total fee paid for the assignment must be disclosed in the report.

However, in this case, more information must be known in order to make a determination as to whether you are paying a fee to procure the assignment. Consider the following excerpt from the Management section of the ETHICS RULE:

The payment of undisclosed fees, commissions, or things of value in connection with the procurement of an assignment is unethical. (Bold added for emphasis)

The Comment to the Management section goes on to say:

Disclosure of fees, commissions, or things of value connected to the procurement of an assignment must appear in the certification and in any transmittal letter in which conclusions are stated.

As you can see from this USPAP excerpt, the first step is to determine if you, as the appraiser, paid a fee to procure the assignment. The decision would depend on the specific facts of your appraisal engagement agreement with the client (for which the AMC is acting as agent).

If you did not pay a fee to procure the assignment, then no disclosure is necessary. Simply collecting funds from one party on behalf of another party is not, in and of itself, representative of paying a fee for procurement of the assignment.

Of course, if the specific facts of the appraisal engagement agreement with the client lead you or others to believe a fee was paid for procurement of the assignment, disclosure that a fee was paid is required in the certification and any transmittal letter in which your conclusions are stated.

There may be other laws or regulations that enter into this situation. You should be familiar with the any possible state regulations addressing fee arrangements in your particular jurisdiction.

Q. I am a residential appraiser performing work for several appraisal management companies. Often, I am asked to perform an appraisal assignment outside the areas I am most familiar with. The assignments come with a requirement that a completed report be submitted within 48 hours or less. This time frame does not permit me to adequately research the subject property market. Is it permissible for me to accept an assignment under these conditions?

A. The COMPETENCY RULE in USPAP requires an appraiser to notify the client that he or she does not have the necessary competency to complete an assignment prior to accepting the assignment. Because your statement in the question states that the "time frame does not permit me to adequately research the subject property market," you have already made the determination that becoming geographically competent for this assignment is a concern. The client must be notified, appropriate steps must be taken to become competent, and the lack of competency, plus the steps taken to become competent, must be disclosed in the assignment report. If an appraiser is not in a position to spend the necessary time in a market area to attain geographic competency, affiliation with a qualified local appraiser may be an appropriate response to ensure development of credible assignment results. Alternatively, the appraiser must decline the assignment. This situation is also addressed by the SCOPE OF WORK RULE in USPAP.

For each appraisal, appraisal review, and appraisal consulting assignment, an appraiser must:
1. identify the problem to be solved;
2. determine and perform the scope of work necessary to develop credible assignment results; and
3. disclose the scope of work in the report. (Bold added for emphasis)

Scope of work is defined as the type and extent of research and analyses in an assignment. If you know that the required time frame does not permit you to adequately research the subject property market in order to complete the scope of work necessary to develop credible assignment results, you should decline the assignment.

In some situations, you may initially believe that you can complete the scope of work necessary to develop credible assignment results, but subsequently determine you are unable to do so and still comply with the specific time frame. This circumstance is specifically covered in the Scope of Work Acceptability section of the SCOPE OF WORK RULE.

An appraiser must not allow assignment conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use.

Comment: If relevant information is not available because of assignment conditions that limit research opportunities (such as conditions that place limitations on inspection or information gathering), an appraiser must withdraw from the assignment unless the appraiser can:
• modify the assignment conditions to expand the scope of work to include gathering the information; or
• use an extraordinary assumption about such information, if credible assignment results can still be developed.

Q. I have completed an appraisal assignment for a client. The report was completed using the 2005 version of the Uniform Residential Appraisal Report (URAR). The client has requested that I remove one of the comparable properties from the report because, in the un-
derwriter’s opinion, it is not sufficiently similar to the subject property. If I do this, will my action comply with USPAP?

A. Such an action has the potential to be misleading. Certification item #15 of the 2005 URAR states the following:

“I have not knowingly withheld any significant information from this appraisal report and, to the best of my knowledge, all statements and information in this appraisal report are true and correct.” (Bold added for emphasis)

You initially concluded that the comparable you are being asked to remove was relevant in developing and communicating the assignment results. If this opinion has not changed, and you subsequently remove a comparable listing or sale from the appraisal report and sign the certification for this specific report format, it would likely be misleading because information you consider to be significant is being knowingly withheld.

In addition, Standards Rule 2-2(b)(viii) which addresses the content of a Summary Appraisal Report includes the following requirement.

summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the sales comparison approach, cost approach, or income approach must be explained; (Bold added for emphasis)

If the comparable is removed as requested by the client, information that was analyzed would no longer be summarized in the report as required by this Standards Rule.

Q. I am an appraiser in a large firm and assist several of the senior appraisers in appraisal research, analysis and report preparation. In a recent USPAP class, the instructor said that associates must have either copies of their workfiles, or an agreement with their employer regarding access to the workfiles, for appraisals on which they provided significant assistance. Does that agreement have to be in writing?

A. No. USPAP does not specify whether the access and retrieval arrangements you make must be in writing. The Record Keeping section of the ETHICS RULE states:

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.

This agreement can be either written or oral. However, there is less chance for a misunderstanding about the agreement if it is in writing.

Q. (Part 1) I am a research assistant with an appraisal firm that has three state certified or licensed real property appraisers. My responsibilities include preparing an appraisal file on each new assignment, researching past sales of the subject, obtaining zoning information, tax data, market information and sales research (including confirming the sales) for the three associates. The licensed or certified appraisers usually inspect the property and prepare the appraisal themselves. Currently, they do not recognize me in these reports, and I am not permitted to sign them.

I also sometimes go with them on inspections and write portions of the reports. In these cases they do recognize me, as required by USPAP. I am concerned about receiving experience credit for all my appraisal assistance from my state’s appraiser licensing board or a professional association if I apply for a designation. Should my participation be referenced in all the reports when I provide assistance, or only when I inspect the property and write portions of the report?

A. USPAP does not address the specific experience requirements of state appraiser licensing agencies or professional appraisal organizations. You will have to contact those entities directly to obtain that information.

USPAP does specifically address what to do when an individual provides significant assistance in the development of appraisal, appraisal review and real property appraisal consulting assignments. Each of the Standards that address reporting requires that such significant assistance be addressed in any report. For example, in real property appraising, Standards Rule 2-2 (a) (vii) states:

(vii) describe the scope of work used to develop the appraisal;
Comment: Because the intended users’ reliance on an appraisal may be affected by the scope of work, the report must enable them to be properly informed and not misled. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

When any portion of the work involves significant real property appraisal assistance, the appraiser must describe the extent of that assistance. The signing appraiser must also state the name(s) of those providing the significant real property appraisal assistance in the certification, in accordance with Standards Rule 2-3. (Bold added for emphasis)

USPAP does not define what significant assistance is in any particular appraisal, appraisal review or real property appraisal consulting assignment. You can, however, obtain more guidance on how to make a decision on whether your contributions to an assignment should be considered significant within USPAP by reviewing Advisory Opinion 31 – Assignments Involving More Than One Appraiser.
Clerical responsibilities such as file preparation, typing reports, and similar activities are not considered significant assistance. However, the participation you described goes well beyond clerical duties. The participation you describe is significant appraisal assistance and must be disclosed in the report. This should be accomplished by your identification in the certification as an individual who has provided significant appraisal assistance. The extent of your assistance must also be included in the report.

Q. (Part 2) How must recognition of my significant appraisal assistance be included when there is no written report, but significant assistance was provided and documentation of my work is in the workfile?

A. The Record Keeping section of the ETHICS RULE states that the workfile must include:

- summaries of any oral reports or testimony, or a transcript of testimony, including the appraiser’s signed and dated certification

Standards Rule 2-4 states:

To the extent that it is both possible and appropriate, an oral real property appraisal report must address the substantive matters set forth in Standards Rule 2-2(b).

Therefore, based on the requirements in USPAP, the workfile of an oral report must include a signed certification stating the name of the person or persons providing significant appraisal assistance. The oral report must also include a summary of the extent of that assistance because Standards Rule 2-4 requires that oral reports address the substantive matters set forth in Standards Rule 2-2(b), which are the requirements for a Summary Appraisal Report. (Bold added for emphasis)

NOTE: This Q&A focuses on significant real property appraisal assistance. The same type of disclosure is also required in Standards 3, 5, 6, 8, and 10 as they relate to the appraisal of other types of property, appraisal review, real property appraisal consulting and mass appraisal.

The Appraisal Standards Board (ASB) of The Appraisal Foundation develops, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP) on behalf of appraisers and users of appraisal services. The USPAP Q&A is a form of guidance issued by the ASB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of USPAP in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems. The USPAP Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. USPAP Q&A does not establish new standards or interpret existing standards. USPAP Q&A is not part of USPAP and is approved by the ASB without public exposure and comment.

**DISCIPLINARY ACTIONS**

**DENEEN T. MEYER (L-2073), SHAWNEE**

COMPLAINT #581

An Acceptance of Surrender and Order of Revocation of License was issued on March 25, 2009.

**CHRISTOPHER L. BRUMMETT (R-2413), KC, MO**

COMPLAINT #604

A Consent Order was entered into on April 2, 2009, with the following terms and conditions: That Brummett take and pass the examination of Qualifying Education Module #3 (USPAP) on or prior to June 30, 2010; and that Brummett pay $200 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

**JASON D. SANDERS (L-2454), PRATT**

COMPLAINT #607

A Consent Order was entered into on April 24, 2009, with the following terms and conditions: That Sanders take and pass the examination of Qualifying Education Module (QE) #3, USPAP, on or prior to June 30, 2010; that Sanders take and pass the examination of QE Module #4, Residential Market Analysis and Highest and Best Use, on or prior to June 30, 2010; that Sanders take and pass the examination of QE Module #6, Residential Sales Comparison and Income Approaches, on or prior to June 30, 2010; and that Sanders pay $500 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

**JAMES M. MEYERRING (R-2149), LONE JACK, MO**

COMPLAINT #575

A Consent Order was entered into on May 4, 2009, with the following terms and conditions: That Meyerring take and pass the examination of Qualifying Education Module (QE) #5, Residential Appraiser Site Valuation & Cost Approach, on or prior to June 30, 2010; that Meyerring take and pass the examination of QE Module #6, Residential Sales Comparison and Income Approaches, on or prior to June 30, 2010; and that Meyerring pay $500 within 30 days from the date of the Order; that Meyerring pay $800 to cover the cost of the review associated with this complaint within 30 days
from the date of this Order; that upon completion of the above specified education, Meyerring will maintain a log of all appraisals he performs or in which he participates for a period of six (6) months. Said log is to be submitted to the Board office on or immediately following the first working day of each month; that the Board may select up to three (3) reports from said logs for additional review. Should any such review performed indicate substantial non-compliance with USPAP, Meyerring will pay the cost of the additional review(s) within 30 days from notice by the Board and a new complaint will be filed.

HENRY K. ADAMSON (G-740), OVERLAND PARK
COMPLAINTS 590, 599, 611 & 612

A Consent Order was entered into on May 4, 2009, with the following terms and conditions: That Adamson take and pass the examination of Qualifying Education Module (QEM) #3, USPAP, on or prior to December 31, 2009; that Adamson take and pass the examination of QEM #11, General Appraiser Sales Comparison Approach, on or prior to December 31, 2009; that Adamson take and pass the examination of QEM #13, General Appraiser Income Approach, on or prior to December 31, 2009; that Adamson pay $1,848.67 to cover the cost of the review(s) associated with this complaint within 30 days from the date of the Order.

ANTHONY L. DODD (G-1058), KC, KS
COMPLAINT #592

A Consent Order was entered into on June 23, 2009, with the following terms and conditions: That Dodd take and pass the examination of Qualifying Education (QE) Module #3 (USPAP) on or prior to June 30, 2010; that Dodd take and pass the examination of QE Module #4 (Residential Market Analysis & Highest & Best Use) on or prior to June 30, 2010; and that Dodd take and pass the examination of QE Module #6 (Residential Sales Comparison and Income Approaches) on or prior to June 30, 2010.

GEORGE K. ANDERSON, ADA, OK
08.TP.180 & 08.TP.202 (TEMPORARY PRACTICE PERMITS)

A Consent Order was entered into on August 10, 2009, with the following terms and conditions: That Anderson pay $925 to cover the cost of the review associated with these complaints within 30 days from the date of the Order; that Anderson pay a fine of $100 within 30 days from the date of the Order; and that Anderson agree to never apply again to the Kansas Real Estate Appraisal Board for either a temporary practice permit or for full licensure.

KANSAS APPRAISERS
CERTIFIED GENERAL................................................. 456
CERTIFIED RESIDENTIAL............................................ 418
STATE LICENSED ...................................................... 244
PROVISIONAL TRAINEE................................................ 26
TOTAL APPRAISERS ............................................. 1,144

ALAN G. OSWALT (L-2228), GARDEN CITY
COMPLAINT #609

A Consent Order was entered into on August 10, 2009, with the following terms and conditions: That Oswalt take and pass the examination of Qualifying Education (QE) Module #3, USPAP and QE Module #6, Residential Sales Comparison and Income Approaches, on or prior to June 30, 2010; that Oswalt take a course in manufactured housing on or prior to June 30, 2010; that Oswalt pay $500 to cover the cost of the review associated with this complaint within 30 days of the Order; that Oswalt pay a fine of $1,000 within 30 days of the Order; that Oswalt work under the supervision of a certified residential appraiser for a period of 12 months from the date of the Order, said supervisor to be approved by the Board; that Oswalt maintain a log of all appraisals he performs or in which he participates for a period of 6 months following completion of the specified education; and that the Board may select up to 3 reports for additional review. Should any review(s) show substantial non-compliance with USPAP, Oswalt will pay the cost of the review(s) and a new complaint will be filed.

RONALD S. VERLIN (L-2209), LOUISBURG
COMPLAINT #615

An Acceptance of Surrender and Summary Order of Revokeation of License was issued on August 31, 2009.

KAREN S. EICHMAN (R-27), WAMEGO
COMPLAINT #616

An Acceptance of Surrender and Summary Order of Revokeation of License was issued on August 31, 2009.
The Kansas Real Estate Appraisal Board, at their regular meeting on September 2, 2009, changes to K.A.R. 117-2-4, Licensed classification, scope of practice, and 117-4-4, Residential classification; scope of practice, for written comment.

Watch the Board’s website for public hearing notices regarding these changes. http://www.kansas.gov/kreab and click on Regulations & Statutes.

117-2-4. Licensed classification; scope of practice. (a) (1) The licensed classification shall apply to the appraisal of the following:
(A) Non-complex one- to four-family residential units having a transaction value of less than $1,000,000; and (B) complex one- to four-family residential units having a transaction value of $250,000 or less.
(2) For the purposes for this regulation, the following definitions shall apply:
(A) A complex one- to four-family residential property appraisal shall mean an appraisal in which the property to be appraised, the form of ownership, or the market conditions are atypical.
(B) For non-federally related transaction appraisals, transaction value shall mean market value.
(b) The licensed classification shall include the appraisal of vacant or unimproved land that is utilized for one- to four-family purposes and where the highest and best use is for one- to four-family purposes. The licensed classification shall not include the appraisal of subdivisions in which a development analysis or appraisal is necessary and utilized.
(c) The licensed classification may also apply to the appraisal of any other property permitted by the regulations of the applicable federal financial institution’s regulatory agency, other agency, or regulatory body.
(d) Each licensed appraiser shall comply with the competency rule of the uniform standards of professional appraisal practice (USPAP), as adopted in K.A.R. 117-8-1.

117-4-4. Residential classification; scope of practice. (a) The residential classification shall apply to the appraisal of residential units for one to four families without regard to transaction value or complexity.
(b) The residential classification shall include the appraisal of vacant or unimproved land that is utilized for one-family to four-family purposes and where the highest and best use is for one-family to four-family purposes. The residential classification shall not include the appraisal of subdivisions in which a development analysis or appraisal is necessary and utilized.
(c) The residential classification may also apply to the appraisal of any other property permitted by the regulations of the applicable federal financial institution’s regulatory agency, other agency, or regulatory body.
(d) Each certified residential appraiser shall comply with the competency rule of the uniform standards of professional appraisal practice (USPAP), as adopted in K.A.R. 117-8-1.
(e) Each certified residential appraiser shall perform and practice in compliance with the USPAP, as adopted in K.A.R. 117-8-1.