ERRATA
2016-2017 EDITION OF USPAP

Please note the following typographical errors in the 2016-17 edition of Uniform Standards of Professional Appraisal Practice (USPAP).

Standards
1. Page 34: At line 1075, insert the following as bullet point (ii) to Standards Rule 3-5(i):
   (ii) if applicable, state the effective date of the reviewer’s opinion of value;

   As a result, Standards Rule 3-5(i)(ii) as shown in the document now becomes 3-5(i)(iii), and 3-5(i)(iii) as shown in the document now becomes 3-5(i)(iv).

Advisory Opinions
2. Page 95: On line 140, change “SR2-2(a) and (b)(x)” to “SR2-2(a) and (b)(xi).”
3. Page 114: On line 52, change the reference for Standards Rule “3-3” to “3-6.”
4. Page 198: On line 23, add “at the time of the assignment” at the end of the definition of INTENDED USE. On line 26, add “at the time of the assignment” at the end of the definition for INTENDED USER.

Frequently Asked Questions
5. Page 309: On the last sentence of the page, change the reference from Standards Rule “1-4(h)” to “1-4(f).”

The Appraisal Foundation regrets any confusion caused by these errors. Please contact John Brenan, Director of Appraisal Issues at (202) 624-3044 or Aida Dedajic, Standards Administrator at (202) 624-3058 with any questions.

The Board staff would like to thank Catherine L. Wilson, Manhattan, for her dedication to the Kansas Real Estate Appraisal Board. Cathi has been an invaluable member of the Board from July 1, 2010 through June 30, 2016. Cathi served on the Investigative Committee throughout her terms and as Board Chair from July 1, 2014 through June 30, 2015.

INTERNATIONAL VALUATION STANDARDS COUNCIL AND THE APPRAISAL FOUNDATION RELEASE STANDARDS BRIDGE DOCUMENT


The International Valuation Standards Council (IVSC), the global standard setter for valuation practice and the valuation profession, and The Appraisal Foundation (Foundation), the United States’ foremost authority on the valuation profession, announced today the release of the anticipated harmonization of standards, A Bridge from USPAP to IVS. Click to download: https://appraisalfoundation.sharefile.com/share?cmd=d&id=s97a6cb47d2b496c9?_k=tbrvmq

The two organizations have been working together to harmonize any differences between the IVSC’s International Valuation Standards (IVS) and the Foundation’s Uniform Standards of Professional Appraisal Practice (USPAP) over the past year.

The Foundation and the IVSC believe this effort will serve the entire global economy. Since most U.S. appraisers are required to comply with USPAP, ultimately they need to understand what additional steps must be taken to meet IVS. This guide has been produced to assist appraisers familiar with USPAP to produce a valuation that is also compliant with the IVS. While the document describes additional steps necessary to ensure that compliance, a full review of both sets of standards is always encouraged. Both organizations note that this joint effort unveiled more commonalities than differences in the two sets of standards.

(continued on page 2)

INDEX

ASB Meeting Summary .................................................. 2
Board of Trustees Spring Meeting Summary .................. 2-3
Seeking Expert Knowledge for CE Curriculum ............. 3
USPAP Q&A .......................................................... 3-5
Foundation Q&A forum ............................................. 5
New Board Member Appointed ................................. 5
2016 Renewal Recap .................................................. 5-6
Free Voluntary Guidance for Appraisers .................... 6
Contact Information .................................................. 6
Sir David Tweedie, Chair of the IVSC, said “The release of this bridging document marks an important step towards our objective of establishing globally accepted valuation standards. Valuations underpin economies by providing investors and businesses with the information they need to make informed decisions. With so many different methods and approaches for valuation across the world it is difficult for many international businesses to understand the true value of assets, so our work to harmonize valuation standards is crucial to aiding business and the smooth functioning of markets worldwide. We look forward to working further with The Appraisal Foundation and achieving our common goals.”

“While there are varying regulatory environments, business practices and cultures among the world’s economies, we believe that core valuation standards should transcend these differences,” stated David Bunton, President of The Appraisal Foundation. “The members of our respective Standards Boards have dedicated a great deal of time and effort to this harmonization project and their efforts on behalf of the global valuation profession should be recognized,” he added.

The document will be amended to be consistent with updates to the Standards as they occur.

About the International Valuation Standards Council (IVSC)

The International Valuation Standards Council (IVSC) is an independent, not-for-profit, private sector organization. As the established international standards setter for valuation, the IVSC develops and maintains standards for the reporting and disclosure of valuations, especially those that will be relied upon by investors and other third party stakeholders in financial statements or other published documents.

It is developing a framework of guidance on best practice for valuations of the various classes of assets and liabilities. To promote the consistent delivery of the standards by properly trained professionals around the globe, the IVSC is also establishing international benchmarks for the conduct and competency of professional valuers.

The governance structure of the IVSC includes two independent technical Boards – the International Valuation Standards Board and the International Valuations Professional Board – and a global Board of Trustees responsible for the overall strategic direction and funding of the IVSC. For more information please visit: www.ivsc.org.

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On June 17, 2016, the Appraisal Standards Board (ASB) held its second public meeting of the year. The Board discussed the First Exposure Draft of proposed changes for the 2018-19 edition of the Uniform Standards of Professional Appraisal Practice, which included proposed revisions in the following areas of USPAP:

- Definition of Report
- Definition of Assignment
- Extraordinary Assumptions
- STANDARD 3 – Dividing into STANDARD 3, Appraisal Review, Development, and STANDARD 4, Appraisal Review, Reporting
- STANDARD 6 – Dividing into STANDARD 5, Mass Appraisal, Development, and STANDARD 6, Mass Appraisal, Reporting
- Standards Rule 8-3
- Advisory Opinion 37, Computer Assisted Valuation Tools

The Board also accepted oral comments from meeting attendees. The Board encouraged the public to send any suggested USPAP revisions to ASBComments@appraisalfoundation.org.

Click below for a detailed meeting summary: https://appraisalfoundation.sharefile.com/share?cmd=d&id=s8887fd77794d668&view=s8887fd77794d668?k=gz5y5g.

Upcoming meeting: ASB Public Meeting, October 21, 2016, 9:00 a.m. to 12:00 p.m., Washington, DC.

Below is a summary of some of the major issues addressed at the Spring Meeting of the Board of Trustees of The Appraisal Foundation, which was held May 14, 2016 in Naples, FL.

The following individuals were elected as At-Large members of the Board of Trustees for three-year terms beginning on January 1, 2017:
- Larry Disney, Kentucky
- Mark Levine, Colorado
- Dayton Nordin, Massachusetts
- Lisa Desmarais, Colorado
- Greg Franceschi, California
- Shawn Wilson, Florida
- Greg Graybadger, Idaho

The Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) was enacted in 1989 and implemented in 1991. Therefore, 2016 marks the 25th anniversary of the full implementation of this unique real property appraiser regulatory system. The three primary partners in the regulatory system (AARO [Assoc. of Appraiser Regulatory Officials]; ASC [Ap-
praisal Subcommittee; and the Foundation) are jointly working on a publication that highlights the numerous accomplishments of the past quarter century. The report will be available in the Fall of 2016.

Appraisal Institute Relations
Chair David Layne is leading the Foundation’s efforts to repair the relationship with the Appraisal Institute. Leadership of both organizations have committed to regularly meet to find common ground and identify actions to pursue for the good of the profession.

Federal Government Contracts
US Department of Justice
The US Department of Justice (DOJ) is moving forward with its revisions to the Uniform Appraisal Standards for Federal Land Acquisitions (USFLA), more commonly known as the “Yellow Book.” They expect to issue an exposure draft shortly and hope to have final adoption by early September 2016. The DOJ is aiming to have the next edition of the Yellow Book available by November 1, 2016. As the publisher, we will offer this document in both print and electronic versions.

US Department of Energy
Our five year Memorandum of Understanding (MOU) with the US Department of Energy (DOE) is set to expire in June. As part of that agreement, the APB is to offer guidance on the valuation of green or high-performance properties. Two Valuation Advisories have already been issued: (1) Valuation of Green and High Performance Property: Background and Core Competency, and (2) Valuation of Green and High Performance Property: One to Four-Unit Residential. The Board recently issued an exposure draft of the third valuation advisory in the series, Valuation of Green and High Performance Property, Non-Residential Property.

Software Vendor License Agreements
A year ago partnerships were announced with three technology vendors who agreed to incorporate USPAP into their appraisal software and in return for the Foundation’s intellectual property, pay a fee. Since that time each vendor has been preparing to get this product to market. We anticipate seeing the first of these products (ACI Sky Writer) in the next few weeks. Products from Centric and Bradford Technologies will follow. After these initial partnerships are available, the Foundation will explore additional partnerships with vendors who have an interest in doing something similar.

Brochures, Factsheets and Infographics
The Foundation has a number of complimentary publications that are available on its web site or in print for a small fee. The following brochures are currently available:
- How to Enter the Appraisal Profession
- Why Engage a Professional Appraiser
- A Guide to Understanding a Residential Appraisal
- Appraisers, Appraisals & You: A Lender’s Guide to USPAP
- Valuation of Gems and Jewelry
- Valuation of Fine and Decorative Art
- Valuation of Machinery and Equipment
- Foundation Factsheets

- Common Myths about Appraisals in the Home Buying Process
- Fun Facts for Future Appraisers
Please contact Paula Douglas Seidel (paula@appraisalfoundation.org) if you are interested in obtaining copies of these publications.

Ryan Nuhfer is the head of the Author Acquisitions department for the Colibri Group. They create continuing education curriculum for a variety of professions. He locates and then manages dozens of writers who create the courses for these professions.
Colibri’s Real Estate and Appraisal brand, McKissock Learning, is seeking experienced appraisers with an interest in authoring courses on various appraisal topics. Writing experience is not necessary (though it is preferred). If interested, please send your related experience and/or ideas for courses you would like to see to ryan.nuhfer@colibrigroup.com.

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.

Public Trust
Q. The expression “public trust” is used in USPAP. What is public trust and who or what is the public in the USPAP context?
A. USPAP mentions public trust three times. The PREAMBLE states that the purpose of USPAP is to “...promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers.” The PREAMBLE also states “The appraiser’s responsibility is to protect the overall public trust and it is the importance of the role of the appraiser that places ethical obligations on those who serve in this capacity.” Lastly, the ETHICS RULE reinforces this concept with “An appraiser must promote and preserve the public trust inherent in appraisal practice by observing the highest standards of professional ethics.”

While USPAP does not define public trust, it is clear from the context that it refers to the need for the public to be able to have confidence that services provided by an appraiser are performed competently and in a manner that is independent, impar-
tial, and objective.

The public, whose trust the appraiser must promote and preserve, exists on several levels. The most direct is the appraiser’s client. In addition to the client, any additional intended users would be part of the appraiser’s public. But, even beyond the client and other intended users, there are other parties who may rely on the work an appraiser and the appraiser must be careful not to mislead such third parties. Finally, it could be said that the general public is also part of that public. If the general public cannot depend on appraisers to act as independent professionals and provide credible results, the economy could suffer.

**Revision of Previously Published (2015-12) Q&A:**

In October 2015, the ASB published Q&A 2015-12, *Appraising Two Lots as One*. The response to the question has been revised to more clearly convey the ASB’s guidance. The question and the revised answer are included below, with deletions shown in strikethrough text and additions shown in underlined text. These changes will also be reflected in the Q&As on The Appraisal Foundation’s website.

### Appraising Two Lots as One

**Q.** I have a lender client that wants a market value appraisal completed. The property consists of two separate legal lots. The highest and best use for each of these lots is as a separate one-unit residential site. However, the client wants them appraised as though they were one legal lot. The intended use is for mortgage lending purposes.

May this assignment be completed treating these two lots as if they were one legal lot with the highest and best use as one legal lot?

**A.** If the appraiser knows that the highest and best use of the properties is as two separate one-unit residential sites, then yes. However, complying with the lender’s request will require use of a hypothetical condition. If the client is a federally regulated financial institution, it will need an “as-is” appraisal.

If the appraisal was based on a hypothetical condition (i.e., market value of the subject as if it were a single lot), and if necessary for credible results, the appraiser would have to develop an opinion of highest and best use of the hypothetical parcel. If this leads to the conclusion that the highest and best use would be subdivision into two or more lots, the appraiser must perform the appraisal recognizing that potential use and may need to perform a subdivision analysis to reach a credible opinion of the highest and best use of the hypothetical parcel.

### Subject Property Sales History and Standards Rule 1-5(b)

We often receive appraisal reports where a prior sale of the subject property is addressed. However, the reports do not include an affirmative statement that there have been no other sales within the three years prior to the effective date of the assignment. The appraisers believe they are in compliance with USPAP as they have appropriately addressed a prior sale. As the client, I do not agree.

**Q.** If, in fact, there was only one sale within the 3-year period, must the appraisal report state that there were no additional sales?

**A.** No, USPAP does not require an appraiser to state in the report that there were no additional sales.

**Q.** Must the appraisal report include a statement that there were no sales of the subject within the 3-year period if, in fact, there were none?

**A.** No, USPAP does not require an appraiser to state in the report that there have been no sales within the 3-year period.

As the client you may, of course, require that the appraiser exceed USPAP requirements by including an affirmative statement about the absence of other sales.

### Trainee / Supervisor Requirements

**Q.** Can a Trainee Appraiser inspect a property without a Supervisory Appraiser?

**A.** Yes; however, the Trainee Appraiser must be competent to do so. The Criteria require Supervisory Appraisers to personally inspect properties along with Trainees until the Trainee is competent to do so without supervision. The Criteria mandate such supervision to include:

- Personally inspecting each appraised property with the Trainee Appraiser until the Supervisory Appraiser determines the Trainee Appraiser is competent to inspect the property, in accordance with the COMPETENCY RULE of USPAP for the property type.

- Competency to inspect without supervision will vary from assignment-to-assignment. For example, after numerous assignments a supervisor may deem a trainee competent to inspect single-unit residential tract-type homes. However, that does not mean the trainee is competent to perform inspections without supervision for large custom homes, condominiums, 2-4 unit residential properties, or atypical/complex property types or assignments. Competency to inspect a property is determined by the Supervisory Appraiser on an individual assignment basis.

**Important Note:** Kansas regulations require that a supervisor personally inspect a minimum of the first 25 appraisals in which the trainee substantially contributes.

**Q.** Can a Trainee Appraiser sign an appraisal report?

**A.** Yes, and the Supervisory Appraiser must co-sign the appraisal report. This is required regardless of whether the Supervisory Appraiser personally inspected the property.

### Scope Of Practice

**Q.** I was asked to appraise a “condotel,” which is defined as:

...
A hotel in which an investor takes title to a specific hotel room (unit), which remains in the pool to be rented to transient guests whenever the investor is not using the unit. Is the appraisal of an individual condotel unit a residential or non-residential assignment?

If the marketplace recognizes the units individually as residential units, the appraisal would be considered a residential assignment. If the marketplace does not recognize the units individually, but rather as a part of the overall hotel operation, then the assignment would be non-residential. In either case, appraisers performing such assignments must fully understand the ownership rights associated, as well as the interest(s) being appraised.

As with all assignments, appraisers must comply with USPAP, including the COMPETENCY RULE.

The reader is advised that in all cases, the above responses are based upon the minimum criteria adopted by the AQB. Individual states can adopt more stringent requirements. Please check with the state appraiser regulatory agency in your state to confirm their specific requirements.

The USPAP Q&A is posted on The Appraisal Foundation website (www.appraisalfoundation.org). The ASB compiles the USPAP Q&A into the USPAP Frequently Asked Questions (USPAP FAQ) for publication with each edition of USPAP. In addition to incorporating the most recent questions and responses issued by the ASB, the USPAP FAQ is reviewed and updated to ensure that it represents the most recent guidance from the ASB. The USPAP Frequently Asked Questions can be purchased (along with USPAP and USPAP Advisory Opinions) by visiting the “Foundation Store” page on The Appraisal Foundation website (https://commerce.appraisalfoundation.org).

APPRAISAL FOUNDATION Q&A FORUM

On July 11, 2016, the Foundation announced the availability of a new Q&A forum. You can post your questions on appraisal standards or appraiser qualifications and receive a timely answer from Foundation Staff. The Q&A forum is another great way for you to interact with the Foundation boards.

For more information on the Forum and how to register, please visit the Q&A webpage located at https://www.appraisalfoundation.org/imis/TAF/Standards/Q_As/TAF/QAs.aspx.

To access the Forum directly, visit http://www.appraisal.answerbase.com/.

NEW BOARD MEMBER APPOINTED FOR 2016-2019 TERM

Fred L. Samuelson, Wichita, was appointed as an appraiser member to the Kansas Real Estate Appraisal Board on July 1, 2016. Mr. Samuelson is the owner of The Appraisal Company in Wichita. He graduated from the University of Kansas and served an active duty tour with the Kansas Air National Guard prior to becoming a residential appraiser in 1974. He is a certified residential appraiser with an SRA designation from the American Institute of Real Estate Appraisers. Mr. Samuelson has served as president of the Appraisal Institute Greater Kansas Chapter; president of the Wichita Area Assoc. of Realtors; president of the South Central Kansas Multi List System; and a Kansas Assoc. of Realtors board member. He is a member of the National Assoc. of Realtors and the National Assoc. of Home Builders, and has been an expert witness in Kansas and Arkansas courts. He was given the Walter Morris Realtors of the Year award in 2005. Mr. Samuelson and his wife, Barbara, have two children and four grandchildren. His term will expire on June 30, 2019.

2016 RENEWAL RECAP

May 31, 2016, saw the end of the 2016 on-time renewal period. 1,031 renewal applications were mailed out on March 3, 2016 with an additional 16 sent out to new appraisers issued after that date. On June 30, 2016, 58 records were cancelled due to non-renewal, 16 of which have since been renewed.

CONTINUING EDUCATION

As 2016 was an “off-cycle” for continuing education (CE), no log was required. Keep in mind that the 2017 renewal will require that appraisers licensed/certified for a period of more than one (1) year must log 28 hours at that time. USPAP Update (7 hours) must be included in the total 28 hours. Appraisers license/certified for less than one (1) year must meet 14 hours, 7 of which must be in USPAP Update. Appraisers licensed/certified for less than 185 days (from the date of expiration) are exempt from CE at their first renewal. Renewal applications during on-cycle years are specific to each appraiser’s CE requirements.

There are three (3) possible beginning dates for a continuing education cycle. If you have gone through an on-cycle for continuing education and you renewed on or prior to June 30, 2015, July 1, 2015 would mark the beginning of the 2017 CE cycle.

cycle for you. If you renewed on or after July 1, 2015, the date of your 2015 renewal would mark the beginning of the 2017 CE cycle. If you have not gone through an on-cycle for continuing education, then the beginning date for acceptable CE is the original Kansas issue date. This information is included on the renewal application.

Classroom courses completed outside the state of Kansas may be used to meet CE; however, on-line courses completed by Kansas residents, must carry Kansas approval. A non-resident appraiser may use on-line CE provided it was approved either by Kansas or by their resident state.

The biggest problem we encounter during on-cycle renewals is in the information provided on the log. An incorrectly entered completion date can result in denial of CE.

When entering the name of the CE provider, be aware that not all courses completed by a chapter of an organization are necessarily approved for the national organization. In other words, use the certificate of completion when entering your CE data. It is always recommended that you confirm approval of a course prior to registering for same. Make sure that your certificate of completion reflects the correct provider name, course title, hours granted, and the date of completion.

Courses titles are also extremely important. If you completed the course “Application & Interpretation of Simple Linear Regression” but entered “Simple Linear Regression,” it is likely that we would not match it to an approved course. Again, this can result in denial of CE.

### Free Voluntary Guidance for Appraisers

The Appraisal Foundation’s Appraisal Practices Board (APB) has issued **Valuation Advisories**, which are available for free on the Foundation’s web site. The following **Valuation Advisories** are currently available:

**APB VRF Valuation Advisory #1:**
*Identification of Contributory Assets and Calculation of Economic Rents*

**APB VFR Valuation Advisory #1 (Toolkit):**
*Identification of Contributory Assets and Calculation of Economic Rents*

**APB VFR Valuation Advisory #2:**
*The Valuation of Customer-Related Assets*

**APB Valuation Advisory #2:**
*Adjusting Comparable Sales for Seller Concessions*

**APB Valuation Advisory #3:**
*Residential Appraising in a Declining Market*

**APB Valuation Advisory #4:**
*Identifying Comparable Properties – Revised*

**APB Valuation Advisory #5:**
*Identifying Comparable Properties in Automated Valuation Models for Mass Appraisal*

**APB Valuation Advisory #6:**
*Valuation of Green and High Performance Property: Background and Core Competency*

**APB Valuation Advisory #7:**
*Valuation of Green and High Performance Property: One to Four Unit Residential*

The APB utilizes teams of Subject Matter Experts (SMEs) to help develop this guidance. To learn more about the APB’s **Valuation Advisories** and what advisories are under development, click on the following link: [https://www.appraisalfoundation.org/imis/TAF/Resources/Guidance/TAF/Valuation_Advisories.aspx?hkey=d74f24ae-8dcb-412e-947f-6df153626ae2](https://www.appraisalfoundation.org/imis/TAF/Resources/Guidance/TAF/Valuation_Advisories.aspx?hkey=d74f24ae-8dcb-412e-947f-6df153626ae2)

### Kansas Appraisers and AMCs

**As of August 24, 2016**

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