



MANDATORY TRAINEE ORIENTATION

Details of this program were covered in the last two newsletters (04/04 & 07/04). The training has been given in Montgomery and Birmingham with good results. The session scheduled in Orange Beach for September 24, 2004, was postponed due to Hurricane Ivan. It has been rescheduled for October 22, 2004, at the Ashbury Hotel & Suites, 600 South Beltline Highway, Mobile, AL 36608. The training will be given on October 29, 2004 at the Huntsville Area Association of Realtors, 535 Monroe Street, Huntsville, AL 35801. It is anticipated that another session will be held in Birmingham for the 3rd & 4th Congressional Districts probably in late November or early December. Thereafter, make-ups will be in Montgomery.

You are reminded that a current Trainee License cannot be renewed for the two-year certificate cycle beginning October 1, 2005 without this mandatory training.

REQUIRED CONTENTS OF A WORKFILE

An appraiser must prepare a workfile for each appraisal, appraisal review, or appraisal consulting assignment. The workfile must include:

- the name of the client and the identity, by name or type, of any other intended users;
- true copies of any written reports, documented on any type of media
- summaries of any oral reports or testimony, or a transcript of testimony, including the appraiser's signed and dated certification; and
- all other data, information and documentation necessary to support the appraiser's opinions and conclusion and to show compliance with this Rule and all other applicable Standards, or references to the location(s) of such other documentation.

An appraiser must retain the workfile for a period of at least five (5) years after preparation or at least two (2) years after final disposition of any judicial proceeding in which the appraiser provided testimony related to the assignment, whichever period expires last.

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.

IMPORTANT CHANGES TO EDUCATION QUALIFICATIONS

On February 20, 2004 the Appraiser Qualifications Board of the Appraisal Foundation formally adopted changes to the **Real Property Appraiser Qualification Criteria** that will become effective on January 1, 2008. These changes represent the minimum national requirements that each state must implement for individuals applying for a real estate appraiser license or certification as of January 1, 2008. The changes include increased required education, which is summarized as follows:

Category	Current Requirements ¹	1/1/08 Requirements ^{1,2}	1/1/08 College-Level Course Requirements ³
Licensed	90 hours	150 hours	None
Certified Residential	120 hours	200 hours	Twenty-one (21) semester credit hours covering the following subject matter courses: English Composition; Principles of Economics (Micro or Macro); Finance; Algebra, Geometry or higher mathematics; Statistics; Introduction to Computers-Word Processing/Spreadsheets; and Business or Real Estate Law. In lieu of the required courses, an Associate degree will qualify.
Certified General	180 hours	300 hours	Thirty (30) semester credit hours covering the following subject matter course; English Composition; Micro Economics; Macro Economics; Finance; Algebra, Geometry or higher mathematics; Statistics; Introduction to Computers-Word Processing/Spreadsheets; Business or Real Estate Law; and two (2) elective courses in accounting, geography; ag-economics; business management; or real estate. In lieu of the required courses, a Bachelors degree will qualify

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

2 Hours required include specific coverage of multiple topics. Please see the *Real Property Appraiser Qualification criteria* for details.

3 College-level courses and degrees must be obtained from an accredited college or university.

Source: The Appraisal Foundation

The full text of the new education criteria can be accessed on the Foundation website at www.appraisalfoundation.org

No changes are involved in the education for the **Trainee Real Property Appraiser** classification or the Alabama classification of **State Registered Real Property Appraiser**.

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Comment: A workfile preserves evidence of the appraiser's consideration of all applicable data and statements required by USPAP and other information as may be required to support the appraiser's opinions, conclusions, and recommendations. For example, the content of a workfile for a Complete Appraisal must reflect consideration of all USPAP requirements applicable to the specific Complete Appraisal assignment. However, the content of a workfile for a Limited Appraisal need only reflect consideration of the USPAP requirements from which there have been no departure and that are required by the specific Limited Appraisal assignment.

A photocopy or an electronic copy of the entire actual written appraisal, appraisal review, or appraisal consulting report sent or delivered to a client satisfies the requirement of a true copy. As an example, a photocopy or electronic copy of the Self-Contained Appraisal Report, Summary Appraisal Report, or Restricted Use Appraisal Report actually issued by an appraiser for a real property appraisal assignment satisfies the true copy requirement for that assignment.

Care should be exercised in the selection of the form, style, and type of medium for written records, which may be handwritten and informal, to ensure that they are retrievable by the appraiser throughout the prescribed record retention period.

A workfile must be in existence prior to and contemporaneous with the issuance of a written or oral report. A written summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report.

A workfile must be made available by the appraiser when required by state enforcement agencies or due process of law. In addition, a workfile in support of a Restricted Use Appraisal Report must be sufficient for the appraiser to produce a Summary Appraisal Report (for assignments under STANDARDS 2 and 8) or an Appraisal Report (for assignments under STANDARD 10), and must be available for inspection by the client in accordance with the Comment to Standards Rules 2-2(c)(ix), 8-2(c)(ix), and 10-2(b)(ix).

Source: The Appraisal Foundation/2004 USPAP

AREAB WEBSITE

We encourage all licensees to visit our web site at www.reab.state.al.us for information on Board Member contact, minutes from previous board meetings, license/certification requirements, fee schedules, approved education, forms and applications, newsletters, appraiser roster, reciprocal states, AL Administrative Regulations and Statutes and relevant links.

APPRAISER LICENSE STATISTICS

LICENSEES	NO.
Certified General	467
Certified Residential	584
Licensed Real	152
State Registered	31
Trainee	541
TOTALS AS OF 09-24-2004	1,790

DISCIPLINARY REPORT

The Alabama Law requires the Board to regulate the conduct of appraisers in Alabama. The Board's Administrative Rules outline the procedure for handling complaints. The Uniform Standards of Professional Appraisal Practice provide the basic ethical standards for which appraisers must comply. Appraisers should carefully note the following violations, which resulted in disciplinary action by the Board.

AB-04-50, – On August 27, 2004, **Cathy Morris, (R00530)**, a Certified Residential signed a Voluntary Surrender Consent Order in lieu of going forward with a formal hearing on the charges in this complaint. Violations include: Respondent used listed properties as comparable sales without disclosing they were not sales; changed the appraisal to accommodate the requests of an underwriter, and arrived at the final opinion of value as directed; failed to provide a true copy of the appraisal report to the Board; failed to provide a copy of a Completion Certification certifying the manufactured home setup was performed in accordance to plans and specs or state law; inconsistently reported the GLA of the subject property on the URAR 1004 form and the Manufactured Home Appraisal Report Addendum. Licensee will be eligible to apply for reinstatement of her license after two years.

AB-03-91; AB-03-101; AB-04-22; AB-04-53 – On August 27, 2004 **William Clem, (T00933)** a Trainee did not appear for a formal hearing on the charges in this case. The Board

entered a default on the violations and revoked Clem's license. Violations include **AB-03-91**: Respondent communicated a misleading report by selecting superior comparable sales that were not similar to the subject property in class, type, style or location; failed to report the functional inadequacies of the subject property by not disclosing the narrow steep staircase and the six-foot ceilings in the upstairs area; did not maintain a work file for the appraisal or maintain a copy of the appraisal report. **AB-03-101**: Appraised the subject property while his Trainee Real Property Appraiser License was not renewed; did not respond to the Board's request for a copy of the appraisal report and his work file. **AB-04-22**: Reported inaccurate information for the subject and/or comparable sales such that had accurate information been reported and adjustments made for the differences a much different estimate of value would have resulted. **AB-04-53**: Appraised properties and completed no less than 63 appraisal reports that were delivered to Alliance Mortgage in Huntsville, Alabama for use in federally-related transactions after October 1, 2003, while his license status was inactive. The appraisal reports have the unauthorized electronic signature of a certified appraiser.

AB-02-06; AB-02-33 – On July 30, 2004, the Board suspended the license of **Silas Williams (R00282)**, a Certified Residential for six months. The suspension was stayed on the following conditions: that Licensee pay a \$3,000. Administrative fine; attend 45 hours of designated appraiser

education courses; serve a 12-month probation period following the suspension period; and further violations occurring in the next 18 months result in immediate License revocation. The violations include: **AB-02-06**: Licensee failed to develop a credible Sales Comparison Analysis. There were numerous discrepancies between information given in the report and the information contained in the cited data sources; inconsistent adjustments were applied to the sales for the dissimilarities; five mobile homes and a nightclub located on the subject property were not disclosed; an altered appraisal report was submitted in response to the Board's request for a copy of the report. **AB-02-33**: Failed to describe and analyze an Agreement of Sale pending on the subject property at the time of the appraisal; The subjects manufactured home did not meet the definition of real property; Licensee used a sale of a Manufactured Home combined with a land sale (Land/Home package) as a comparable. This transaction did not conform to the definition of a sale and its use in the sales comparison approach resulted in a misleading report; ignored accepted appraisal methods where the structure is a manufactured home to arrive at the lender's estimated value and facilitate a 100% purchase price loan.

AB-03-76 – On July 30, 2004, the Board issued a public reprimand to **Braxton Craig (R00339)**, a Certified Residential. Licensee is also required to pay a \$1,000. administrative fine. The violations include: Licensee failed to perform the appraisal assignment competently and in accordance with

USPAP standards by failing to develop it according to specific and binding requirements of Standard 1. Also, by preparing a "letter report" instead of a report that complies with the specific and binding requirements of Standard 2. Licensee failed to invoke the Department Rule when he departed from specific requirements of USPAP.

AB-02-68 – On July 30, 2004, the Board issued a private reprimand to a Certified Residential following a formal hearing wherein the charges were upheld. The Board also ordered payment of a \$1,500. administrative fine. The violations contained in the appraisal of the single-family dwelling are: Respondent signed a completion certification that construction was complete per plans and specifications when the patio was not built, landscaping had not been done and painting was not complete.

Letters of Warning were issued on the following investigations for the discrepancies indicated. This disciplinary action will be considered in any future discipline proceedings.

AB-04-17 – On September 2, 2004, to a Certified Residential for a residential appraisal which omitted the Income Approach on an income producing property and failed to adequately describe the economic characteristics of the neighborhood. Specifically, the number of foreclosures in the subject's market area and the impact on property values, growth rate, and supply and demand.

AB-04-18 – On September 2, 2004, to

a Trainee for a residential appraisal which omitted the Income Approach on an income producing property and failed to adequately describe the economic characteristics of the neighborhood. Specifically, the number of foreclosures in the subject's market area and the impact on property values, growth rate, and supply and demand.

AB-04-20 – On July 6, 2004, to a Certified Residential for a residential appraisal which failed to recognize the different market influence between factory-built homes and stick-built homes. The analysis and adjustments were based on all the homes being similarly built. Licensee is responsible for the deficiencies in the report as the supervisor of a Trainee Real Property Appraiser

AB-04-21 – On July 6, 2004, to a Trainee Real Property Appraiser for a residential appraisal which failed to recognize the different market influence between factory-built homes and stick-built homes. The analysis and adjustments were based on all the homes being similarly built.

AB-04-31 – On July 8, 2004, to a Certified Residential for a residential appraisal which was also signed by an unlicensed individual in violation of the mandatory license law in Alabama.

AB-04-54 – On September 10, 2004, to a Certified Residential for a residential appraisal where the condition adjustment to Comparable Sale #1 is not supported by the market, Comparable Sales #2 and #3 are

superior to subject in site size and location but no adjustment was made. The 3 year sales history was not reported.

AB-04-63 – On September 1, 2004, to a Certified General for a residential appraisal developed under SUPPLEMENTAL STANDARDS (FNMAE guidelines) which require disclosure of participation in inspection of the subject by each signing appraiser; Comparable #3 is a Garden Home located in a subdivision zoned for Garden Homes, the Subject property is in a subdivision that is zoned for Single Family Residential.

AB-04-64 – On September 10, 2004, to a Trainee Real Property Appraiser for a residential appraisal developed under SUPPLEMENTAL STANDARDS (FNMAE guidelines) which require disclosure of participation in inspection of the subject by each signing appraiser; Comparable #3 is a Garden Home located in a subdivision zoned for Garden Homes, the Subject property is in a subdivision that is zoned for Single Family Residential.

Disciplinary actions are based on all of the circumstances developed on a case-by-case basis, including the nature and severity of the offenses involved, prior disciplinary history and findings in support of a conclusion that the respondent has been rehabilitated. Violation descriptions may be summarized in instances where they would become repetitive. For these reasons cases may appear similar on their face yet warrant different sanctions.

Advisory Opinion 3 (AO-3)

This communication by the Appraisal Standards board (ASB) does not establish new standards or interpret existing standards. Advisory Opinions are issued to illustrate the applicability of appraisal standards in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems.

SUBJECT: Update of a Prior Assignment

THE ISSUE:

Once an appraisal of a property, or an appraisal consulting assignment, has been completed, there are many cases in which a client may need a subsequent appraisal or analysis involving the same property. Examples include:

- In the appraisal of real property, a current value is commonly required by lenders and secondary market participants when the time frame between the effective date of a prior appraisal and the closing of a loan exceeds certain limits. A current value is also required by agencies in eminent domain cases when time has elapsed between a prior appraisal and the date of taking.
- In the appraisal of business equity of privately held companies held by Employee Stock Ownership Trusts, current values are required at least annually.
- In the appraisal of personal property, it may be necessary to appraise equipment every two years for financing purposes.
- Similarly, a client may request an update of a prior appraisal consulting assignment, or a review assignment that included the reviewer's opinion of value.

Clients sometimes label such requests as “updates”, “reappraisals”, or “recertifications”. Does USPAP address these and how can an appraiser comply with USPAP for such assignments?

ADVICE FROM THE ASB ON THE ISSUE:

Clarification of Nomenclature

Various nomenclatures have been developed by clients and clients groups for certain appraisal assignments, including “updates” and “recertifications”. While such terms may be convenient for use in a business setting, they do not necessarily impart the same meaning in every situation.

The term “Update” is often used by clients when they are seeking a current appraisal of a property that was the subject of a prior assignment. This practice is addressed in this Advisory Opinion.

The term “Recertification of Value” is often mistakenly used by some clients in lieu of the term “Update”. A Recertification of Value is performed to confirm whether the conditions of a prior appraisal have been met. A Recertification of Value does not change the effective date of the value opinion. If a client uses this term in an assignment request that includes an updated value opinion, then it constitutes a new appraisal assignment that must be completed as discussed in this Advisory Opinion.

A New Assignment

Regardless of the nomenclature used, when a client seeks a more current value or analysis of a property that was the subject of a prior assignment, this is not an extension of that prior assignment that was already completed — it is simply a new assignment. An “assignment” is defined in USPAP as:

a valuation service provided as a consequence of an agreement between an appraiser and a client.

The same USPAP requirements apply when appraising or analyzing a property that was the subject of a prior assignment. There are no restrictions on who the appraiser is in such a circumstance, who the client is, what length of time may have elapsed between the prior and current assignments, or whether the characteristics of the subject property are unchanged or significantly different than in the prior assignment.

Development Requirements

For all assignments, the development of the assignment results must be in accordance with the requirements contained in the applicable

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STANDARD (1, 3, 4, 6, 7, or 9). When developing an opinion regarding a property that was the subject of a previous assignment, the scope of work in the new assignment may be different from the scope of work in the prior one. In addition, rather than duplicating steps in the appraisal process, the appraiser can elect to incorporate some of the analyses from the previous assignment (those items that the appraiser concludes are credible and in compliance with the applicable development Standard) into the new assignment through the use of an extraordinary assumption.

Reporting Requirements

For all assignments, the results must be reported in accordance with the requirements of STANDARDS 2, 3, 5, 6, 8, or 10, as applicable. The new report is not required to have the same level of detail as the original report i.e. a different reporting option may be used. However, the new report must contain sufficient information to be meaningful and not misleading to the intended users. There are three ways that the reporting requirements can be satisfied for these types of assignments:

1. Provide a new report that contains all the necessary information/analysis to satisfy the applicable reporting requirements, *without incorporation* of the prior report by either attachment or reference.
2. Provide a new report that incorporates by attachment specified information/analysis from the prior report so that, in combination, the attached portions and the new information/analysis added satisfies the applicable reporting requirements.
3. Provide a new report that *incorporates* by reference specified information/analysis from the prior report so that, in combination, the referenced portions and the new information/analysis added satisfies the applicable reporting requirements. This option can only be used if the original appraiser's firm and original intended users are involved, since the prior report was issued from that appraiser to those intended users, assuring they have access to a copy. When this incorporation by reference option is used, the following items from that prior report must be specifically identified in the new report to avoid being misleading:
 - subject property
 - client and any other intended users
 - intended use
 - appraiser(s)
 - effective date of value or assignment results
 - date of report, and
 - interest(s) appraised

When information is being extended to the report by use of an extraordinary assumption, the requirements in USPAP for use of an extraordinary assumption must be met.

Confidentiality

In all assignments the appraiser must comply with the Confidentiality section of the ETHICS RULE with respect to the handling of confidential information i.e. if the prior appraisal, appraisal review, or appraisal consulting report included any confidential information, its disclosure in a new report to a different client or intended user might violate the ETHICS RULE. This includes the requirement to comply with all confidentiality and privacy laws and regulations.

Record Keeping

If the assignment includes use of, or reliance upon, all or part of a prior report, that report (or the portions used or relied upon) must be retained in the workfile for the new assignment, or its location must be properly referenced in the workfile. Refer to the Record Keeping section of the ETHICS RULE for more information.

This Advisory Opinion is based on presumed conditions without investigation or verification of actual circumstances. There is no assurance that this Advisory Opinion represents the only possible solution to the problems discussed or that it applies equally to seemingly similar situations.

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Source: The Appraisal Foundation/2004 USPAP

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POSTAGE

CHANGE OF ADDRESS FORM

In accordance with the Code of Alabama, 1975, § 34-27A-16, which requires **IMMEDIATE** written notification to the Board of changes in business and resident addresses, **PLEASE CHANGE MY ADDRESS TO:**

Business: (Preferred Mailing _____)

Home: (Preferred Mailing _____)

Telephone No.: _____

Telephone No.: _____

Signed: _____

License Number: _____

Date: _____