



ANSI – Mandatory October 1, 2004

As announced in the last newsletter (04/04), the square footage-method for calculating: ANSI-Z765 has been adopted by the Alabama Real Estate Appraisers Board. This is a **supplemental standard** required by the Board on all Single-Family Residential Appraisals done in Alabama on and after **October 1, 2004**.

- (1) The standard for the calculation and reporting of above-grade square footage and below-grade square footage in single-family houses shall be the "American National Standard for Single-Family Residential Buildings; Square Footage-Method for Calculating", ANSI Z765, as approved by the American National Standards Institute, Inc.
- (2) The board will accept a tolerance not to exceed five (5) percent of the square footage of the subject property for measurements made under subsection (1).

This standard for measuring square footage in single-family detached and attached homes, developed by an American National Standards Committee, is the first national standard to reconcile differences in current methods for determining square footage. The standard involves the calculation and reporting of above-grade square footage and below-grade square footage in single-family houses. It is not applicable to apartment/multifamily buildings and does not cover room dimensions.

Copies of the ANSI-Z765 Standards can be obtained from the National Association of Home Builders (NAHB) Research Center, Inc., 400 Prince Georges Blvd., Upper Marlboro MD 20774 [http:// www.nahbrc.org/bookstore](http://www.nahbrc.org/bookstore) Tel (800) 638-8556 Fax (301) 430-6180

However, the Board will furnish all current Licensees with a copy of the most recent edition prior to the effective date.

Required Trainee Orientation

The first Trainee Orientation course will be held in Montgomery on July 15, 2004. Appropriate trainees have been notified. The next session will be in Birmingham on August 17, 2004. Subsequent courses will be given in Huntsville & Mobile at approximate one-month intervals. Trainees will be individually notified via mail at least a month in advance of when and where the training is to be held in their area. All Trainees must attend this training once within each two year License certificate cycle. The cost to the Trainee will be \$50 and they will receive 3.5 hours of Continuing education. Training hours will be either 8:30AM - Noon or 1:00PM - 4:30PM.

These training courses will be hosted by the local District Board member who will join in presenting the material with staffers from the Board office. The objective is that following the training the Licensee will understand appointment/make-up of the Board and its duties, the certification process, experience points, review of work product, top 10 deficiencies most commonly found, Trainee/Supervising Appraiser Policy, the Complaint process and USPAP compliance. Any make-up courses necessary will be in Montgomery.

AQB Education Criteria Increases

On February 20, 2004 the Appraiser Qualifications Board of the Appraisal Foundation formally adopted the sixth exposure draft on revising the Real Property Appraiser Qualifications criteria. Significant increases to the amount of education required to move into each of the three "Certified" categories are involved. At this time the effective date is scheduled to be January 1, 2008. Highlights of the changes are reflected below.

TRAINEE	No significant changes in education or experience requirements.
LICENSED	Qualifying education is increased from 90 hours to 150 hours; Experience requirements remain at 2000 hours (200 points) in no less than 12 months.
CERTIFIED RESIDENTIAL	Associate degree or higher. In lieu thereof 21 college level semester hours in specified courses, (plus) Qualifying appraisal education is increased from 120 hours to 200 hours, Experience requirements remain at 2500 hours (250 points) during no fewer than 24 months.
CERTIFIED GENERAL	Bachelors degree or higher. In lieu thereof 30 college level semester hours inspecified courses, (plus) qualifying appraisal education is increased from 180 hours to 300 hours. Experience requirements remain at 3000 hours (300 points) in no less than 30 months, half of which must be in non-residential work.

The full text of the new education criteria can be accessed on the Foundation website at www.appraisalfoundation.org (see Headlines). The effective date is some time off but education course providers, those coming into the profession and those with aspirations to move up into another classification should begin immediately to adjust their plans to accommodate the new criteria.

Temporary Permits

It has come to the Boards attention that it is not unusual for out-of-state appraisers to contact Alabama appraisers requesting information concerning market data for appraisals that they are doing on properties located in Alabama without benefit of an Alabama license or in the alternative a Temporary Permit.

The Alabama Real Estate Appraisers Law § 34-27A-3 and 34-27A-14 (c) requires that **anyone** performing an appraisal on a subject property that lies within the borders of Alabama must have an Alabama Real Estate Appraisal License or a Temporary Permit issued by the Board.

In December 2003 the Board was notified of such a situation. A Board Investigator went to the property and observed an individual in the act of measuring, inspecting and taking pictures of the subject property. The appraiser stated he did not have an Alabama License or a Temporary Permit. He was informed that he was in violation of the Alabama Real Estate Appraisers Law and that he must obtain a temporary permit or license in order to complete the assignment. He stated he would obtain a Temporary Permit from the Board before doing anything further. The individual did not obtain a permit or license before completing the assignment and in addition appraised a second property in another part of the state during the trip. Subpoenas were issued for the appraisal reports. The individual who did the field work has not been licensed as an appraiser in the United States since 1999 and the signatory of the report, a Certified General, did not physically inspect the property. Final disposition has not been made.

Just what does all of this mean? It means that by providing information to unlicensed/non-permitted individuals/appraisers you can hurt yourself and other Alabama Appraisers both financially and professionally. **The best method to safeguard against this practice is to verify the license or Temporary Permit before providing data.** The Board is aware that for those who do assignments in other states data sharing can be mutually beneficial. However, reasonable caution and diligence should be used if you do not know the party requesting data. Please contact the Board anytime we can be of assistance on the foregoing matter.

IT'S THE LAW

It's the law. We have heard this statement with everything from don't litter to lights on when it's raining. Real Estate Appraisers must abide by the law as well. We have *Uniform Standards of Professional Appraisal Practice and the State Law* to follow in developing and reporting appraisal assignments. Most of us are familiar with these requirements and abide by them. However, it has been noted that some appraisers are not completely following §34-27A-3b(1) (2) of the *Alabama Law* which requires certain specific statements to be included in each appraisal report in the "**certifications of the appraiser**" section.

If the appraiser is a Trainee Real Property Appraiser or State Registered Real Property Appraiser, the following statement is required: "**This assignment was made subject to regulations of the State of Alabama Real Estate Appraisers Board.**" If the appraiser is a Licensed Real Property Appraiser, a Certified Residential Real Property appraiser or a Certified General Real Property Appraiser, the following statement is required: "**This assignment was made subject to regulations of the State of Alabama Real Estate Appraisers Board. The undersigned state licensed real estate appraiser has met the requirements of the Board that allow this report to be regarded as a 'certified appraisal.'**"

These statements must be exactly as written with no variations. When a Trainee and a Licensed or Certified appraiser both sign the report, both statements are required. Violation of this requirement can result in Disciplinary Action.

AREAB WEB SITE

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	461
Certified Residential	566
Licensed Real	146
State Registered	31
Trainee	541
TOTALS AS OF 6-24-04	1,745

Advisory Opinion 26 (AO-26)

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: Readdressing (Transferring) a Report to Another Party

THE ISSUE:

After an assignment has been completed and the report has been delivered, an appraiser may be asked to "readdress" (transfer) the report to another party. Does USPAP allow an appraiser to "readdress" (transfer) a report by altering it to indicate a new recipient as the client or additional intended user when the original report was completed for another party?

ADVICE FROM THE ASB ON THE ISSUE:

Relevant USPAP & Advisory References

- The Confidentiality and Conduct sections of the ETHICS RULE.

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-01-75, AB02-13; AB-03-90 – On November 19, 2003 **Gary L. Arnold, (G00228)** a Certified General signed a voluntary surrender consent order on three complaints related to residential/commercial appraisals. Licensee agreed to surrender his license in lieu of further Board action on the above referenced disciplinary matters. The Licensee will be eligible to apply for reinstatement of his license after two years from the date of surrender.

AB-03-12; AB-03-28 – On June 17, 2004 **Carey Heptinstall, (R00545)** a Certified Residential signed a voluntary surrender consent order on two complaints related to land/commercial appraisals. Licensee agreed to surrender his license in lieu of further Board action on the above referenced disciplinary matters. Terms stipulate that the Licensee will be eligible to apply for reinstatement of his license after two years from the date of surrender.

AB-03-43 – On May 10, 2004, **Karen Burke, (R00412)** a Certified Residential Real Property Appraiser signed a Consent Settlement Order in connection with the appraisal of a residential property. The terms include that Ms. Burke receive a public reprimand; an administrative fine of \$350 and completion of a Board approved 7-hour course (minimum) on measurement of residential properties. The USPAP violations include: The GLA of the subject property was overstated by approximately 60%. Licensee failed to consider angles in the GLA computation which caused the error. This substantial error significantly affected the development of the appraisal and resulted in a misleading report. Licensee also failed to maintain a true and correct copy of the appraisal report.

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-03-46 – On February 9, 2004, to a Certified Residential Real Property

Appraiser for a residential appraisal which contains inaccurate data describing the subject property; evidences a lack of understanding of external depreciation and acceptable methods of calculating depreciation; and where adjustments were not consistently made between the approaches to value. **AB-03-48** – On February 9, 2004, to a Certified Residential Real Property Appraiser for a residential appraisal which did not contain adjustments for exterior finish or external depreciation which were made when using this same property as a comparable sale in another appraisal report.

AB-03-54 – On February 9, 2004, to a Trainee Real Property Appraiser for a residential appraisal which fails to disclose that the property appraised is more than one parcel and that the parcels are not contiguous; a photograph used in the report for a comparable sale is not the comparable; the report state that all sales were similar in design, construction quality and overall appeal. All comparables had 1 bathroom more than subject.

AB-03-55 – On February 9, 2004, to a Certified General Real Property Appraiser for a residential appraisal which fails to disclose that the property appraised is more than one parcel and that the parcels are not contiguous; a photograph used in the report for a comparable sale is not the comparable; the report states that all sales were similar in design, construction quality and overall appeal. All comparables had 1 bathroom more than subject.

AB-03-64 – On February 9, 2004, to a Trainee Real Property Appraiser for a residential appraisal which contains inconsistent data about Licensee's being provided a survey of the property and about whether the property is owner occupied or rental property; the site size is inaccurately reported, and photos of comparable sales are reversed.

AB-03-65 – On February 9, 2004, to a Certified Residential Real Property Appraiser for a residential appraisal, which contains inconsistent data about Licensee's being provided a survey of the property, and about whether the property is owner occupied or rental property; the site size is inaccurately reported, and photos of comparable sales are reversed.

AB-03-93 – On February 9, 2004, to a Certified General Real Property Appraiser for a residential appraisal in which sales of flooded properties were used as comparables to develop the value opinion, ignoring instructions from the Flood Mitigation Project management to use arms length transactions. The hypothetical condition which was part of the assignment, i.e. to ignore the flooding of the subject property was not prominently disclosed in the report.

AB-04-07 – On May 21, 2004, to a Certified Residential Property Appraiser in connection with the appraisal of a residential property in which he/she signed as the supervisor of a Trainee Real Property Appraiser. The USPAP violations include: Licensee made errors in reporting the physical characteristic of the subject and the comparable sales and made adjustments to comparables based on the erroneous data. The errors did not significantly affect the final outcome of the appraisal.

AB-04-08 – On May 21, 2004, to a Trainee Real Property Appraiser in connection with the appraisal of a residential property in which he/she signed as the primary appraiser. The USPAP violations include: Licensee made errors in reporting the physical characteristics of the subject and the comparable sales and made adjustments to comparables based on the erroneous data. The errors did not significantly affect the final outcome of the appraisal.

AB-04-32 – On May 21, 2004, to a Certified Residential Real Property Appraiser in connection with the appraisal of a residential property in which he/she signed as the primary appraiser. The USPAP violations include: Licensee used a "presale package" as a comparable sale. The transaction did not meet the definition of "sale" set out in the report since there was no exposure to the market. Time adjustments were inconsistent for comparable sales which occurred in the same month.

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.

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- Standards Rules such as 1-2(a) and 1-2(b); 7-2(a) and 7-2(b); and 9-2(a), which require an appraiser to identify the client, intended users, and intended use.
- Standards Rules such as 2-1(a), 8-1(a), 10-1(a), which require an appraiser to clearly and accurately set forth the appraisal in a manner that is not misleading.
- SUPPLEMENTAL STANDARDS RULE, which requires an appraiser to ascertain whether supplemental standards apply to the assignment in addition to USPAP.
- Statement on Appraisal Standards 9 (SMT-9), which requires the appraiser to identify and disclose the client and intended users and the intended use in an appraisal, appraisal review, or appraisal consulting assignment.
- Statement on Appraisal Standards No. 10 (SMT-0), which describes applicability of USPAP in federally related transactions.
- Advisory Opinion 25 (AO-25), which covers clarification of the client in a federally related transaction.
- Advisory Opinion 27 (AO-27), which addresses appraising the same property for a new client.

No. Once a report has been prepared for a named client(s) and any other identified intended users and for an identified intended use, the appraiser cannot “readdress” (transfer) the report to another party.

USPAP defines the Client as:

*The party or parties who engage an appraiser (by employment or contract) in a **specific assignment**. (Bold added for emphasis)*

Assignment is defined as:

*A valuation service provided as a **consequence of an agreement** between an appraiser and a client. (Bold added for emphasis)*

Intended Use is defined as:

*the use or uses of an appraiser’s reported appraisal, appraisal review, or appraisal consulting assignment opinion and conclusions, as identified by the appraiser based on communication with the client **at the time of the assignment**. (Bold added for emphasis)*

Intended User is defined as:

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

Identification of the client, any other intended users, and the intended use are key elements in all assignments. Because these identifications drive the appraiser’s scope of work decision, as well as other elements of the assignment, they must be determined **at the time of the assignment**. They cannot be modified after an assignment has been completed. See Statement on Appraisal Standards No. 9 (SMT-9) for further clarification.

Illustrations:

Question #1 An appraiser was engaged by Client A to appraise a property. The appraiser delivered the appraisal report to Client A. The client has decided not to pursue the transaction that generated the need for the appraisal report. The appraiser is contacted by Client B. Client B requests that the original report be readdressed (transferred) by replacing Client A’s name with Client B’s name in the report. Is this acceptable?

Answer: No. Simply by changing the client name on the report cannot change or replace the original appraiser-client relationship that was established with Client A. Therefore, this action is misleading.

Question #2: How can this circumstance be handled according to Standards?

Answer: The appraiser can consider Client B’s request as a new assignment. In so doing, the appraiser may establish a new appraiser-client relationship with Client B and appraise the property for this new client. Important considerations, i.e., confidential information and other factors are further addressed in AO-27 – “Appraising the Same Property for a New Client”.

Question #3: Why might Client B want their name on the report that was completed for Client A?

Answer: Client B may want to establish an appraiser-client relationship because it provides all the rights, obligations, and liabilities such a relationship places on the appraiser.

A prudent method to establish an appraiser-client relationship is to have a written engagement letter or contract with any client at the time of the assignment.

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.

Approved June 27, 2003 Source: The Appraisal Foundation/2004 USPAP

Advisory Opinion 27 (AO-27)

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: Appraising the Same Property for a New Client

THE ISSUE:

Situations often arise in which appraisers who have previously appraised a property are asked by a different party to appraise the same property. In some instances this request arises very soon after the first appraisal; in others, it may be months or years later. Under what circumstances can an appraiser accept an assignment to appraise a property for a prospective client when that appraiser has previously completed an appraisal of the same property for another client?

ADVICE FROM THE ASB ON THE ISSUE:

Relevant USPAP & Advisory References

- Confidentiality section of the ETHICS RULE.
- Statement on Appraisal Standards No. 9 (SMT-9), which addresses intended use and intended users in an assignment.
- Advisory Opinion 25 (AO-25), which covers clarification of the client in a federally related transaction.
- Advisory Opinion 26 (AO-26), which addresses reappraising/transferring a report to another party.

Accepting the assignment from the second potential client is not prohibited by USPAP, assuming any existing confidential information is handled properly.

Several parts of the Confidentiality section of the ETHICS RULE are pertinent to this matter.

An appraiser must not disclose...assignment results prepared for a client to anyone other than the client and persons specifically authorized by the client...

An appraiser cannot disclose the results of a particular assignment, performed for a particular client, to anyone other than those designated by that client. However, an understanding of the definitions of *assignment*, *assignment results*, and *client* are key to a complete understanding of this requirement.

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

Client-the party or parties who engage an appraiser (by employment contract) in a specific assignment

Assignment Results-an appraiser's opinions and conclusions developed specific to an assignment

As can be seen in the definitions, both the client and the assignment results are specific to an assignment. If there is a new potential client, valuation services performed for that new client would constitute a new assignment and the assignment results would be specific to that new assignment. Therefore, acceptance and performance of the new assignment to appraise the same property would not be considered revealing the first client's assignment results to the second client, even if the value conclusions were the same. It should be noted that the value conclusion could easily be different if the effective date or the scope of work changed in any manner. It should also be noted that USPAP requires the appraiser to provide an unbiased opinion of value to each client.

Obtaining a Release:

As a matter of business practice, some appraisers request a release from a prior client before accepting an assignment to appraise the same property for a new client or to disclose the assignment for the second client to the first client. However, USPAP does not require this. Also, appraisers should be aware that in some cases, informing a client about the existence of another client and the fact that the property was appraised for that other client may not be compliant with the portion of the Confidentiality section of the ETHICS RULE, which states:

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

Confidential Information:

In all assignments the appraiser must comply with the Confidentiality section of the ETHICS RULE with respect to the handling of confidential information. Confidential information is defined in USPAP as:

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information that is either

- identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or
- classified as confidential or private by applicable law or regulation

The Confidentiality section of the ETHICS RULE states:

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

An appraiser must not disclose confidential information...to anyone other than the client and persons specifically authorized by the client...

If a prior assignment included any confidential information, its disclosure to a different client or intended user would violate the ETHICS RULE if the information were still classified as confidential information.

This includes the requirement to comply with all confidentiality and privacy laws and regulations.

Client Expectations:

At times, an appraiser's client may believe that his or her legitimate business intent could be harmed by that appraiser providing an appraisal of the subject property of that assignment to another client. In such cases, the client and the appraiser may stipulate in their service agreement the conditions under which the appraiser may or may not appraise the same subject property. A client involved in litigation may stipulate that the appraiser cannot appraise a subject property for the opposing party in that litigation. As another example, if an appraiser is providing the value of a property to a client who is planning to sell that property in an auction, the appraiser and client may agree that the appraiser will not appraise the same property for a party planning to participate in the bidding process.

Illustrations:

Example A – Litigation

An appraiser performs an appraisal for a client involved in litigation and then is requested to appraise the same property for the opposing party. Is accepting the assignment for the second client prohibited by USPAP?

No, assuming confidential information is handled correctly. However, there are common business practices in such circumstances. Often, the opposing parties each hire an appraiser to appraise the subject property. If the opposing parties do not plan to hire one appraiser jointly, each party could make it a part of the agreement between the appraiser and the client (the engagement letter or contract) that the appraiser is not to appraise the property for anyone representing the opposing side of the legal action.

In the absence of such an agreement between the client and the appraiser, the appraiser should consider the presence of confidential information. The knowledge of confidential information may prevent the appraiser from accepting the second assignment. The appraiser must decline the second assignment if:

- 1) the appraiser used confidential information in performing the first assignment;
- 2) that information would not be available from any other source; and
- 3) credible results cannot be derived without the use of this confidential information.

However, the appraiser may accept the second assignment, making sure to not disclose any confidential information from the original assignment to the second client, if

- 1) the information is available from another source (meaning it is not confidential information, as defined); or
- 2) the confidential information is not material to deriving credible assignment results.

However, the appraiser must ensure that confidential information is not disclosed, even if it has no impact on the assignment results (such as the litigation strategy of attorneys representing the first client).

Example B – Competing Banks

If an appraiser has appraised a property for Bank A and then is approached by Bank B to appraise the same property, does USPAP prohibit acceptance of the second assignment?

No, assuming confidential information is handled correctly. This constitutes a second assignment, a new client and a new agreement between a client and an appraiser.

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.

Approved June 27, 2003 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: _____