



THE APPRAISAL FOUNDATION

*Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications*

November 29, 2010

Mr. James Park
Executive Director
Appraisal Subcommittee
Federal Financial Institutions Examination Council
1401 H Street, N.W., Suite 760
Washington, DC 20005

Dear Jim:

Attached please find responses to the nine questions posed to The Appraisal Foundation in your correspondence of November 22, 2010:

- 1. Provide additional justification for the Appraiser Qualifications Board (AQB) grant request and include the rationale for re-evaluating the AQB Real Property Appraiser Qualification Criteria (Criteria) every four to five years. Explain why the grant proposal for AQB work has not declined from 2006-2008 levels when the AQB was finalizing and addressing implementation of significant changes to the Criteria, implemented January 1, 2008. Explain why AQB costs are increasing although the number of appraisers is declining.***

As background, it has been widely recognized by the appraisal profession and users of appraisal services that the initial *Real Property Appraiser Qualification Criteria* (Criteria) adopted by the Appraiser Qualification Board (AQB) in March 1991 (in response to Title XI) was extremely low. This was due, in part, to concerns voiced by financial institutions, users of appraisal services, real estate agents and brokers, as well as others, over whether there would be enough state-licensed and state-certified appraisers to provide appraisals for their transactions. Since appraiser regulation was essentially non-existent prior to Title XI, no one had a reliable estimate of the number of appraisers that would become credentialed by the states.

Since those initial days of appraiser regulation, reports from state appraiser regulatory agencies, users of appraisal services, and other regulatory entities indicated that many of the state-credentialed appraisers lacked the knowledge and competency required to complete many of the appraisal assignments for which they had been engaged. As a result, the AQB adopted incremental changes to the Criteria in 1994, which became effective in 1998. These changes included:

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- Specific requirements for appraisers to complete *National USPAP Courses*, taught by AQB Certified USPAP Instructors, to obtain and maintain their credentials;
- Increases in the amount of hours of experience necessary to obtain Certified Residential and Certified General appraiser credentials; and
- An increase in the continuing education required to maintain a credential from 10 hours per year to 14 hours per year.

Despite these additional requirements, there was a continued public outcry that many appraisers remained unqualified to perform appraisals in many transactions. In response to this demand, the AQB embarked on a process in February 2001 in an attempt to determine how the Criteria could be made more relevant and meaningful. This process commenced with a Congressional-style public hearing, where diverse groups of constituents (state and federal regulatory agencies, users of appraisal services, educators, professional appraiser organizations, and others) addressed the AQB, identifying areas in the Criteria they believed needed enhancing.

The AQB carefully considered all of the issues presented and began a process that eventually covered the better part of three years, issuing a total of six exposure drafts and receiving feedback from each one. Ultimately, in February 2004 the AQB adopted significant changes to the Criteria that became effective in 2008. These changes can be briefly summarized as follows:

- Significant increases in the amount of hours of education necessary to obtain Licensed Residential, Certified Residential and Certified General appraiser credentials;
- The creation of a *Required Core Curriculum*, specifying the number of hours and specific educational topics that must be completed for each appraiser classification;
- For the first time, the requirement of college-level education for the Certified Residential and Certified General classifications; and
- Creation of the *National Uniform Licensing and Certification Examinations*, which were more rigorous, practice-based examinations than those developed by others in the past.

As noted above, the current Criteria adopted by the AQB in 2008 are a significant upgrade from the original Criteria adopted in 1991. Nevertheless, these Criteria still remain lower than those that exist in the majority of the industrialized world. In countries such as Mexico, appraisers are required to possess college degrees in specific areas of study, such as architecture or engineering, in addition to the specific valuation-related education that is required. Likewise, countries in South America and Europe similarly have higher qualification requirements than those that exist in the current AQB Criteria.

Despite the increased current Criteria, the AQB has continued to hear concerns regarding specific areas that must still be addressed. To assist in fully understanding these concerns, the AQB again held a Congressional-style public hearing in June 2010 to a similar group of constituents that addressed the Board in 2001. A few of the major issues voiced included:

- A lack of clear requirements for supervising appraisers and trainees. Several constituent groups have indicated that this particular issue is one of the most pressing in recent years. The migration of appraiser training from primarily financial institutions to independent fee appraisers has had a significant impact on the ability for new appraisers to enter the profession. In addition, because of the lack of clear requirements for supervising appraisers, many of those trainees may not have received well-rounded practical training that could sustain them in the marketplace.
- A recognition that the current education system for appraisers makes it difficult to attract the “best and brightest” to the profession. Because the education required in the current Criteria is specifically valuation-related, the vast majority of the education is offered by professional appraiser organizations and proprietary schools. College students considering a career in appraisal have been largely discouraged to enter the profession upon learning that, after graduation, they would have to complete an additional 300 hours (for the Certified General classification) of specialized education in order to qualify for a state credential.
- A lack of requirements for criminal background checks in order to receive a state credential. Appraisers are given credentials that allow them entry into people’s homes and businesses, but there are no minimum national requirements for background checks. In order to promote and maintain public trust in the appraisal profession, appraisers should be required to undergo such scrutiny, similar to that enacted for mortgage loan originators under the SAFE Act.

The AQB, recognizing the issues outlined above (as well as others), believes that such issues would not come to light as quickly or clearly *without a thorough review of the existing Criteria every four to five years.*

The issue of supervising appraisers and trainees was recognized by Congress in the Dodd-Frank bill, which gave the AQB the authority to establish minimum criteria in this area. The AQB began recognizing the importance of college-educated candidates when establishing its *Graduate Degree Review Program*. The AQB believes expansion of this activity to an *Undergraduate Degree Review Program* will be even more beneficial to more potential appraiser candidates. Ensuring that individuals who have committed significant crimes do not receive appraiser credentials is obviously essential to public trust.

The activity indicated above, addressing any remaining issues related to the implementation of the 2008 Criteria, and annually updating the *National Uniform Licensing and Certification Examinations* are all reasons that the AQB’s grant proposal has not diminished from the 2006-2008 levels.

Lastly, the AQB’s activities have little to do with the number of appraisers. Simply because there may be fewer active appraisers today than a few years ago does not absolve the AQB of its responsibilities to establish minimum criteria under Title XI. Promoting and maintaining public trust is not a function of the number of individuals appraising; it is directly related to the qualifications required to obtain a credential.

2. Address whether the University graduate degree program has met the Foundation's goals and objectives. Explain the rationale for expanding the program's scope to include undergraduate programs. Also address the Foundation's efforts to verify with the States' appraiser regulatory agencies and other stakeholders that the program is creating the desired change in appraiser education.

As indicated in the response to #1 above, the purpose of the *Graduate Degree Review Program* is to assist in attracting the "best and brightest" to the appraisal profession. This is accomplished by the AQB thoroughly reviewing the required curriculum for a graduate degree in real estate, and evaluating all of the courses in light of the *Required Core Curriculum* in the Criteria. Once this analysis has been completed, students with such degrees would know exactly the number of courses and hours that they would receive credit towards a credential, and which courses and hours would still need to be fulfilled.

Despite the fact that solicitations were made to those schools with graduate degrees in real estate and that the analyses are conducted by the AQB at no cost to the schools, only two universities have applied to date and had their programs reviewed. In recognition that many more colleges and universities offer *undergraduate* degrees in real estate, the AQB plans to expand its program to include these schools as well. This expansion was considered by the AQB from the start, but it was decided to focus on the graduate degree programs first, anticipating a lower volume of applications and allowing for any revisions needed to the program's policies.

Whether or not these programs are creating the desired effect remains to be seen. The reasons are two-fold:

- The graduate program has not existed for a substantial amount of time, so students have yet to become familiar with what the program may do for them with respect to obtaining an appraiser credential. Furthermore, the undergraduate program has not been launched yet, so there is no way to gauge the interest that schools and students may have in that program.
- The market for real estate appraisers is not strong at this time. As noted by the decline in state-licensed and state-certified appraisers on the *National Registry*, far fewer appraisers are entering the profession than leaving it. Because of these market conditions, the true benefit of both the *Graduate Degree Review Program* and the *Undergraduate Degree Review Program* cannot reasonably be measured at this time.

3. Appraisal Standards Board (ASB) grant requests have increased at an annual rate of approximately 5% since 2002 when the U.S. rate of inflation has been approximately 2.7 % annually. Why have expense increased more than the rate of inflation?

Below are the actual ASB grant expenses for the past six years from our audited financial statements:

2009	2008	2007	2006	2005	2004
\$486,340	\$445,909	\$415,690	\$430,654	\$465,537	\$431,316

During this period of time expenses have stayed within a rather narrow band and have actually increased less than the rate of inflation.

4. What percentage of the Foundation's overall revenue comes from the grant?

Total grant revenue, including prior year reprogramming and supplemental requests, has accounted for the following percentage of revenue in recent years:

2009	2008	2007	2006	2005	2004
34.2%	36.3%	24.3%	19.6%	21%	19.3%

Two notes regarding the above numbers:

(1) Unlike previous years, for our 2009 grant request we were advised to ask for funding for every valid Title XI program expense we could identify. We requested \$1,950,000 and the entire amount was approved. Actual grant revenues, including supplemental and reprogramming requests were:

2009	2008	2007	2006
\$1,620,579	\$1,273,817	\$1,165,392	\$1,016,527

(2) In 2008 we transitioned to a two-year USPAP publication cycle (resulting in a drop in publication revenue) and experienced losses in our reserve account due to the significant decline in the stock market. 2007 overall revenue was \$4,792,747 and in 2008 it dropped to \$3,507,317, resulting in the grant accounting for a much higher percentage of our overall revenue.

5. Provide more detail regarding the Board of Trustees (BOT) Title-XI related work and the expenses that would be covered by the proposed grant. Explain how the BOT ensures its governance over the work of the AQB and ASB and how the stated initiatives are consistent with The Appraisal Foundation's strategic plan and objectives for the year. Further, explain how the BOT is involved in the two Board's business plans and adherence to their business plans.

Board Member Selection: Members of the Board of Trustees solicit candidates to serve on the Appraiser Qualifications Board and the Appraisal Standards Board. Upon receipt of the completed applications, the Boards Nominating Committee of the Board of Trustees ranks the candidates based on their qualifications. These candidates are subsequently interviewed via telephone by members of the Committee and ranked a second time to determine who will be selected for in-person interviews. The interviews are held in conjunction with the fall meeting of the Board of Trustees and are open to the public.

Oversight: An important responsibility of the Board of Trustees is to provide oversight of the boards and advisory councils of the Foundation. While the Appraiser Qualifications Board and Appraisal Standards Board are independent, they must be accountable. The Board of Trustees created an Oversight Subcommittee of its Executive Committee to ensure that our boards and councils are accountable to the public and the regulatory community and adhere to the annual work plan submitted to the Board of Trustees. Members of the Oversight Subcommittee attend meetings of the Boards and Advisory Councils in an observer status. Their observations are then produced in a report for the members of the Oversight Subcommittee. The chair of the board or council being observed is made aware of the contents of the report.

In addition to submitting their annual business plans to the Board of Trustees, the chairs of the Boards and advisory councils must submit management reports to the Oversight Subcommittee at the end of the first and third quarters. The chairs have face-to-face meetings with the Oversight Subcommittee at least twice per year. Copies of the Oversight Responsibility Policy, the Operating Procedures of the Oversight Subcommittee, the Boards Meeting Observation Form and the Management Report Outline are attached for your reference as attachments #1, #2, #3 and #4.

Business Plan Committee: The Board of Trustees has a Business Plan Committee, which has the responsibility to develop short and long range business plans and provide strategic planning for the Foundation. In addition, the Committee ensures that the boards and advisory councils are working on projects that are consistent with the Strategic Goals of the Foundation. Chairs of boards and advisory councils are asked to complete a matrix outlining how their work plan is assisting the Foundation in meeting its Strategic Goals at least twice per year. A copy of the Foundation's Strategic Goals and the goal matrix are attached for your reference as attachments #5 and #6.

Special Projects: The Board of Trustees periodically embarks on special projects that are Title XI related. The Consistent Enforcement Task Force, which resulted in the development of the Voluntary Disciplinary Guideline Matrix, is an example of such a project.

In addition, the Trustees have funded the creation of an "eLibrary", which will be a repository of training videos on our website. Current videos include a *USPAP Update for State Regulators* and a *Mock Administrative Hearing*. A copy of the Voluntary Disciplinary Guideline Matrix is attached for your reference as attachment #7.

The grant funds *only* the staffing expenses associated with all of the above activities of the Board of Trustees. Trustees are not compensated for their time and we are not requesting any travel for Board of Trustees activities.

6. Please provide a prioritized list of the projects/issues on each Board's agenda for 2011. Identify the items that are the most important for the ASC to fund.

The ASC has been provided with the 2011 Business Plans for both Boards. It is difficult to say that one aspect of a Board's Business Plan is more important than another. In addition, many times there are items that relate to one another in a manner that makes them of equal importance. In any event, if we were forced to prioritize the items on each Board's Business Plan as most important for the ASC to fund, the lists would be as follows:

Appraisal Standards Board

I. Proposed revisions to USPAP for the 2012-13 edition of USPAP, including:

- Revisions to certification requirements to comply with Conduct section of ETHICS RULE
- Retirement of STANDARDS 4 and 5, *Real Property Appraisal Consulting*
- Create RECORD KEEPING RULE
- Revisions to Advisory Opinion 21, *USPAP Compliance*
- Required disclosure of *Exposure Time*
- Revisions to DEFINITIONS
- Required labeling of "Extraordinary Assumptions" and "Hypothetical Conditions"
- Revisions to STANDARDS 7 and 8 (not grant-related)

II. Continued outreach for feedback on issue of appraisal reporting, including potential:

- Surveys
- Concept papers
- Public hearings
- Exposure drafts

Appraiser Qualifications Board

I. Proposed revisions to the *Real Property Appraiser Qualification Criteria*, including:

- Establishment of minimum requirements for supervising appraisers and trainees
- Implementation of *Undergraduate Degree Review Program*
- Implementation of minimum requirements for criminal background checks
- Requirement to complete the 7-Hour *National USPAP Update Course* within six months of the effective date of a new USPAP edition
- Require both education and experience as prerequisites for the state examination
- Removal of "in lieu of" option for college-level education
- Removal of segmented approach to Criteria implementation
- Restriction on continuing education course offerings
- Revisions to distance education requirements

II. Maintenance and updating of the *National Uniform Licensing and Certification Examinations*

III. Maintenance and growth of the Course Approval Program (CAP) - (not grant-related)

IV. Updating of the *Personal Property Appraiser Qualification Criteria* - (not grant-related)

7. Given the recent turnover of ASB members, how do the current members determine whether to continue or revisit issues and work addressed by previous Boards?

Four new members were appointed to the ASB on October 30, 2010. Because these members will represent the majority of the Board as of January 1, 2011, the entire ASB (new and existing members) met in Miami November 17-19, 2010.

It was clearly emphasized to the new Board members that they will be the majority of the Board responsible for adopting the changes for the 2012-13 edition of USPAP at their public meeting in April 2011. As a result, the new Board members were thoroughly immersed in the topics that were under consideration for revision, and strongly encouraged to provide their opinions and comments on the proposed revisions.

The new Board members were also provided with all three of the exposure drafts that had been issued, along with each and every public comment the ASB had received in response to those exposure drafts. Although the new Board members did not have voting privileges at the Miami meeting, there was strong consensus among them that the revisions the ASB were proposing were steps in the right direction. The new Board members were involved in suggesting revisions to the exposed changes based on their perspectives and the public comments received, and assisted in drafting material for a Fourth Exposure Draft, which the ASB intends to publish in mid-December. Prior to that publication, the new Board members will also join the existing Board members in two scheduled conference calls to discuss the upcoming exposure draft.

Clearly, the new ASB members have been given every opportunity to weigh in on the changes that the Board has proposed to date, and appear to be aligned with the existing ASB members regarding the direction the Board is taking.

8. Was any consideration given to the fact that adding a seventh Board member to the ASB will increase expenses? Explain the rationale for the decision by the BOT to expand the ASB to seven members from six.

Our Boards can have as few as five and as many as seven members. For 2011, our Appraisal Practices Board will have seven members, the Appraiser Qualifications Board six members and the Appraisal Standards Board seven members. Because we had only three incumbents returning to the ASB in 2011, we did an extensive search for candidates in 2010. This resulted in many very highly qualified candidates applying and the Board of Trustees felt that we should take advantage of this talent pool. Two of the four new appointees have extensive experience with state appraiser regulatory agencies.

We believe it is important to look at the amount of funding requested rather than the number of individuals serving on the board. For 2011 we are requesting ASB consulting in the amount of \$135,000, a reduction of \$37,500 from our 2010 grant amount. We are also requesting funding for ASB travel in the amount of \$96,050 for 2011, a reduction of \$4,800 from our 2010 grant amount.

Having an additional ASB member simply means that we will reach these threshold levels earlier than if it was a six member board.

9. In a statement, dated September 29, 2010, the ASB acknowledged that sufficient explanation was not provided in the exposure drafts addressing proposed revisions to the 2012-13 edition of the Uniform Standards of Professional Appraisal Practice (USPAP). How is the Foundation ensuring that the ASB's work in 2011 will reflect public comments received on prior exposure drafts and address deficiencies in the exposure draft process? Explain how the ASB's proposed work to revise USPAP will further improve the understandability and enforceability of USPAP, and contribute to public trust in the profession?

The September 29, 2010 statement referred to is contained in the ASB's Third Exposure Draft of proposed changes for the 2012-13 edition of USPAP. The statement in question appears to be: *"It was apparent to the ASB that our communication of the First and Second Exposure Drafts have not adequately explained the background and basis for our concerns about how appraisers are communicating with clients and why additional guidance is necessary."*

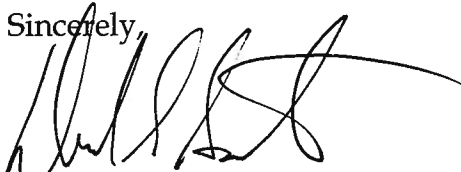
The statement was included in an attempt to help educate readers of the document of the wide disparity of the comments received in response to the first two exposure drafts, not to suggest a shortcoming of the ASB's exposure process. The practice of appraisers communicating with clients prior to the completion of assignments varied *tremendously* throughout the various appraisal disciplines, and even within specific disciplines (i.e. residential real property versus non-residential real property). While the ASB received several positive comments regarding the direction of the Board on this very controversial issue, it also received numerous comments that did not support the proposed revisions and were otherwise informative and thought-provoking.

As a result, the ASB acted in the only manner it possibly could to protect public trust: delay any action on the issue until additional feedback could be gathered from as many constituents and stakeholders as possible. While it may be viewed by some that the ASB's initial exposure process on this topic was somehow deficient, the ultimate decision to postpone any action on this topic until additional feedback could be received should clearly reflect the Board's commitment to improving the understandability and enforceability of USPAP, thereby improving public trust in the appraisal profession. In other words, the exposure process worked exactly as intended, providing the ASB with critical information it needed to consider prior to making any revisions to USPAP.

The Board remains committed to addressing this very complex issue in the 2014-15 edition of USPAP, but will only do so by devoting the time and resources necessary to properly consider all aspects of the issue, ensuring public trust remains the prime objective.

We hope that the above answers are responsive to your request. Should you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,



David S. Bunton
President

**OVERSIGHT RESPONSIBILITY OF THE
BOARD OF TRUSTEES OF THE
APPRAISAL FOUNDATION**

PURPOSE

The Board of Trustees of The Appraisal Foundation (BOT), along with providing the financial support to fund the activities of the Appraiser Qualifications Board (AQB), the Appraisal Standards Board (ASB); the Education Council of Appraisal Foundation Sponsors (ECAFS); Industry Advisory Council (IAC), the International Valuation Council (IVC), the State Regulators Advisory Group (SRAG) and, The Appraisal Foundation Advisory Council (TAFAC), has oversight responsibility with regard to the appraisal standards and appraiser qualification activities of these bodies. The exercise of this responsibility shall be discharged in a manner which furthers communication between these bodies and the BOT but without actually or otherwise impairing the independence of the ASB, AQB, ECAFS, IAC, IVC, SRAG and TAFAC as set forth in the Restated Bylaws.

IMPLEMENTATION

The oversight responsibility of the BOT shall be principally managed by no less than three members, two of which must be from the Executive Committee, annually selected by the Chairman of the BOT. The individuals selected shall constitute the Oversight Subcommittee.

The individuals selected shall have no actual or apparent conflict of interest as a trustee or a chair of a standing committee of the Foundation and their oversight duties on behalf of the Oversight Subcommittee. The individuals selected shall also be barred from appearing before or communicating with the ASB, AQB, ECAFS, IAC, IVC, SRAG and TAFAC for the purpose of commenting directly on the activities of any board or council for the purpose of influencing such activities.

The Oversight Subcommittee, on an ongoing basis, shall monitor the activities of the ASB, AQB, ECAFS, IAC, IVC, SRAG and TAFAC. To this end, members of the Subcommittee are encouraged to attend and observe meetings of the ASB, AQB, ECAFS, IAC and TAFAC. In addition, no less than quarterly the Subcommittee shall request from the chair of the ASB, AQB, ECAFS, IAC, IVC, SRAG and TAFAC a report on the effectiveness of the activities of his/her board or council, including an

evaluation of the board's or council's performance relative to the work plan submitted to the BOT in support of their annual request for funding. Based on the information and knowledge learned from the foregoing oversight efforts, the Subcommittee shall discuss the same with the Executive Committee, and if appropriate thereafter, meet periodically with the chairs of each board or council to discuss matters relating to the responsibilities tasked to the Subcommittee.

Because the BOT has ultimate oversight responsibility, the Oversight Subcommittee shall report periodically to the BOT on its oversight activities and conclusions. The Subcommittee shall also consult with the BOT as necessary and appropriate in satisfying its oversight responsibilities.

**Board of Trustees
Oversight Subcommittee of the Executive Committee**

Operating Procedures

Mission

To ensure accountability and responsiveness of the Appraiser Qualifications Board (AQB), the Appraisal Standards Board (ASB); the Education Council of Appraisal Foundation Sponsors (ECAFS); Industry Advisory Council (IAC), the International Valuation Council (IVC), the State Regulators Advisory Group (SRAG) and, The Appraisal Foundation Advisory Council (TAFAC) and (ii) maintain open lines of communications between these various bodies and the Board of Trustees.

Composition

As stated in the Oversight Policy of the Board of Trustees, the Oversight Subcommittee shall consist of no less than three members all of whom shall be Trustees, two of which shall be from the Executive Committee.

Confidentiality Statement

At the time of appointment to the Oversight Subcommittee, Subcommittee members shall sign a confidentiality statement. The statement shall clearly spell out the confidential nature of the information that will be learned by Subcommittee members in conjunction with their official duties.

Meetings of the Oversight Subcommittee

All meetings of the Oversight Subcommittee shall be conducted in Executive Session.

The Subcommittee shall, at a minimum, meet in person twice annually in conjunction with the Spring and Fall meetings of the Board of Trustees. Conference call meetings of the Subcommittee may be called by the Chair on an as needed basis.

Observing Board and Advisory Council Meetings

Members of the Oversight Subcommittee may observe all meetings (including work sessions and executive sessions) of the ASB, AQB, ECAFS, IAC, IVC, SRAG and TAFAC. Members of the Oversight Subcommittee are not to participate in the meetings they are observing unless they are specifically requested to do so by the Chair of the body being observed.

Adequate written notice shall be given to the Chairs of the Boards and Advisory Councils of members of the Oversight Subcommittee observing their meetings. In turn, Chairs of the respective Boards and Councils or their staff shall provide copies of the agenda in advance of any meeting to the Oversight Subcommittee.

If a member of the Oversight Subcommittee also serves on a Board or Council, than that member may not act as the Oversight representative for meeting observations of that particular Board or Council. Any exceptions to this rule are at the discretion of the Chair.

In order to ensure both diversity and continuity with regard to Observations, assignments will be made to two or more different individual observers per Board or Council per year.

Reporting Requirements

Annual Business Plan

The Chairs of the Appraisal Standards Board, Appraiser Qualifications Board, The Appraisal Foundation Advisory Council, Education Council of Appraisal Foundation Sponsors and the Industry Advisory Council shall submit to the Oversight Subcommittee an annual business plan. The plan for the upcoming year should be provided to the Oversight Subcommittee at the fall meetings of the Board of Trustees.

Quarterly Management Reports

The Chairs of the Appraisal Standards Board, Appraiser Qualifications Board, The Appraisal Foundation Advisory Council, Education Council of Appraisal Foundation Sponsors and the Industry Advisory Council shall submit to the Chair of the Oversight Subcommittee, in writing, two management reports, one at the close of the first quarter and one at the close of the third quarter. These reports shall be prepared within thirty (30) days of the end of the first and third quarters according to the Management Report Outline. The written Management Reports will be distributed only to members of the Oversight Subcommittee and shall remain confidential.

Subsequent reports will be verbal and conducted either via private conference calls or in-person interviews between members of the Oversight Subcommittee and the Board/ Advisory Council Chairs.

Oversight Subcommittee Reporting

The designated Oversight Subcommittee Observer shall discuss observations with the Board or Council Chair within 15 days of conclusion of the meetings.

The Observer shall submit a written report to the Oversight Subcommittee Chair within 30 days after the meeting. The written report will be submitted in accordance to the form that has been developed for this purpose. This confidential report will be provided to all members of the Oversight Subcommittee and the results will be shared with the respective Board or Council Chairs verbally.

The Chair of the Oversight Subcommittee shall provide periodic *verbal* reports to the Executive Committee and the Board of Trustees. The content of any critique of a Board or Advisory Council provided to the Oversight Subcommittee members shall also be provided to the Chair of the body being critiqued.

Oversight Subcommittee Authority

As is the case with all Committees of the Board of Trustees, the Oversight Subcommittee is to make recommendations for specific action to the Executive Committee and the Board of Trustees.

Coordination with Other Committees

The Oversight Subcommittee shall work closely with the Standards & Qualifications Boards Nominating Committee in order to consolidate rather than duplicate efforts. The information shared between these two groups will remain confidential.

When Observers from both the Oversight Subcommittee and the Standards & Qualifications Boards Nominating Committees are present at a meeting of the AQB or ASB, staff will notify each observer in advance so that the parties may meet to share information. When only one member from either group is present, arrangements will be made to effectively share information within the realm of each Committee's charge.

Annual Performance (Peer) Reviews of the AQB and ASB will be performed. The results of these reviews will be shared with the Standards & Qualifications Boards Nominating Committee and will otherwise remain confidential. These annual reviews will be performed with ample time for feedback to the Standards & Qualifications Boards Nominating Committee. Individual results of these reviews will be shared with each individual in writing.



ATTACHMENT #3

CONFIDENTIAL

**Report to the Oversight Subcommittee
Boards Meeting Observation**

Board:

Chair:

Members:

Dates Attended:

Location:

Reviewer:

Date Submitted:

Summary:

Attendance:

Chair Performance Evaluation:

Member(s) Performance Evaluation:

Other Meeting Participants (representatives from TAF and/or ASC):

Date of Verbal Report to Board Chair (this discussion is to happen within 2 weeks of the meeting):

Results of Verbal Report to Board Chair (this discussion is to happen within 2 weeks of the meeting):

Additional Comments:

**Appraiser Qualifications Board
Appraisal Standards Board**

**Management Report Outline
To Be Provided Twice Per Year**

I. Scope: Indicate the quarter being reviewed by the report.

II. Executive Summary

- (a) List Major Accomplishments and Concerns of the Previous Quarter
- (b) State Progress Made in Meeting the Objectives of the Business Plan
- (c) State Board Objectives for the Next Quarter
 - List specific projects, the rationale for pursuing them at this time, and their anticipated impact on the marketplace (appraisers, users of appraisal services and regulators) and the resources of the Board.

III. Quality of Work

- (a) Indicate your concern level for this category: High Medium Low
- (b) Compared to One Year Ago
- (c) Major Factors Impacting Quality
- (d) Individual Observations and Concerns
- (e) Specific Action Required to Address Concerns

IV. Quantity/Productivity

- (a) Indicate your concern level for this category: High Medium Low
- (b) List Specific Accomplishments

- (c) Major factors Impacting Productivity
- (d) Individual Observations and Concerns
- (e) Specific Action Required to Address Concerns

V. Budget Implications

- (a) Please explain any significant budget deviations

VI. Interacting with the General Public

- (a) Indicate your concern level for this category: High Medium Low
- (b) Comparison to a Year Ago
- (c) Speaking Engagements/Meetings
- (d) Correspondence

Number of Inquiries and Average Response Time

- (e) Positive Feedback Received
- (f) Negative Feedback Received
- (g) Specific Action Required

VII. Coordination Issues:

Please list any accomplishments or concerns regarding the coordination of the activities of your Board with:

- a) Other Foundation Boards
- b) Appraisal Subcommittee
- c) Sponsoring Organizations
- d) Advisory Councils
- e) Federal Regulators
- f) State Regulators



THE APPRAISAL FOUNDATION
*Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications*

STRATEGIC GOALS FOR THE APPRAISAL FOUNDATION

VISION STATEMENT

The Appraisal Foundation will be the organization that is the ultimate source of appraisal standards, appraiser qualifications and standards of ethical conduct in all valuation disciplines to assure public trust in the valuation profession.

MISSION STATEMENT

The Appraisal Foundation, a not-for-profit organization dedicated to the advancement of professional valuation, was established by the appraisal profession in the United States in 1987. Since its inception, the Foundation has worked to foster professionalism in appraising by:

- establishing, improving, and promoting the *Uniform Standards of Professional Appraisal Practice* (USPAP);
- establishing educational experience and examination qualification criteria for the licensing, certification and recertification of real property appraisers;
- establishing educational and experience qualification criteria for other valuation disciplines;
- disseminating information on USPAP and the Appraiser Qualification Criteria to the appraisal profession, state and federal government agencies, users of appraisal services, related industries and industry groups, and the general public and;
- sponsoring appropriate activities relating to standards, qualifications and issues of importance to appraisers and users of appraisal services.

STRATEGIC GOALS

See the pages that follow.

BUSINESS PLANS

(From Boards, Councils, Committees, Task Forces, and Staff)

Beginning in 2009 these plans will be included with these goals.

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STRATEGIC GOALS

(Our goals for success)

I. Public Policy (External Goals)

1. A Guardian of the Public Trust

- A. Enhance the reputation of The Appraisal Foundation as the pre-eminent United States authority for valuation standards, standards of ethical conduct and qualifications for professional appraisers/valuers.
- B. Encourage the adoption, implementation, monitoring, reporting and effective enforcement of these standards and qualifications.
- C. Maintain the independence of The Appraisal Foundation and its Boards to ensure objectivity and credibility.
- D. Educate users of appraisal services and other interested parties about the necessity of appraiser independence.
- E. Establish and support public policy, which ensures protection of the public interest, by articulating reasonable, timely, consistent, and adequate valuation standards and qualifications for valuation practice.
- F. Provide resources for consumers with respect to reasonable expectation for services obtained from professional appraisers/valuers and their independence in the valuation process.
- G. Recognize the challenges and respond to the opportunities created by changes in the environment affecting valuation professionals.
- H. Promote an understanding with users of valuation standards, standards of ethical conduct and appraiser qualifications that form the basis of professional appraisal practice.

2. Standards

- A. Keep Standards current to reflect the ever-changing needs of the marketplace.
- B. Work to harmonize standards between USPAP, other professions and governmental bodies.
- C. Work to harmonize standards among international standards setting groups.

D. Enhance the usability, enforceability and clarity of USPAP.

3. Qualifications

- A. Work to harmonize appraiser qualifications between the Appraiser Qualifications Board (AQB) and governmental bodies.
- B. Work to harmonize appraiser qualifications between the U.S. and other countries.
- C. Establish appraiser qualifications for professionals working in non-real property disciplines.
- D. Establish best practices for the Supervising Appraiser/Trainee relationship
- E. Work to ensure that Real Property Appraiser Qualification Criteria remain relevant and appropriate in the marketplace served.

4. Education

- A. Continue development of USPAP-related educational materials.
- B. Assist degree granting institutions in the development of programs in appraisal education consistent with AQB Criteria.
- C. Expand and streamline the Course Approval Program in cooperation with appraisal sponsors and other interested constituents for all valuation disciplines.
- D. Work with States to grant reciprocity for university education.
- E. Ensure the consistent and competent instruction of those who teach USPAP to appraisers.
- F. Encourage the consistent and competent instruction of those who teach valuation theory and technique.

5. Enforcement

- A. Develop a plan (or strategy) to show how TAF can provide assistance in the consistent enforcement of standards and qualifications by federal and state governmental bodies.
- B. Work with appropriate groups to ensure appraiser independence.

6. Coordination

- A. Carry out The Appraisal Foundation's mission in a manner that recognizes the needs of users of valuation services, federal and state regulators, professional valuation organizations, and unaffiliated appraisers.
- B. Serve as a fair, objective, and impartial resource to governmental bodies, both domestic and international, and to other professional groups.

7. The Profession

- A. Develop plans and programs to attract people to the profession.
- B. Support efforts leading to domestic and international universal reciprocity for appraiser certification and licensure.
- C. Promote the professionalism and high ethical standards of appraisers to the public.

8. Communication/Public Relations/Outreach

- A. Ensure that the work and service performed by The Appraisal Foundation, the Appraisal Standards Board (ASB), and the AQB are clear, concise, and disseminated broadly to appraisers, users of appraisal services, regulators, legislators, and other interested parties.
- B. Foster and maintain open communications with other national, regional and international standard and qualification setting bodies with interests in property valuation.
- C. Encourage recognition that TAF encompasses all appraisal disciplines.
- D. Initiate a campaign to increase and diversify membership in the Foundation's Sponsoring Organizations and Advisory Councils.
- E. Initiate procedures to publicize the mission and work of TAF (public relations).
- F. Ensure that all stakeholders are considered for positions on the various Boards, Councils, Committees, and Task Forces.

II. Operational (Internal Goals)

1. Finances

- A. Seek additional sources of revenue.
- B. Accumulate reserves equal to one year of operating expenses.

- C. Accumulate enough additional financial reserves to fully carry out TAF's goals and objectives as they relate to Standards and Qualifications.
- D. Explore the feasibility and advisability of purchasing versus leasing TAF headquarters office space.

2. Planning

- A. Improve The Appraisal Foundation's ability to accomplish its mission by formalizing the relationship of the TAF Strategic Plan with the business or work plans of all Boards, Councils, Task Forces, Committees, and Staff.
- B. Establish procedures for the periodic review and revision of the TAF Strategic Plan.

3. Communications

- A. Improve the functionality of TAF's Website.
- B. Add accessible information to TAF's Website to facilitate the internal work of the Boards, Councils, Committees, Task Forces, and Staff (for internal users).
- C. Measure and monitor the usefulness of TAF's Website.

4. Organization Structure

- A. Periodically conduct a review of the current structure of the Foundation Staff, Boards, Councils, Committees, and Task Forces with respect to their mission and TAF strategic goals.
- B. Implement "sunset" provisions with respect to Task Forces and other ad hoc groups of TAF.

**APPENDIX
BUSINESS PLANS**

(From Boards, Councils, Committees, Task Forces, and Staff: Methods to achieve strategic goals)

Beginning in 2009 these plans will be included with these goals.

Name of Committee/Task Force/Working Group:

Chair:

Year:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
2010 Committee Goals (Identify and prioritize specific short and long term goals)	Action Plan to Achieve Each Goal identified in Column 1	Committee Accomplishments Related To Each Goal and Subsequent Action Items	Status of Each Action Item Identified in Column 2 (i.e. – in progress, modified, completed. If modified, explain)	Recommendations As They Relate To Each Goal And Appropriate Action Items For 2010 And Beyond	Please indicate how each goal below relates to the current Strategic Plan, if applicable.



THE APPRAISAL FOUNDATION

*Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications*

Voluntary Disciplinary Action Matrix

August 26, 2010

*****For Distribution to State Regulators Only*****

**Developed by the Consistent Enforcement Task Force
of The Appraisal Foundation Board of Trustees**

Joseph Traynor, Chair

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Alice Ritter, Appraisal Subcommittee

Jenny Tidwell, Appraisal Subcommittee

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The Appraisal Foundation

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PURPOSE AND NATURE OF SANCTIONS

The purpose of appraiser discipline is to protect the public from appraisers who have not or will not ethically and competently perform their duties to their clients. The ultimate disposition of appraiser discipline should be public in cases of revocation, suspension and reprimand. Only in cases of minor misconduct should private discipline be imposed.

SANCTIONS

Revocation

Revocation terminates a person's status as a credentialed appraiser. Generally considered permanent, some states and jurisdictions may allow individuals with revoked credentials to reapply at some point in the future.

Suspension

The temporary removal of an appraiser's credential for a specified period of time.

- Short suspension: up to two months
- Medium suspension up to one year
- Significant suspension: more than one year

Formal Reprimand or Censure

A form of public discipline which declares the conduct of the appraiser improper, but does not limit the appraiser's right to work.

Letter of Warning

Also called an admonition or a private reprimand. It is a form of non-public discipline which informs the appraiser that the conduct was improper, not warranted or otherwise unacceptable. It does not limit the appraiser's right to work.

Fines; Assessment of costs; Restitution

Some states may allow fines or assessment of costs to be imposed as a form of sanction. Generally the fines/costs are sent to the state. Restitution is typically provided to the harmed party or parties.

- Fine: A sum of money required to be paid as a penalty for a violation.
Small, Moderate and Large
- Costs of enforcement activities.
- Restitution is payment to those harmed by the appraiser's actions

Corrective or remedial education

Education aimed to correct or improve deficient skills in a specific area.

Probation

A period of time during which the appraiser and/or the appraiser's work may be more closely scrutinized.

- short probation: up to six months
- medium probation: up to one year
- significant probation: more than one year

Monitoring

A period of time in which an appraiser's work is subject to additional review by the State Appraiser Regulatory Agency.

Restriction on scope of practice

A period of time in which an appraiser is prohibited from performing certain types of appraisal assignments. The discipline could also include a restriction on supervising other appraisers.

Levels of Sanctions

LEVEL	VIOLATION	SANCTION
I	Minor violations that do not involve the Ethics Rule or Competency Rule.	Letter of warning or equivalent; censure; corrective education (CE or QE); small fine; or any combination of above.
II	Technical errors or carelessness where appraiser would benefit from education and that do not involve the Ethics Rule or Competency Rule.	Formal Reprimand or equivalent; corrective education (CE or QE that cannot be used for CE for renewal); short probation; monitoring; small to moderate fine; or any combination of above.
III	Minor violations of the Ethics Rule and/or Competency Rule. Other violations that rise to the level of affecting the creditability of an assignment.	Formal Reprimand or equivalent; corrective education (QE that cannot be used for CE for renewal); short suspension; medium probation; monitoring; restriction on scope of practice, area of practice or ability to supervise; moderate fine; payment of restitution and/or costs; or any combination of above.
IV	Significant violations, including violations of the Ethics Rule and/or Competency Rule.	Formal Reprimand or equivalent; significant amount of corrective education (QE that cannot be used for CE for renewal); significant suspension; significant probation; monitoring; restriction on scope of practice, area of practice or ability to supervise; large fine; down grade of credential; successful completion of national exam; payment of restitution and/or costs; or any combination of above.
V	Significant Ethics Rule and/or Competency Rule violations or willful violations.	Revocation or Voluntary Surrender in lieu of disciplinary action with or without large fine, payment of restitution and/or costs.

NOTES:

- *This chart is intended to be used in conjunction with the attached Aggravating and Mitigating Circumstances.*
- *The potential Sanction in the chart is an average sanction where aggravating and mitigating circumstances balance each other.*
- *Where aggravating circumstances outweigh mitigating circumstances, the level of sanction will increase, and vice versa.*

AGGRAVATING AND MITIGATING CIRCUMSTANCES

AGGRAVATING CIRCUMSTANCES

An aggravating circumstance is any factual information or evidence regarding the appraiser or the violation that might result in an increased sanction. Aggravating circumstances include:

- Prior disciplinary history
- Number of appraisals involved in the case
- Number of total violations involved in the case
- Pattern of similar violations
- Significant financial harm to a lending institution, a consumer or others
- Refusal to reissue a corrected appraisal report when warranted
- Evidence that the violation was willful or intentional
- Evidence that the violation was grossly negligent
- Failure to exercise due diligence in the supervision of others
- Refusal to acknowledge violation
- Lack of cooperation with investigation
- Submission of false statements or evidence, or other deceptive practices (e.g., creating or adding to work file after complaint filed)
- Intimidation of or threats to witnesses or others involved with the investigation

MITIGATING CIRCUMSTANCES

A mitigating circumstance is any information or evidence regarding the appraiser or the violation that might result in a decreased sanction. Mitigating circumstances include:

- Length of time since the date of violation
- No prior disciplinary history
- No other complaints currently pending against licensee
- No pattern of similar offenses
- No evidence that the violation was willful or intentional
- No evidence that the violation was grossly negligent
- License level at the time of violation
- Licensee was under the supervision of another appraiser at the time (e.g., trainees)
- Additional education taken and/or experience gained after violation occurred

- Cooperation with investigation
- Little or no financial harm to consumer or others
- Timely mitigation of financial loss
- Reissuance of a corrected appraisal report before the complaint was filed
- Understanding and acknowledgement of violation
- Personal problems such as physical, mental or emotional problems at the time of the violation that have since been addressed

EXAMPLE OF THE APPLICATION OF LEVELS AND AGGRAVATING AND MITIGATING CIRCUMSTANCES

The following are generic examples of how to apply sanction levels and aggravating and mitigating circumstances.

When determining an appropriate sanction, the highest level of sanction should be considered unless substantial mitigating circumstances exist.

Example 1:

An appraiser accepted an appraisal assignment in an area where he is not geographically competent, failed to notify the client that he was not geographically competent and failed to take the necessary steps to become competent. As a result, he produced an appraisal that was not supported by market data.

With no aggravating or mitigating circumstances, the sanction would be Level III.

Example 1A:

Assume in the above scenario that there are no aggravating circumstances and that the following **mitigating** circumstances exist:

- a. The appraisal was done 3 years ago and the appraiser now has achieved competency in that market and others.
- b. The appraiser has no prior disciplinary history.
- c. The appraiser cooperated with the investigation.
- d. Since the appraisal was completed, the appraiser has taken additional education that will help him avoid this issue in the future.

Based on these circumstances, the sanction would be Level I or Level II.

Example 1B:

Assume in the above scenario that there are no mitigating circumstances and that the following **aggravating** circumstances exist:

- a. The appraiser has been disciplined for similar conduct in the past.
- b. The appraiser had already taken education designed to address this issue before he did the appraisal in question.
- c. As a result of the violation, there was significant financial harm to the lender and the consumer.

Based on these circumstances, the sanction would be Level IV or Level V.

Example 2:

An appraiser performs an appraisal where she used inappropriate comparable sales with inadequate and unsupported adjustments, resulting in an inflated opinion of value. This is one of several appraisals she has performed for a lender where all properties were sold by the same investor.

With no aggravating or mitigating circumstances, the sanction would be Level IV.

Example 2A:

Assume in the above scenario that there are no aggravating circumstances and that the following **mitigating** circumstances exist:

- a. The appraiser was under severe emotional stress at the time the appraisals were performed due to the illness of a child.
- b. The appraiser had been licensed for only 8 months when she did the assignments.

Based on these circumstances, the sanction would be Level II or Level III.

Example 2B:

Assume in the above scenario that there are no mitigating circumstances and that the following **aggravating** circumstances exist:

- a. There are 10 appraisals involved in this case.
- b. The appraiser altered the engagement letters in her work files before sending them the state regulatory agency by removing the “value needed” from them.
- c. The appraiser did not cooperate with the investigation, refusing to meet with the investigator or to provide more information when requested.

Based on these circumstances, the sanction would be Level V.

Example 3:

An appraiser states in his certification on an appraisal that he inspected the interior and exterior of the subject property, when in fact he only drove by the property. As a result, he stated that the subject property was in average condition when it was actually in poor condition and essentially uninhabitable. He did not use any extraordinary assumptions or hypothetical conditions in the assignment. He knew that the lender required an interior inspection.

With no aggravating or mitigating circumstances, the sanction would be Level IV.

Example 3A:

Assume in the above scenario that there are no aggravating circumstances and that the following **mitigating** circumstances exist:

- a. The appraiser took the 15-hour National USPAP course after the appraisal was done but before the complaint was received.
- b. The appraiser cooperated with investigation and acknowledged his error.
- c. The loan never went through, so there was little or no financial harm to the consumer or others.

Based on these circumstances, the sanction would be Level III.

Example 3B:

Assume in the above scenario that there are no mitigating circumstances and that the following **aggravating** circumstances exist:

- a. The violation was intentional.
- b. The appraiser has been licensed since 1991.
- c. When confronted with the issue by the lender, the appraiser refused to inspect the subject property and reissue a new appraisal report.

Based on these circumstances, the sanction would be Level V.

Example 3C:

Assume in the above scenario that there are **both** the mitigating circumstances in Example 3A and the aggravating circumstances in Example 3B. The sanction, therefore, would be anywhere from Level III to Level V.

Based on these circumstances, it would appear that the aggravating circumstances are more serious and outweigh the mitigating circumstances, thus the sanction would be Level IV or Level V.

Example 4:

An appraiser values the subject property at \$120,000. Among the findings:

- The subject had sold one month prior to the effective date of the appraisal for \$80,000, but the appraisal stated that the property had not sold within the past thirty six months.
- The appraisal states that the subject property contains 2400 square feet of gross living area when it actually has only 1200 square feet of finished area and an unfinished, below grade basement.
- The appraiser used comparable sales that contained 2300 – 2800 square feet, which resulted in an inflated appraised value.
- The photographs of the subject property in the appraisal report were of a ranch with a fully finished basement. The appraiser states that his trainee sent the wrong photos with the appraisal.
- Although the trainee did most of the work on the assignment, the appraiser did not mention the trainee's assistance in the report.
- The workfile, which was kept electronically, contained only a copy of the engagement letter and the invoice. The appraiser could not find the appraisal or any of the supporting documentation.

Discussion:

In this scenario, there are several violations of the Ethics Rule, such as conduct and record keeping, and violations of Standards 1 and 2. In determining an appropriate sanction, one would start at the lowest level violation (Level II for record keeping) and consider the highest level violation (Level V for preparing a fraudulent appraisal or communicating results in a misleading or fraudulent manner).

Example 4A:

Assume in the above scenario that there are no aggravating circumstances and that the following **mitigating** circumstances exist:

- a. There are no other complaints pending or previous disciplinary actions against the appraiser and there is no indication that there has been a pattern of similar offenses.
- b. It appears that the trainee altered the report after the appraiser signed it. It also appears that the trainee deleted the appraisal and supporting documentation for the assignment from the work file.
- c. The appraiser acknowledged that he failed to supervise his trainee.

Based on these circumstances, the sanction would be Level IV or possibly even Level III.

Example 4B:

Assume in the above scenario that there are no mitigating circumstances and that the following **aggravating** circumstances exist:

- a. There were several violations in the case.
- b. The loan was made and went into foreclosure. The lender subsequently sold the property for \$65,000.
- c. His failure to supervise his trainee was grossly negligent as he knew his trainee had altered his reports in the past.

Based on these circumstances, the sanction would be Level V.

Voluntary Disciplinary Action Matrix
August 26, 2010

	Type of Violation(s)	2010-11 USPAP Citation(s)	Examples	SANCTION (also refer to the sanction matrix and aggravating and mitigating circumstances)		
				1st offense	2nd offense	3rd offense
	ETHICS RULE					
	Failure to perform valuation services ethically while acting as an appraiser.	Ethics Rule	Intentionally preparing a fraudulent appraisal.	Level V		
	Misrepresentation of role.	Ethics Rule, Conduct				
		Example #1	Preparing an appraisal while pursuing a listing for the subject property without proper disclosure.	Level III	Level IV	Level V
		Example #2	Testifying as an expert without proper experience.	Level II	Level III	Level IV
		Example #3	Acting as unbiased party when there is an interest in the property.	Level IV	Level V	
	Conduct Section					
	Being an advocate for the client's interests.	Conduct & Management				
		Example #1	Inflating the value to benefit a client's position in litigation.	Level IV	Level V	
		Example #2	Selecting only comparable sales that support the contract price when there are more appropriate sales available.	Level III	Level IV	Level V
	Accepting an appraisal assignment that includes the reporting of predetermined opinions and conclusions.	Conduct	Accepting an assignment when the engagement letter specifies that the value must exceed a certain amount.	Level III	Level IV	Level V
	Relying upon any unsupported characteristic of race, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.	Conduct	Assuming that a subdivision where most of the properties are owned by individuals from a certain country will not be desirable to the general market.	Level II	Level III	Level IV
	Allowing an employee or other person to communicate a misleading or fraudulent appraisal report.	Conduct	Knowing that an employee will issue an appraisal report with an inflated opinion of value that is based on incorrect square footage for the subject property.	Level IV	Level V	
	Communicating assignment results with the intent to mislead or to defraud.	Conduct		Level V		
		Example #1	Using a large portion of another appraiser's report without permission.	Level III	Level IV	Level V
		Example #2	Intentionally leaving out the fact that the subject property is listed for sale and substantially less than the contract amount.	Level IV	Level V	

Voluntary Disciplinary Action Matrix
August 26, 2010

	Type of Violation(s)	2010-11 USPAP Citation(s)	Examples	SANCTION (also refer to the sanction matrix and aggravating and mitigating circumstances)		
				1st offense	2nd offense	3rd offense
		Example #3	Intentionally claiming property was inspected under false pretenses.	Level IV	Level V	
	Failure to disclose things of value in connection with the procurement of an assignment.	Conduct	Failing to report any gratuity outside of the fee typically charged by the appraiser	Level IV	Level V	
	Criminal Conduct	Conduct				
		Example #1	Being convicted of a crime that does not result in incarceration.	Level IV	Level V	
		Example #2	Being convicted of a crime that does result in incarceration.	Level V		
	Failure to disclose interest with respect to the subject property .	Conduct	Issuing a report where the intended use of the appraisal assignment is for a foreclosure and the appraiser plans to bid on the property at auction.	Level III	Level IV	Level V
	Failure to disclose to the client that services were provided by the appraiser regarding the subject property within the three years immediately preceding the date of the assignment.	Conduct	Failing to inform a client prior to accepting an assignment that he appraiser performed an appraisal of the subject property for another client two weeks ago.	Level II	Level III	Level IV
Management Section						
	Failure to disclose payment of undisclosed fees, commissions, or things of value in connection with the procurement of the assignment.	Management	Paying a real estate broker \$50 for each appraisal assignment the broker arranges but failing to report that in the report.	Level II	Level IV	Level V
	False, deceptive or misleading advertising.	Management		Level IV	Level V	Level V
		Example #1	Advertising the an appraiser, who is also a real estate agent, will include an appraisal at no fee for mortgage lending purposes when a broker fee will be received from closing.	Level II	Level IV	Level V
		Example #2	Advertising that an appraiser's firm guarantees the value or the client will not owe the appraiser a fee.	Level IV	Level V	
	Accepting an assignment when the employment and/or fee to be paid is contingent upon the opinion, conclusion, or valuation reached.	Management				
		Example #1	Charging a fee based upon a percentage of value conclusion.	Level IV	Level V	
		Example #2	Charging a fee based upon the appraised value.	Level IV	Level V	
	Accepting an assignment based on the attainment of a stipulated result.	Management	Agreeing that the appraiser will not be paid unless the loan closes (in an appraisal done for refinance) or the property taxes are reduced (in an appraisal done to challenge a reevaluation).	Level II	Level III	Level IV
	Attaching the signature of another appraiser without that appraiser's consent.	Management	Attaching an appraiser's signature to a report while the appraiser is on vacation without the consent of the appraiser.	Level III	Level IV	

Voluntary Disciplinary Action Matrix
August 26, 2010

	Type of Violation(s)	2010-11 USPAP Citation(s)	Examples	SANCTION (also refer to the sanction matrix and aggravating and mitigating circumstances)		
				1st offense	2nd offense	3rd offense
Confidentiality Section						
	Violation of Appraiser-Client Confidentiality	Confidentiality				
		Example #1	Revealing the name of a client to a third party when the client had requested the appraiser not disclose the client name or identity.	Level I or II	Level III or IV	Level V
		Example #2	Supplying a copy of an appraisal report to a borrower who was not an intended user when the lender has gone out of business.	Level II	Level III	Level IV
		Example #3	Sending sample appraisal reports to potential clients without that client's permission and without redacting confidential information or assignment results.	Level I	Level II	Level III
Record Keeping Section						
	Failure to retain required work files for 5 years commencing on the date signed or 2 years after the final disposition of any litigation the appraisal or report may be involved in.	Record Keeping	Testifying 4 years after the appraisal was signed but destroying the file 5 years after it was signed.	Level II or III	Level IV	Level V
	Failure to produce workfile when required.	Record Keeping				
		Example #1	Failure to provide the workfile to a state enforcement agency, when requested.	Level III	Level IV	Level V
		Example #2	Failure to provide the workfile to someone who has provided significant professional assistance in the completion of the assignment.	Level III	Level IV	Level V
	Failure to maintain necessary data, information, and documentation in the workfile.	Record Keeping		Level II or III	Level IV	Level V
		Example #1	Keeping only the last revision of an appraisal report and not the original.	Level I	Level II	Level III
		Example #2	Performing an oral appraisal report by testifying in court and then failing to maintain a summary or transcript of the testimony.	Level II	Level III	Level IV
COMPETENCY RULE						
	Failure to determine whether the appraiser is competent to perform an assignment prior to accepting the assignment.	Competency				
		Example #1	Accepting an assignment to appraise a golf course without having the requisite competency to do so.	Level III	Level IV	Level V

Voluntary Disciplinary Action Matrix
August 26, 2010

	Type of Violation(s)	2010-11 USPAP Citation(s)	Examples	SANCTION (also refer to the sanction matrix and aggravating and mitigating circumstances)		
				1st offense	2nd offense	3rd offense
		Example #2	Accepting an assignment to appraise a wetlands area for the EPA without the necessary knowledge or understanding of federal laws and regulations applying to restrictions on the uses of wetlands.	Level III	Level IV	Level V
	Failure to disclose the lack of knowledge or experience to the client before accepting the assignment.	Competency	Accepting an assignment to appraise a citrus orchard without informing the client that the appraiser has never done anything similar before.	Level III	Level IV	Level V
	Failure to take all the steps necessary or appropriate to complete the assignment competently.	Competency				
		Example #1	Accepting an assignment in an unfamiliar market without having access to data sources for comparable sales.	Level II	Level III	Level IV
		Example #2	Accepting an assignment in an unfamiliar market where there are several niche markets that would be unknown to anyone outside the area.	Level II	Level III	Level IV
	Failure to describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.	Competency	Accepting an assignment in an unfamiliar market and associating with a local appraiser, but failing to explain the process in the report.	Level III	Level IV	Level V
	Failing to withdraw from an assignment when it is discovered that the appraiser lacks the required knowledge and experience to complete the assignment competently.	Competency	Accepting an assignment with the understanding that the appraiser would be able to retain experts with knowledge and experience in a specific appraisal methodology needed but not being able to retain such experts and completing the assignment in an incompetent manner as a result.	Level IV	Level V	
SCOPE OF WORK RULE						
	Failure to gather and analyze information about assignment elements that are necessary to properly identify the problem to be solved.	Scope of Work				
		Example #1	Appraising a property "subject to plans and specifications" for a property under construction when the client wants it done "as is".	Level II	Level III	Level IV
		Example #2	Accepting an appraisal assignment without first asking about all intended users and then failing to meet conditions imposed by those intended users.	Level II	Level III	Level IV
	Failure to determine and perform the research and analysis necessary to develop credible assignment results.	Scope of Work				

Voluntary Disciplinary Action Matrix
August 26, 2010

	Type of Violation(s)	2010-11 USPAP Citation(s)	Examples	SANCTION (also refer to the sanction matrix and aggravating and mitigating circumstances)		
				1st offense	2nd offense	3rd offense
		Example #1	Using three comparable sales in the sales comparison analysis when the client required four or more.	Level II	Level III	Level IV
		Example #2	Performing a drive by appraisal on an older property that has been abandoned without determining from the client what type of inspection is required for the intended use of the report.	Level II	Level III	Level IV
	Allowing assignment conditions to limit the scope of work to such a degree that the assignment results are not credible.	Scope of Work				
		Example #1	Using only properties that sold within 6 months of the effective date of the assignment, per the client's instructions, even though those properties were not comparable to the subject.	Level III	Level IV	Level V
		Example #2	Performing a drive by appraisal on a newly constructed property without the use of an extraordinary assumption or hypothetical condition, per the client's instructions, when an occupancy permit has not been issued.	Level III	Level IV	Level V
	Allowing the intended use of an assignment or a client's objectives to cause the assignment results to be biased.	Scope of Work				
		Example #1	Appraising a subject property for tax purposes then appraising it for the same party on the same effective date at three times the value of the tax appraisal for a condemnation case.	Level IV	Level V	
		Example #2	Choosing comparable sales that support the sales contract, and not sales that are most comparable to the subject.	Level IV	Level V	
	Failing to disclose sufficient information in the report to allow intended users to understand the scope of work performed.	Scope of Work				
		Example #1	Failing to disclose that a hypothetical condition was used in an appraisal.	Level II	Level III	Level IV
		Example #2	Failing to disclose that the appraiser signing the appraisal did not inspect the subject property but that he relied on an inspection performed by another.	Level III	Level IV	Level V
	JURISDICTIONAL EXCEPTION RULE					
	Failure to identify or cite the law or regulation that precludes compliance with USPAP.	Jurisdictional Exception	Appraising a property for a state agency that requires, by law, the appraiser to use a specific form to report the appraisal, but not citing the law that precludes compliance with Standard 2 of USPAP.	Level II	Level III	Level IV

Voluntary Disciplinary Action Matrix
August 26, 2010

	Type of Violation(s)	2010-11 USPAP Citation(s)	Examples	SANCTION (also refer to the sanction matrix and aggravating and mitigating circumstances)		
				1st offense	2nd offense	3rd offense
	Failure to comply with the law or regulation that precludes compliance with USPAP.	Jurisdictional Exception	Appraising a property for a federal agency that requires, by law, an appraiser to report a value on a specific form, but then sending a letter reporting value instead of the required form.	Level III	Level IV	Level V
STANDARD 1						
	Failure to comply with Standards Rule 1-1.	SR 1-1				
	Failure to be aware of, understand, and correctly employ recognized methods and techniques necessary to produce credible assignment results.	SR 1-1(a)				
		Example #1	An appraiser failed to utilize the sales comparison approach to value in appraising a single family residence in a neighborhood consisting of recent, proximate, similar comparable sale properties.	Level III or IV	Level V	
		Example #2	An appraiser developed an opinion of market value without analyzing and adjusting for sales concessions that existed in the comparable sales.	Level III or IV	Level V	
	Committing a substantial error of omission or commission that significantly affects an appraisal.	SR 1-1(b)				
		Example #1	An appraiser failed to apply any discounting to account for the absorption of vacant space in a retail center which was only 15% occupied, and was not anticipated to reach stabilized occupancy for 4 years.	Level IV	Level V	
		Example #2	An appraiser provided an opinion of the leasehold interest in a property, when the bundle of rights being appraised was the leased fee interest.	Level IV	Level V	
		Example #3	An appraiser miscalculates the square footage of a home, basing the opinion of value on 3,800 square feet when the home only consisted of 1,800 square feet.	Level III or IV	Level V	
	Rendering appraisal services in a careless or negligent manner by making a series of errors that, in the aggregate, affect the credibility of the assignment results.	SR 1-1(c)				
		Example #1	An appraiser inaccurately describes the subject property's roof covering, type of windows, insulation, and type of heating. The appraiser also misstates the subject property's year built, type of foundation, and topography.	Level II or III	Level III or IV	Level V

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August 26, 2010

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	Failure to comply with Standards Rule 1-2.	SR 1-2				
	Example #1	SR 1-2(b)	An appraiser identifies that the appraisal is being used for mortgage finance purposes, when it is actually being used for a divorce settlement proceeding.	Level II or III	Level III or IV	Level V
	Example #2	SR 1-2(g)	An appraiser fails to identify that the appraisal is based on a lot split being considered by the property owner that has not yet occurred.	Level III or IV	Level V	
	Example #3	SR 1-2(h)	An appraiser fails to perform the sales comparison approach although it was necessary for credible assignment results.	Level IV	Level V	
	Failure to comply with Standards Rule 1-3.	SR 1-3				
	Example #1	SR 1-3(a)	An appraiser fails to recognize that the major employer in the region has announced that it will be closing, which has resulted in declining market values for the area.	Level III or IV	Level V	
	Example #2	SR 1-3(b)	An appraiser fails to consider the subject property's zoning in developing an opinion of the highest and best use.	Level III or IV	Level V	
	Failure to comply with Standards Rule 1-4.	SR 1-4				
	Example #1	SR 1-4(b)(i)	An appraiser develops a cost approach but does not develop an opinion of the site value using an appropriate method or technique.	Level II or III	Level III or IV	Level V
	Example #2	SR 1-4(e)	In providing an opinion of seven (7) contiguous buildable lots, an appraiser simply adds together the value of the individual parcels to arrive at an overall opinion of value.	Level II or III	Level III or IV	Level V
	Example #3	SR 1-4(g)	In performing an appraisal for the purchase of a hotel, an appraiser does not analyze the effect on value of the personal property included in the sale price.	Level III or IV	Level V	
	Failure to comply with Standards Rule 1-5.	SR 1-5				
	Example #1	SR 1-5(a)	An appraiser fails to analyze the current agreement of sale on the subject property, even though it was available during the normal course of business.	Level II or III	Level III or IV	Level V
	Example #2	SR 1-5(b)	An appraiser fails to analyze the fact that the subject property sold 18 months prior for an amount 30% above its current pending sale price.	Level IV	Level V	
	Failure to comply with Standards Rule 1-6.	SR 1-6				

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August 26, 2010

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	Example #1	SR 1-6(a)	In the sales comparison approach, an appraiser simply adds the adjusted value of the three comparable sales used and divides by three for an indicated value, even though some sales were far better indicators of value than others.	Level III or IV	Level V	
	Example #2	SR 1-6(b)	An appraiser is asked by a builder to perform an appraisal only using the sales comparison approach; however, the home is newly constructed in an area where lot sales are abundant and cost figures are readily available. Because the builder requested only a sales comparison approach, the appraiser gives no consideration to the cost approach in rendering a final opinion of value.	Level III or IV	Level V	
STANDARD 2						
	Failure to clearly and accurately set forth the appraisal in a manner that is not misleading.	SR 2-1(a)				
	Example # 1		Preparing a restricted use report knowing that there are more intended users than just the client.	Level III	Level IV	Level V
	Failure to contain sufficient information to enable the intended user(s) of the appraisal to understand the report properly.	SR 2-1(b)				
	Example # 1		Preparing a cost approach solely at the client's request even though the results were not meaningful. Failing to report that the cost approach was given no weight in the final reconciliation and why.	Level I	Level II	Level III
	Example # 2		An appraiser submitted a written report identified as a "summary appraisal report." The assignment agreement signed by the client and the appraiser contained a requirement that the appraiser must include a summary of each adjustment, including the paired sales analysis, applied within the sales comparison approach. However, the report contents included only a listing of each of the five adjustments for each sale without summary of analysis or reasoning.	Level I	Level II	Level III
	Failure to clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment.	SR 2-1(c)				

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August 26, 2010**

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	Failure to prepare a written real property appraisal report under one of the following three options and prominently state which option is used: Self Contained Appraisal Report, Summary Appraisal Report, or Restricted Use Appraisal Report.	SR 2-2				
	Example # 1		An appraiser submitted the results of an appraisal assignment on a form listed as "Multi-Purpose Appraisal Assignment Report". Although the depth of reported information was summarized, there was no identification of the reporting option used.	Level I	Level II	Level III
	Example # 2		An appraiser sent a text message to his client notifying him of his final value conclusion. No other information was included.	Level III	Level IV	Level V
	In a Self-Contained report, failure to include content consistent with the intended use of the report.	SR 2-2(a)				
	In a Self-Contained report, failure to state the identity of the client and any intended users by name or type.	SR 2-2(a)(i)				
	Example # 1		An appraiser was engaged by a local attorney to complete an appraisal assignment for use in litigation. The appraiser submitted a report, labeled as self-contained, to the Judge and identified "Court" as the client and named no intended users.	Level II	Level III	Level IV
	In a Self-Contained report, failure to state the intended use of the report.	SR 2-2(a)(ii)				
	In a Self-Contained report, failure to describe information sufficient to identify the real estate involved in the appraisal, including the physical and economic property characteristics relevant to the assignment.	SR 2-2(a)(iii)				
	Example # 1		An appraiser was engaged to develop an opinion of market value for a property that included a building that had been partially destroyed by a recent fire. The engagement agreement requested a self-contained report that would be used for insurance settlement purposes. The insurance company requested that the appraiser describe the "as is" condition of the building interior. The appraiser delivered a report containing only a statement that the building interior exhibited significant damage.	Level I	Level II	Level III

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August 26, 2010

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	In a Self-Contained report, failure to state the real property interest appraised.	SR 2-2(a)(iv)				
	In a Self-Contained report, failure to state the type and definition of value and its source.	SR 2-2(a)(v)				
	In a Self-Contained report, failure to state the effective date of the appraisal and the date of the report.	SR 2-2(a)(vi)				
	In a Self-Contained report, failure to describe the scope of work used to develop the appraisal.	SR 2-2(a)(vii)				
	Example # 1		A self-contained report of a strip take in an eminent domain proceeding did not include the scope of work used to develop the appraisal.	Level I	Level II	Level III
	In a Self-Contained report, failure to describe the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions. Failure to explain exclusion of any of the approaches to value.	SR 2-2(a)(viii)				
	In a Self-Contained report, failure to state the use of the real estate existing as of the date of value and the use of the real estate reflected in the appraisal; and, when an opinion of highest and best use was developed by the appraiser, failure to describe the support and rationale for that opinion.	SR 2-2(a)(ix)				
	Example # 1		A self-contained report of a tract of land with a large commercial building did not include the support and rationale for the highest and best use opinion of multi-family residential development.	Level II	Level III	Level IV
	In a Self-Contained report, failure to clearly and conspicuously: • state all extraordinary assumptions and hypothetical conditions; and • state that their use might have affected the assignment results.	SR 2-2(a)(x)				

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August 26, 2010

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	In a Self-Contained report, failure to include a signed certification in accordance with Standards Rule 2-3.	SR 2-2(a)(xi)				
	In a Summary report, failure to include content consistent with the intended use of the report.	SR 2-2(b)				
	In a Summary report, failure to state the identity of the client and any intended users by name or type.	SR 2-2(b)(i)				
	In a Summary report, failure to state the intended use of the report.	SR 2-2(b)(ii)				
	Example # 1		An Appraiser was engaged to prepare a real property appraisal for use in setting the listing price for property. The Summary report was delivered to the client without identification of the intended use of the report.	Level II	Level III	Level IV
	In a Summary report, failure to summarize information sufficient to identify the real estate involved in the appraisal, including the physical and economic property characteristics relevant to the assignment.	SR 2-2(b)(iii)				
	In a Summary report, failure to state the real property interest appraised.	SR 2-2(b)(iv)				
	In a Summary report, failure to state the type and definition of value and its source.	SR 2-2(b)(v)				
	Example # 1		An appraiser was engaged to develop a value opinion and prepare a summary report of the replacement cost of a residential dwelling for insurance purposes. The appraiser reported the opinion, including the cost and sales comparison approaches to value, but failed to state the type and definition of value.	Level I	Level II	Level III
	In a Summary report, failure to state the effective date of the appraisal and the date of the report.	SR 2-2(b)(vi)				
	In a Summary report, failure to summarize the scope of work used to develop the appraisal.	SR 2-2(b)(vii)				

Voluntary Disciplinary Action Matrix
August 26, 2010

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		In a Summary report, failure to summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions. Failure to explain exclusion of any of the approaches to value.	SR 2-2(b)(viii)				
		Example # 1		A summary report included the sales comparison approach as the only approach to value developed. The report contained no explanation for the reason to exclude the cost and the income approaches to value.	Level I	Level II	Level III
		In a Summary report, failure to state the use of the real estate existing as of the date of value and the use of the real estate reflected in the appraisal; and, when an opinion of highest and best use was developed by the appraiser, failure to describe the support and rationale for that opinion.	SR 2-2(b)(ix)				
		In a Summary report, failure to clearly and conspicuously: <ul style="list-style-type: none"> • state all extraordinary assumptions and hypothetical conditions; and • state that their use might have affected the assignment results. 	SR 2-2(b)(x)				
		In a Summary report, failure to include a signed certification in accordance with Standards Rule 2-3.	SR 2-2(b)(xi)				
		In a Restricted Use report, failure to include content consistent with the intended use of the report.	SR 2-2(c)				

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August 26, 2010

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	In a Restricted Use report, failure to state the identity of the client by name or type. Failure to state a prominent use restriction that limits use of the report to the client and warns that the appraiser's opinions and conclusions set forth in the report may not be understood properly without additional information in the appraiser's work file.	SR 2-2(c)(i)				
	Example # 1		An appraiser was requested by a Judge to complete an assignment of market value for property settlement purposes with instructions that the Judge would be the client and there would be two additional intended users. Upon completion of the assignment a written report was submitted that was labeled "Restricted Use Report." The report did not include a prominent use restriction.	Level III	Level IV	Level V
	In a Restricted Use report, failure to state the intended use of the report.	SR 2-2(c)(ii)				
	In a Restricted Use report, failure to state information sufficient to identify the real estate involved in the appraisal.	SR 2-2(c)(iii)				
	In a Restricted Use report, failure to state the real property interest appraised.	SR 2-2(c)(iv)				
	In a Restricted Use report, failure to state the type of value and the source of its definition.	SR 2-2(c)(v)				
	In a Restricted Use report, failure to state the effective date of the appraisal and the date of the report.	SR 2-2(c)(vi)				
	In a Restricted Use report, failure to state the scope of work used to develop the appraisal.	SR 2-2(c)(vii)				
	In a Restricted Use report, failure to state the appraisal methods and techniques employed, state the value opinion(s) and conclusion(s) reached, and reference the work file. Failure to explain the exclusion of an approach to value.	SR 2-2(c)(viii)				
	Example # 1		A restricted use report on a new residential dwelling was delivered to a client. The cost approach to value was not reported and there was no explanation for its exclusion.	Level I	Level II	Level III

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	In a Restricted Use report, failure to state the use of the real estate existing as of the date of value and the use of the real estate reflected in the appraisal; and, when an opinion of highest and best use was developed by the appraiser, failure to describe the support and rationale for that opinion.	SR 2-2(c)(ix)				
	In a Restricted Use report, failure to clearly and conspicuously: • state all extraordinary assumptions and hypothetical conditions; and • state that their use might have affected the assignment results.	SR 2-2(c)(x)				
	Example # 1		Although the restricted use report included an extraordinary assumption that a building could be placed upon the site and a hypothetical condition that zoning approval must be obtained to do so, there was no statement that the assumption and the condition might have affected the assignment results developed.	Level II	Level III	Level IV
	In a Restricted Use report, failure to include a signed certification in accordance with Standards Rule 2-3.	SR 2-2(c)(xi)				
	Failure to include in each written appraisal report a signed certification with content similar to the one in SR 2-3.	SR 2-3				
	Example # 1		A certified appraiser failed to include in the certification a statement regarding significant real property assistance. A Trainee did provide significant real property assistance on the report.	Level II	Level III	Level IV
	In an oral appraisal report, failure to address to the extent possible and appropriate, the substantive matters set forth in SR2-2(b).	SR 2-4				
	Example # 1		An appraiser reported an opinion of value verbally to his client with no other documentation. The state appraiser regulatory agency investigator was informed by the appraiser that the assignment was considered ongoing and not complete; therefore, there was no requirement to create workfile documentation until the client acknowledged completion.	Level III	Level IV	Level V