License Renewal Time

Renewal forms have been mailed out to licensees who need to renew in 2008. Every year, the SDREC office has to return renewal forms to licensees due to incomplete application forms or incorrect fees. To ensure your license renewal application gets processed in a timely manner, here are some helpful hints:

**Incomplete renewal forms:** All questions on this form are applicable to every licensee and must be answered with either a “yes” or “no” answer. Questions that are left blank or answered with “N/A” (not applicable) will result in your application being returned to you. Also, don’t forget to sign the application form.

**Correct fee must accompany the application.** Be sure to enclose a check for the proper fee with the renewal form. The Commission office does not accept payment by credit/debit card.

**Errors & Omissions Insurance.** The Commission-offered E&O Insurance plan for 2008 is administered through Rice Insurance Co. Enrollment forms for this coverage are also due by November 30. Licensees who have policies with other providers are responsible for providing the Commission office with proof of coverage. Licenses cannot be renewed on active status without proof of insurance. NOTE: The Commission-offered E&O policy is a personal policy. People that have more than one license (i.e. auctioneer & broker associate) only need to pay ONE premium.

**Extra fees for additional/branch office licenses.** Licensees that have additional licenses for branch or alternate offices must include an extra $30 for each extra license. Failure to do so will result in the application being returned.

**Inactive licenses must also be renewed.** Don’t forget – licenses on inactive status must also be renewed. Renewing the license is what keeps it from expiring altogether. Inactive licensees do not need to have continuing education completed or errors and omissions insurance coverage.

**Continuing education must be completed for active licensees.** Licenses cannot be issued on active status unless all continuing education requirements are met and the records are on file with the Commission office. As a reminder, course providers have 10 days after a given course to submit the attendance information. **Taking classes at the last minute is highly discouraged! Licensees who wait to complete their education hours in December are not guaranteed an active license on January 1.** The best way to avoid the risk of having an inactive license on January 1 is to complete the continuing education requirements now!

Questions regarding renewals can be directed to the Commission office at (605) 773-3600.
There is a nip in the air and the fall foliage is exceptionally beautiful this year. I hope you can get out and enjoy the nice days before the snow blankets the state.

The renewal deadline of November 1st is fast approaching for those holding licenses expiring on December 31, 2008. According to Commission education records, active licensees needing continuing education are staggering. I find it especially alarming the number of active licensees with zero hours, so some of you need to make education a priority if you want to remain active on January 1, 2009. Local boards will once again be contacted after the December 31st deadline to inform them of licensees who are ineligible to practice. If you do not know the number of hours you currently have, you can find this information in the ‘Licensee Only’ section on the Commission’s website.

I would like to remind all licensees that pursuant to SDCL 36-21A-55, licensees to “…deliver a copy of any process or pleading to which that licensee is a party to the executive director of the commission within ten days of its being served by or upon him.” Lately, I’ve had several calls regarding this issue, so apparently there are some of you unfamiliar with this statute.

I would also like to remind the responsible brokers to notify the Commission when you open and close trust accounts. Those of you who manage property and have custodial accounts in owners’ names must also report these. Any account holding money on behalf of others that a licensee has signatory authority on is treated like a trust account and is subject to Commission audits.

I wish you a Thanksgiving filled with memories to cherish. A thankful heart is not only the greatest virtue, but the parent of all the other virtues. ~Cicero

In Memoriam

The SD Real Estate Commission extends its sincerest sympathy to the families and friends of the following licensee who recently passed away:

Patrick “Pat” Knopf, Sr., Broker
Associate, Dell Rapids
Theodore Vavricks, Salesperson,
Olivia, MN

Seller Property Condition Disclosure Statement- When Is It Needed?

One of the topics discussed at the 2008 SDREC Fall Caravan was the Seller’s Property Condition Disclosure Statement. A question frequently raised by those attending the caravan was whether the disclosure form is required when the property was used as a rental or other situations whereby the owner did not reside in the property being sold.

According to SDCL 43-4-43, the disclosure statement requirements do not apply to the following transfers of residential real property:

(1) Transfers pursuant to court order, including transfers ordered by probate court in the administration of an estate, transfers between spouses resulting from a judgment of dissolution of marriage or legal separation, transfer pursuant to a writ of execution, transfers by a trustee in bankruptcy, transfers by eminent domain, transfers by government agencies, and transfers resulting from a decree for specific performance;

(2) Transfers to a mortgagee by a mortgagor in default, transfers by any foreclosure sale after default in an obligation secured by a mortgage, transfers by a mortgagor or a beneficiary under a deed of trust who has acquired the real property by foreclosure or by a deed in lieu of foreclosure or transfers by a collateral assignment of beneficial interest;

(3) Transfers by a fiduciary in the course of the administration of a decedent’s estate, guardianship, conservatorship, or trust;

(4) Transfers from one co-owner to another or other co-owners;

(5) Transfers made to a spouse, a child, a parent, a sibling, a grandchild, or a grandparent;

(6) Transfers of newly constructed residential real property which has never been occupied.

If a property owner is selling a home that was used as a rental and it does not fall under one of the exceptions listed above, a property disclosure form is required regardless of whether the owner has ever resided in the property.

Further, licensees should also be aware of SDCL 43-4-38, which requires the seller to furnish a completed property disclosure form to a buyer BEFORE the buyer makes a written offer. SDCL 43-4-39 allows for termination of an offer within a specified period of time in the event the disclosure form is delivered to the buyer after the written offer has been made. SDCL 43-4-42 explains the liability a seller may have for failure to comply with the disclosure laws.

It is important to note that the Seller’s Property Condition Disclosure Statement is NOT a Commission-prescribed form. The form is STATE LAW and changes to it or to any of the disclosure requirements can only be made by the SD Legislature. The SDREC office is seeing an increase in complaints that stem from disputes over the property condition. In many cases, the complainant – sometimes the buyer, sometimes the seller, feels they were uninformed or misinformed by their agent concerning the disclosure requirements. The Commission cannot resolve disputes between a buyer and seller regarding the condition of the property. The Commission can however, discipline a licensee for not performing due diligence when advising their clients.

Licensees should be familiar with the disclosure laws and have them readily available to refer to when working with a client. Questions regarding whether a property disclosure is needed or other special circumstances should be referred to an attorney.
HUD Awards More Than $21 Million in Grants to Fight Housing Discrimination

WASHINGTON - The U.S. Department of Housing and Urban Development today awarded $21.8 million to Fair Housing, and other non-profits agencies in 37 states and the District of Columbia to assist people who believe they have been victims of housing discrimination.

"These Fair Housing Initiatives Program grants will help us continue our efforts to educate the public, the housing industry, real estate professionals and financial institutions about their rights and responsibilities under the Fair Housing Act," said Kim Kendrick, HUD's Assistant Secretary for Fair Housing and Equal Opportunity. "Our local partners are critical not only in enforcing the law but in reinforcing the message - housing discrimination is illegal and HUD will take action to eliminate it."

Fair Housing of the Dakotas (FHD) will receive $220,546 to conduct fair housing enforcement, education, and outreach activities in South Dakota and North Dakota. Specifically, FHD will conduct tests of rental housing providers and mortgage lenders for evidence of unlawful discrimination; hold fair housing workshops on a range of topics, including accessibility and predatory lending; and distribute fair housing publications.

Reciprocal Licensees Moving to South Dakota

Residents of other states who hold reciprocal South Dakota sales licenses must upgrade to broker associate if they become residents of South Dakota. SDAR 20:69:03:25 states “Upon establishing residency in South Dakota, a salesperson licensed in this state by reciprocity shall complete the requirements for a broker associate license by the end of the current license term or place the license on inactive status.”

In order to upgrade to broker associate, the licensee must complete the 40-hour broker-level portion of the pre-licensing course from any approved provider in South Dakota. This education must be completed before the license is due to renew. The broker examination is not required unless the licensee opens his or her own real estate company or wants to become a responsible broker.

Upon completion of the education, the licensee must also submit an application for a broker associate license to the SDREC Commission office along with proof of completion of the 40 hours of education.

Questions regarding upgrading a license can be directed to the SDREC Office at (605) 773-3600.

Calendar of Events

November 11
Veterans Day, SDREC Office Closed

November 27-28
Thanksgiving Holiday, SDREC Office Closed

November 30
License Renewal Deadline
E&O Insurance Deadline

SDREC Hosts Instructor Development Workshop

Twelve pre-licensing instructors from across the state attended the annual Instructor Development Workshop (IDW) hosted by the SD Real Estate Commission on August 25-26 in Pierre.

The workshop facilitator was Doug Devitre of St. Louis, MO. Doug is one of the leading real estate technology instructors in the nation.

The workshop focused on advanced powerpoint tips and incorporating internet tools such as blogs and online social networking into the classroom.

The SDREC offers an IDW to pre-licensing instructors each year to enhance their presentation skills and offer new ideas in teaching methods to incorporate into the classroom.

South Dakota Real Estate VIEW

Official Publication of the South Dakota Real Estate Commission 221 West Capitol Ave., Suite 101 Pierre, South Dakota 57501 Telephone: 605-773-3600 Facsimile: 605-773-4356 Website: www.state.sd.us/sdrec E-mail: drr.realestate@state.sd.us

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Articles by outside experts express the author's particular viewpoints. These opinions are not necessarily shared by the Commission, nor should they be mistaken for official policy. The articles are included because they may be of interest to the readers.

SOUTH DAKOTA Real Estate VIEW
Nebraska Adds Non-Resident Pre-Licensing Education Requirement

Effective July 18, 2008, a new law passed by the Nebraska State Legislature has changed the manner in which nonresident real estate licensees may seek licensure in the state. All nonresident applicants are now required to complete a three-clock hour Commission-approved course that focuses on the Nebraska Real Estate License Act and Nebraska agency relationships law. The change also necessitated renegotiation of license recognition agreements between the Nebraska Real Estate Commission (NREC) and several other jurisdictions.

The new requirement applies only to those seeking a nonresident Nebraska license based upon a current license in their jurisdiction of residence or those who are moving, or have recently moved, to Nebraska and are seeking licensure based upon a license in the jurisdiction of their immediate preceding residence. Those who are moving or have recently moved to Nebraska and who were licensed before July 18, and apply based on a license from the jurisdiction of their immediate preceding residence, do not need to meet the new requirement.

According to NREC Director Les Tyrrell, the legislative change has necessitated modification of some of the license recognition agreements that NREC maintains with other jurisdictions. NREC’s license recognition agreements with Idaho, Pennsylvania and New Mexico have been rescinded. NREC is negotiating with Kansas, since Kansas recently cancelled all of its license recognition agreements. License recognition negotiations with Florida, Illinois, Indiana, Montana, New York and Tennessee are ongoing. Those agreements are still being honored except that, since July 18, 2008, licensees from those jurisdictions must complete the new three-clock hour class prior to obtaining a license in Nebraska. Nebraska’s license recognition agreements with Alberta, Arkansas, Kentucky, Mississippi, West Virginia and Wyoming were amended to require Nebraska licensees seeking licensure in those jurisdictions to complete coursework prior to license issuance. Agreements with Connecticut and Iowa were amended to require Nebraska licensees seeking licensure in those jurisdictions to pass the state portion of the licensing examination prior to license issuance. Effective November 1, 2008, the same will be true of Nebraska’s agreement with Oklahoma.

FTC Tightens Do-Not-Call Rules

The Federal Trade Commission (FTC) has finalized amendments to the national Telemarketing Sales Rules (TSR) that support the Do-Not-Call Registry and related U.S. telemarketing restrictions. The amended TSR will expressly bar telemarketing calls that deliver prerecorded messages, unless a consumer has previously agreed to accept such calls from the seller.

The new rules are the result of a rulemaking proceeding initiated by the FTC in 2004, in which the FTC responded to a petition from the telemarketing industry. In that proposal, the industry proposed changes that would have allowed telemarketing calls that deliver prerecorded messages to consumers with whom a seller had an established business relationship. The FTC says that nearly 14,000 comments elicited by that proposal overwhelmingly opposed such a change. The responses prompted the agency to alter its position in 2006 and propose broad prohibitions against the use of prerecorded messages. The recent TSR amendments formalize that proposal.

Specifically, the new TSR amendments:

- Prohibit telemarketing sales calls that deliver prerecorded messages unless the seller has previously obtained the recipient’s signed, written agreement to receive such calls;
- Exempts “informational” prerecorded message calls that are subject to the Health Insurance Portability and Accountability Act (HIPAA);
- Exempts from the written agreement requirement all charitable solicitation calls placed by for-profit telemarketers that deliver prerecorded messages on behalf of non-profits to members or previous donors to the nonprofit; and,
- Requires that by December 1, 2008, sellers and telemarketers must provide, at the outset of all prerecorded messages, an automated keypress or voice-activated interactive opt-out mechanism so that consumers can opt out as easily as they can from a live telemarketing call.

The new rules also will bring an end to the FTC’s current policy of forbearance from bringing enforcement actions against sellers and telemarketers who place prerecorded calls that would be inconsistent with the new requirements. However, sellers will be allowed, for one year after the rule's publication, to continue delivering prerecorded messages to consumers with whom they have an established business relationship. After the one year period, no prerecorded message calls can be made to consumers without their express permission. The final rule was published on August 29, 2008.

The amendments will not affect consumers’ ability to choose to receive “informational” prerecorded messages. For example, the new rules do not prohibit prerecorded messages such as those giving notice of a flight cancellation or a service appointment reminder. Such purely “informational” calls are not covered by the TSR because they do not attempt to sell any goods or services. “Just like the provisions of the Do Not Call Registry, these changes will protect consumers’ privacy,” said FTC Chairman William E. Kovacic. “The amendments now directly enable consumers to choose whether they want to receive prerecorded telemarketing calls.”

Deadline Reminder

Renewal applications are due in the office NO LATER than November 30. This is NOT a postmark deadline. Renewals must be in the commission office on or before the 30th or a late fee will be assessed. Renewals received on or after December 1st will be returned for a late fee.
Continuing Education Corner
By Karen Callahan, Education Director

Each year, especially at renewal time, the SDREC office receives numerous calls regarding continuing education. Here is a list of the most frequently asked questions and answers:

Do I have to send my continuing education certificates in with my renewal form? No. The course provider is responsible for submitting a roster of attendees to the SDREC office. The exception to this requirement is for classroom courses taken out-of-state. If a resident licensee attends a course given in another state, the licensee must submit a copy of the course certificate in order to receive continuing education credit.

Can I take all of my continuing education hours on-line? Yes! There is no limit to the number of hours that may be taken through distance learning (internet).

I took a course last week – why isn’t it showing up on my education report?
Course providers have 10 days from the completion of the course to submit the information to the SDREC office. It may take an additional 7-10 days for the course to be posted on a licensee’s education report.

I have 23.5 hours of continuing education – is this close enough? No! Brokers, broker associates, property managers, auctioneers and home inspectors must have 24 hours of education to renew (12 hours for residential rental agents).

I have more than 24 hours of education but they are all elective hours. Am I still short education? Yes! Brokers, broker associates, property managers and auctioneers must have at least 12 hours in Required subject areas. Licensees can have more than 12 Required hours, but not less. Home Inspectors and Residential Rental Agents are the only licensees in which the Required/Elective stipulations do not apply.

I activated my license a few months ago and now how have to renew. Will the education courses I took to activate my license count for my renewal also?
No! Course taken to activate a license may not also be used for continuing education. Licensees who recently activated a license will need to take another 24 hours of education to renew.

If I have more hours than I need for renewal, will the extra hours be carried over into the next licensing period?
No.

I need hours – what courses are coming up?
A list of the approved courses is posted on the SDREC website. Log on to www.state.sd.us/sdrec - click on “Education” and the courses are listed according to method: classroom, distance learning and independent study. This list is updated weekly so new courses will appear soon after they are added to the schedule.

New Licensees

The South Dakota Real Estate Commission would like to welcome the following new licensees.

Auctioneer
Meyer, Benjamin A – Huron

Broker
Adams, Scott D – Luverne, MN
Eiesland, Aaron D – Rapid City
Fitzgerald, John H – St. Onge
Gehling, Matt – Preston, MN
Glover, Patrick J – Sioux Falls
Hauge, Barbara D – Williston, ND
Laudonia, Anthony T – Cos Cob, CT
McClellan, Jess – St. Michael, MN
Penfield, Shane C – Lemmon
Skaff-Gregg, Julie A – Sioux City, IA
Small, Carolyn L – Sioux City, IA
Sweeney, Nancy J – N. Sioux City, IA
White, Nathan H – Sioux Falls

Broker Associate
Bachman, Tony L – Sioux Falls
Banks, Eric A – N. Sioux City
Burggraf, Cody L – Dell Rapids
Connot, Benjamin L – Crooks
Cummings, Benjamin – Rapid City
Cummings, Daycia K – Rapid City
Darling, Aaron M – Aberdeen
Eggers, Philip M – Sioux Falls
Everist, Jr., John P – Brandon
Farrell, Martin A – Rapid City
Ford, Patricia L – Sioux Falls
Geissler, Paul P – Rapid City
Hakim, Giana M – Rapid City
Hamilton, Brent R – Harrisburg
Heisner, Amy E – Watertown
Hinkelmann, Danielle L – Watertown
Hutchins, Paul T – Sioux Falls
Johnson, June A – Hill City
Koenig, Patrick J – Yankton
Lake, Vivian M – Sioux Falls
Long, Nancy R – Denver
Malott, Seth G – Rapid City
McCallum, Sheri L – Rapid City
Mohr, Brian D – Garretson
Nielsen, Austin L – Castlewood
Paulson, Julie – Gayville
Pease, Cosette A – Sioux Falls
Steele, Jessica F – Sioux Falls
Stratmeyer, Randi B – Sioux Falls
Swango, II, James – Rapid City
VanBerkum, Cara J – Rapid City
Viereck, Bryce A – Sioux Falls
White, Gayle A – Sioux Falls

Property Manager
Devlin, Anne M – Hill City

Home Inspector
Nelson, Mark A - Mitchell

Residential Rental Agent
Beto, Johanna L – Sioux Falls
Burnette, Shirley J – Mission
Dorsey, Denise A – Sioux Falls
Leger, Terri M – Elk Point
Meinen, Melissa J – Sioux City, IA
Strang, Brittany R – Sioux Falls

Salesperson
Fink, Jeremy J – Sioux Falls
Huntrods, Marvin D – Collins, IA
Messerschmidt, Rick – Glendale, AZ
Morris, Cody L – Canby, MN
O Neill, Mark E – Hinton, IA
Skjerseth, Terrence M – Fargo, ND
Snow, James Brian – Henderson, KY
APPRAISER UPDATE

This section of the South Dakota Real Estate Review is the responsibility of the South Dakota Department of Revenue and Regulation Appraiser Certification Program. Articles are printed here to communicate pertinent information to those appraisers who receive this newsletter and are licensed under the Certification Program. Appraiser certification inquires can be directed to Sherry Bren, Program Administrator, 445 East Capitol, Pierre, SD 57501, 605-773-4608

Appraiser Certification Program Mission – Purpose – Intent

The Appraiser Certification Program was implemented July 1, 1990, pursuant to enactment of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) by Congress. The mission of the Program is to certify, license and register appraisers to perform real estate appraisals in the state of South Dakota pursuant to Title XI (FIRREA). The purpose of the Program is to examine candidates, issue certificates, investigate and administer disciplinary actions to persons in violation of the rules, statutes and uniform standards, and approve qualifying and continuing education courses. Title XI intends that States supervise all of the activities and practices of persons who are certified or licensed to perform real estate appraisals through effective regulation, supervision and discipline to assure their professional competence.

Appraiser Certification Program Advisory Council

Council members provide recommendations to the Secretary of the Dept. of Revenue and Regulation in the areas of program administration in order to sustain a program that is consistent with Title XI. The Council meets quarterly in public forum. See the Website for meeting information. www.state.sd.us/appraisers

USPAP Q & A

Vol. 10, No. 8, August 2008

Addressees, Clients, and Intended Users

Question: If the party to whom an appraisal report is addressed is the client and is also the only intended user, does USPAP require the report to state the intended user by name or type?

Errors and Omissions Insurance

Question: Does USPAP require appraisers to be covered by Errors and Omissions (E&O) insurance?

Appraisal Update With No Change in Value

Question: I was recently contacted by a client for whom I had previously completed an appraisal. The client asked if I could simply tell them that there have been no changes in the market since the time of my appraisal, and that the value of the property remains the same. Am I permitted to do this under USPAP?

Vol. 10, No. 9, September 2008

Sales History for New Construction

Question: I have received an assignment to appraise a property with newly constructed improvements. Because the property includes new construction, there is no prior sales history of the property as it now exists. However, I do have information pertaining to a prior sale of the site (without the improvements). Does Standards Rule 1-5(b) require me to analyze this prior sale of the site?

Appraiser Coercion

Question: Does USPAP require an appraiser to certify in the appraisal report that he or she has not been coerced to provide predetermined results?

Confidentiality and Review Appraisers

Question: A few weeks ago I performed an appraisal for a lender client. I was recently contacted by an individual who claims that she is a review appraiser that has been hired by the lender, and wanted to ask me some questions about my appraisal. Can I discuss my appraisal with her?

Copy of License in Appraisal Report

Question: I have several clients that request I include a copy of my state appraisal license in each appraisal report I perform. Does USPAP permit me to do this?

Answers to the above questions can be found at: www.appraisalfoundation.org.

[For further information regarding USPAP Q&As contact The Appraisal Foundation at: www.appraisalfoundation.org]

New FHA Appraisers Legislation – Licensed vs. Certified

Effective October 1, 2008, only appraisers who are state-certified and meet all other eligibility criteria may apply for placement on the FHA Appraiser Roster. FHA will no longer accept an application from state-licensed appraisers. This change was made to comply with requirements mandated by the Housing and Economic Recovery Act of 2008, which was signed into law on July 30, 2008.

Future changes that will affect licensed appraisers who are currently on the FHA Appraiser Roster will be provided in a mortgagee letter, which will be published shortly and appear on HUD’s website.
If you are currently on the roster and need to update your record, including address, phone number, e-mail address or for renewals, please visit www.hud.g/appraisers for complete instructions.

New Licensees – August/September 2008

Zachery D. Petersen, State-Registered – Sioux Falls, SD
Kenneth W. Kapecki, State-Certified General – Chicago, IL
Kristine Juelfs, State-Registered – Spearfish, SD
John R. Hraba, State-Certified General – Minneapolis, MN
Brian R. Rock, State-Certified General – Shepherdsville, KY
Wayne A. Hegdahl, State-Registered – Nunda, SD
Glen D. Katz, State-Certified General – Louisville, KY

Upgrades – August/September 2008

Adam Lalim, State-Licensed, Residential
Peggy Bergman, State-Certified Residential
Michael Burns, State-Certified Residential

Information Regarding Disciplinary Actions

Public information regarding disciplinary action taken against an appraiser is available upon written request to the Department of Revenue and Regulation, Appraiser Certification Program, 445 East Capitol Avenue, Pierre, SD 57501 or e-mail – Sherry.Bren@state.sd.us. Include in the request for information the name of the appraiser and the appraiser’s city and state of residence. (Disciplinary action may include denial, suspension, censure, reprimand, or revocation of a certificate by the department. (ARSD 20:14:11:03))

Notice
Effective January 1, 2008
New Appraisal Experience Log

The Appraiser Certification Program has revised the Appraisal Experience Log effective January 1, 2008 to comply with the Appraiser Qualifications Board (AQB) of the Appraisal Foundation requirements. The AQB states that verification for experience credit claimed by an applicant shall be on forms prescribed by the state certification/licensing agency, which shall include:

1. Type of property;
2. Date of report;
3. Address of appraised property;
4. Description of work performed by the trainee/applicant and scope of the review and supervision of the supervising appraiser;
5. Number of actual work hours by the trainee/applicant on the assignment; and
6. The signature and state certification number of the supervising appraiser if applicable. Separate appraisal logs shall be maintained for each supervising appraiser if applicable.

It is the intent of the AQB that the verification of experience clearly identifies three things under item #4:

1. A description of the work performed by the trainee or applicant;
2. The scope of the review performed by the supervising appraiser; and
3. The level of supervision performed by the supervising appraiser.

Although the scope of review and level of supervision performed by the supervising appraiser might appear to be redundant at first glance, they are not. For example, in certain assignments a supervising appraiser might determine that a lesser level of supervision is required, but that might not impact the level of review performed.

The AQB recognizes that assignments may differ significantly; therefore the level of review and supervision by the supervising appraiser may also differ from assignment to assignment. Also, depending on the assignments involved, it might be expected that the supervising appraiser’s level of review and supervision diminish over time as the trainee/applicant gains competency.

(The Appraisal Experience and Sample Logs are available at www.state.sd.us/appraisers)

FannieMae Forms Are Not Intended For Non-Lender Work

[Article printed from “The Oregon Appraiser” Newsletter Spring 2008, with the permission of the Appraiser Certification and Licensure Board of Oregon]

FannieMae (FNMA) revised their suite of appraisal forms in March 2005 specific to their mission of a government-sponsored entity. With these new appraisal forms, FNMA attempted to alleviate investor concerns associated with their portfolios of mortgage-backed securities. FNMA specifically changed portions of their forms to narrow the intended user/use, the appraisal process, and the scope of work. In so doing, FNMA designed their forms solely for lender/client use. Consequently, none of FNMA’s March 2005 forms are intended for non-lender appraisal assignments.

Let’s examine the Uniform Residential Appraisal Report (FNMA 1004), one of the most widely used residential forms. Problems using this form for non-lender assignments arise on page one and page four, and certification items on pages five and six may cause greater appraiser liability. The top of page one identifies the purpose of the appraisal report as: The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.”

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Note here the appraisal begins conjoining the lender as the client. At the top of page four, second paragraph, “This appraisal report is subject to the following scope of work, intended use, intended user, definition of market value…… Modifications, additions, or deletions to the intended use, intended user, definition of market value or assumptions and limiting conditions are not permitted.”

The fourth paragraph is titled: “Intended Use: The intended use of this appraisal report is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction.” This statement eliminates the use of the appraisal for any other purpose than for lender/client use.

The fifth paragraph is titled: “Intended User: The intended user of this appraisal report is the lender/client.” This statement restricts the user of the appraisal to none other than a lender/client.

Addendums contravening the scope of work, intended use, and intended user do not work because the scope of work description states “Modifications, additions, or deletions to the intended use, intended user……are not permitted.” You’re trapped! If you use FNMA March 2005 forms for non-lender assignments, you are open to USPAP Ethics Rule and Standard Rule violations.

For non-lender assignments, use a residential appraisal form specifically designed for non-lender assignments or the old FNMA 1004 with supplemental limiting condition and certification addendums, found with most software vendors.