



NEWS FROM THE CALIFORNIA BUREAU OF REAL ESTATE APPRAISERS

THE CALIFORNIA APPRAISER

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Our Mission: Safeguard public trust by promoting professionalism in the real estate appraisal industry through licensing, education, and enforcement.

The Significance of Subject Property Market History

An important practice of a professional appraiser is researching, analyzing, and reporting the subject property's recent market history. Consideration of recent prior listing and sale history can be critical to the credibility of a market value appraisal.

Early in my appraisal career, I learned the importance of property market history and its ability to act as a check against broader market data. At the time, my clients were making short-term loans during an era of active property turnover. This resulted in my work often being scrutinized and tested soon after appraising the property. While time has passed, the significance of subject property market history has not.

Sometimes there is no recent market activity for the subject property, but when there is, the information can be fundamental to developing a sound opinion. The existence of recent property market history can be a strong indicator of the position the subject property holds in the overall market, particularly if it included sufficient market exposure by a real estate professional who can be contacted as a source of information.

To best serve the client, appraisers should be researching and reporting any recent market activity involving the subject property; this includes listings (active, expired, withdrawn), sales, and options or offers. The disclosure and analysis of the dates, terms, and circumstances surrounding these market activities can be very revealing and supportive of a strong well-reasoned opinion.

The Bureau has found that many appraisers report previous sales, but fail to analyze those sales. This oversight means the client does not have the benefit of appraiser's expertise to reconcile the subject's recent market history in the context of today's valuation. A detailed analysis of the subject property market history can add support to your appraisal and provide your client with the information they need to make an informed decision. This kind of thorough analysis ensures compliance with USPAP, demonstrates your worth, and distinguishes you as a quality professional.

James S. Martin, *Bureau Chief*

Did You Know?

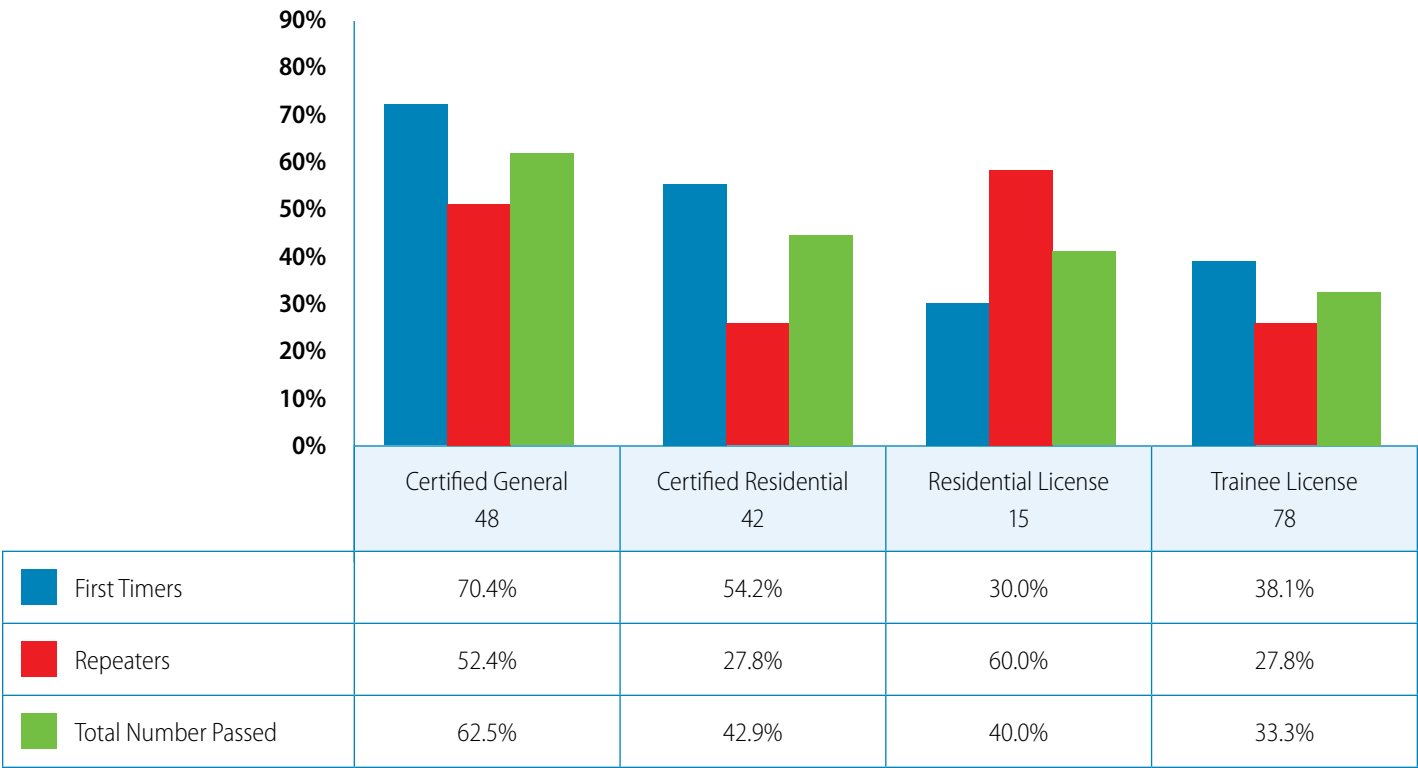
Using outdated forms can result in extended processing times for your application. Be sure to use the most current forms for your applications, logs, etc., by downloading them directly from

our website: www.brea.ca.gov. Go to Forms & Publications and go to either All Forms or Forms by Application type.

California Exam Results

California Appraisers Examination pass rate statistics from July through December 2016, as provided by Applied Measurement Professionals, Inc.

3rd and 4th Quarter 2016 California Examination Statistics



Enforcement/Licensing

Unacceptable Assignment Conditions

Clients of appraisal services often have specific assignment conditions associated the appraisal request. These conditions play an important part as the appraiser develops the assignment's scope of work. Questions may arise when an appraiser is concerned about the acceptability of the assignment condition. Fortunately, the 2016-2017 edition of USPAP addresses the acceptability of assignment conditions.

The Acceptability section of the Scope of Work Rule states the following:

"An appraiser must not allow assignment conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use."

Comment: If relevant information is not available because of assignment conditions that limit research opportunities (such as conditions that place limitations on inspection or information gathering), an appraiser must withdraw from the assignment unless the appraiser can:

- Modify the assignment conditions to expand the scope of work to include gathering the information.
- Use an extraordinary assumption about such information if credible assignment results can still be developed.

"An appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased."

Therefore, it is the appraiser's responsibility to determine if client assignment conditions are acceptable and will result in credible results. If the assignment conditions will contribute to a misleading report or a report that lacks credibility, the appraiser must either:

- Communicate with the client and revise the assignment conditions.
- Withdraw from the assignment.

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Additional guidance can be found in the 2016-2017 edition of USPAP as follows:

Advisory Opinion 19, *Unacceptable Assignment Conditions in Real Property Appraisal*

Assignments Advisory Opinion 29, *An Acceptable Scope of Work*

FAQ 32, *Unacceptable Assignment Conditions – Nondisclosure of Facts*

FAQ 97, *Assignment Conditions, Scope of Work Acceptability, and Geographic Competency*

FAQ 176, *Is It Permissible to Use MLS Photos for Comparable Sales?*

FAQ 183, *Appraising Physical Segments (5-Acre Portion)*

FAQ 293, *Altering Appraisal Report Photographs*



BREA's FAQs – Licensing, Education, Enforcement, Legal

Q: “Which course providers are offering the four-hour California State and Federal Laws and Regulations course?”

A: There are several course providers currently offering this course. You can always check who is offering it by going to the Bureau's website (www.brea.ca.gov), selecting Online Services, then Course Search, checking the Laws & Regs box, and then clicking on Search. As of March 2017, these are the course providers that offer the class:

Affiliated Appraisers Workshop – Classroom

Allied Real Estate School – Online

Appraisal Institute – Classroom

Appraiser Training – Classroom

Dynasty School – Online

McKissock Data Systems – Classroom

McKissock Data Systems – Online

OREP Education Network – Online

Real Estate Trainers, Inc. – Classroom

The Appraisal School, Inc. – Classroom

Education Quick Course Reminders

Duplicating Courses:

Appraisers may not receive credit for completing the same continuing education (CE) course within the same full CE cycle. For example, if the full CE cycle ran from January 1, 2013, through December 31, 2017, and the appraiser took “Appraisal ABCs” on June 1, 2013, that course could not be taken again for CE credit until after December 31, 2017.

Examination Time:

Basic education (BE) courses can be counted for CE education credit; however, no credit will be given for the exam time.

Example: If an appraiser wanted to use a 15-hour “Residential Market Analysis Highest & Best Use” course for their renewal, it would only count as 14 hours of elective credit, as one hour is allotted for the examination time.

Online Education Courses:

The Appraisal Qualification Board (AQB) Criteria requires that all online education courses not offered by an accredited college or university must be approved by the International Distance Certification Center (IDCCC). If the online course(s) are not IDECC-approved, the appraiser will not receive the BE/CE credit for those courses.



Legal Corner

The Bureau is responsible for verifying applicants' appraisal experience and investigating licensees for possible illegal or unethical activities. In order to meet the Bureau's responsibility, it sends applicants and licensees demand letters requesting appraisals, work products that are addressed by USPAP, and all supporting documentation and data. Bureau law was recently amended to allow the Bureau to also demand a copy of the engagement letter. As of January 1, 2017, all licensees must provide the engagement letter to the Bureau when requested. Failure to provide the letter in a timely manner is a violation of Business and Professions Code Section 11328 and subjects the licensee to discipline pursuant to California Code of Regulations Section 3721 (a)(7).

Licensing Statistics

This chart shows the majority of California's 10,742 active licensed appraisers (53 percent) are Certified Residential.

BREA Licensing Statistics for 3/2/2017 10,742 Active Licensees



Enforcement Actions

Enforcement actions are based on the totality of the circumstances and the merits of each matter on a case-by-case basis, including the nature and severity of the offenses involved, prior disciplinary actions (if any), and circumstances that support a finding that the offender has been rehabilitated. Violation descriptions may be partial and summarized due to space limitations. For these reasons, cases may appear similar on the face yet warrant different discipline.

For a description of the criteria followed by the Bureau in enforcement matters, refer to Title 10, Article 12 (commencing with Section 3721) of the California Code of Regulations. Additional information on the individual actions is also available on the Bureau's website, www.brea.ca.gov.

Published Disciplinary Actions				
Licensee	License No.	Business City	Order Effective	Outcome
Jacobs, Paul	AG 005064	Apple Valley	9/26/16	Monetary Fine, Probation
Bernard, Laura	AR 018973	Oakland	9/27/16	Monetary Fine, Probation
Orwig, Rick	AG 041473	Valencia	10/11/16	Monetary Fine, Probation
Blocker, Marvin	AR 034785	Bakersfield	10/21/16	Monetary Fine, Probation
Vihn, Hoa	AR 032235	Milpitas	11/18/16	Additional Education, Monetary Fine, Probation
Gunderson, Randall	AL 021673	Temecula	11/23/16	Monetary Fine, Probation
Bloom, Laurence	AR 031299	Laguna Hills	12/8/16	Additional Education, Monetary Fine, Probation, Suspension
Chance, Shelby	AL 044463	Lake Forest	1/4/17	Monetary Fine, Probation
Feldenheimer, Thomas	AR 017544	Castro Valley	2/3/17	Revocation
Spencer, Andrew	AL 042903	Brea	2/28/2017	Voluntary Surrender

Citations

The following disciplinary actions are examples of citations issued from October 2016 through March 2017.

Licensee	Fine	Violation
Residential	\$1,000 fine, 15 hours Residential Market Analysis and Highest and Best Use, 4 hours Scope of Work: Appraisals and Inspections, and 4 hours Report Certifications: What Am I Signing and Why?	Violations of USPAP Standards 1 and 2, Conduct section of the Ethics Rule, Record Keeping Rule, and the Scope of Work Rule: failed to consistently describe the subject property, failed to adequately analyze market trends, failed to adequately analyze the highest and best use of the subject property, and failed to sufficiently analyze the comparable sales data utilized in the appraisal report.
Certified Residential	15 hours Residential Site Valuation and Cost Approach, 15 hours Advanced Residential Applications and Case Studies, and 4 hours Report Writing vs Form Filling.	Violations of USPAP Standards 1 and 2 and the Competency Rule: failed to develop and report a credible Sales Comparison Approach by failing to verify all information necessary for credible assignment, failed to report market derived adjustment in the Sales Comparison Approach, failed to develop and report a credible Cost Approach by not supporting the opinion of site value with the cited methodology, and failed to develop and report external depreciation figures.



Citations *continued from page 6*

Certified General	\$1,500 fine, 15 hours Residential Site Valuation and Cost Approach, 15 hours Advanced Residential Applications and Case Studies, and an Appraisal Foundation approved course Report Writing versus Form Filling.	Violations of USPAP Standards 1 and 2, Competency Rule, Record Keeping Rule: failed to adjust for differences in location based on faulty analysis, failed to provide logical reasoning for not making site adjustments, reported items about comparable sales that were contradictory from the cited sources, based site value on a sale that was represented as one site when it was two, failed to analyze the sale of the site next door, and failed to maintain all versions of appraisal reports.
Residential	15 hours Residential Market Analysis and Highest and Best Use, and 15 hours Residential Report Writing and Case Studies.	Violations of USPAP Standards 1 and 2, and the Competency Rule: failed to adequately describe the subject property, failed to adequately analyze market trends, failed to analyze the highest and best use of the subject property, the highest and best use was described as the 'present use' but a different use was appraised, the purchase agreement and listing history for the subject property had not been sufficiently analyzed, and the appraisal was not performed competently.
Residential	\$1,000 fine, 4 hours Scope of Work: Appraisals and Inspection	Violations of USPAP Standards 1 and 2, Scope of Work Rule, Conduct section of the Ethics Rule: Respondent completed a misleading appraisal report by failing to adhere to the agreed upon scope of work of original photographs of the comparable sales while also cropping off the MLS trademarks from the photographs.

Reminders: Failure to Notify BREA in a Timely Manner Can Result in License Discipline

1. Notify the Bureau of Real Estate Appraisers (BREA) of any changes to your contact information. California Code of Regulations Section 3527 requires written notification to BREA *within 10 days* of any change to:

- (1) Name
- (2) Residence or business phone number
- (3) Residence, business, or mailing address

Use the *Change Notification and Miscellaneous Requests Form* (REA 3011) available on BREA's website, **www.brea.ca.gov**; click on "Forms." Submit by mail the completed and signed form, the required fee, and any necessary documentation to:

Bureau of Real Estate Appraisers
Attention: Licensing
1102 Q Street, Suite 4100
Sacramento, CA 95811

Note: *Although not a requirement, you can also use form REA 3011 to provide or update your e-mail address, which will allow BREA to send you newsletters and other important information.*

2. Notify BREA of any convictions, felony charges, or other license discipline. Business and Professions Code Section 11318 requires that all licensees, applicants, and course providers report to BREA in writing within 30 days any of the following:

- (1) Felony charges
- (2) Misdemeanor or felony convictions (including pleas)
- (3) Cancellation, revocation, or suspension of a license, other authority to practice, or refusal to renew a license or other authority to practice as an occupational or professional license or course provider, by any other regulatory agency

If you have questions about these notification requirements, contact BREA at (916) 552-9000.



Department of Consumer Affairs
Bureau of Real Estate Appraisers
1102 Q Street, Suite 4100
Sacramento, CA 95811
(916) 552-9000



WWW.BREA.CA.GOV