

1. John is on the FHA roster and receives a phone call from Key Mortgage regarding an FHA appraisal request. The caller provides John with an address of a property located within his work area and asks that he research some comps. The caller states that if John's research reveals that he will be able to support a value of \$125,000 for the property, Key Mortgage will order the appraisal, and pay a fee of \$450.00.

What should John's action be in response to this request?

What are the potential USPAP violations?

2. Homeowner Frank calls on Sally, a residential appraiser, to perform an appraisal on his home. During the inspection, Frank introduces a woman in the living room as his wife, Donna. After completion of the appraisal, but prior to delivery, Sally receives a phone call from a woman who identifies herself as Frank's wife, Donna. Donna asks Sally how she is coming on the appraisal and if she has a value.

What should Sally do in response to the inquiry?

What are the potential USPAP violations?

3. Day Mortgage orders an appraisal from appraiser Walt on a home owned by Sid and Diane. Walt was to pick up a check for the appraisal fee from Sid and Diane at the time of the property inspection. The property was inspected and Diane wrote a check to Walt for the cost of the appraisal. Several days later, Walt received a call from Sid asking if the appraisal had been completed, what the value was, and when he and Diane were going to receive the appraisal report.

How should Walt respond to these inquiries?

What are the potential USPAP violations?

4. Ted is developer of residential subdivisions. He has a proposed development in an area that Jake, a certified general appraiser, has an appraisal practice. Ted contacts Jake and explains his proposed development and the need to secure financing for the acquisition and development loan to complete the project.

Ted told Jake that he needed to have a value for the proposed project of \$3,500,000 to obtain the needed financing. Ted also said that he didn't want to pay a large fee for an appraisal that he could not use but would pay a substantial fee for an appraisal supporting the needed value. Jake told Ted to let the lender know that the appraisal supporting the value would be forthcoming. The next day, Jake received a check in the amount of \$5,000, detailed plans and specifications for the development, and a letter from Ted stating that the check was the appraisal fee for the proposed development as they had discussed the previous day.

What, if any, sections of the USPAP were violated by Jake and why?

5. Cynthia, a certified general appraiser in New Orleans, Louisiana, has been asked by a national client to perform an appraisal on multiple client-owned warehouse facilities in Denver, Colorado. Cynthia has performed numerous appraisals on similar properties in the New Orleans area but has never been to Denver.

May Cynthia accept the appraisal assignments?

If so, on what conditions may she accept the assignments?

6. Sandy is a licensed appraiser who has been performing 3-5 residential appraisals per week for the past five years. Sandy has had plenty of business and never bothered to have her name included on the FHA Register. Recently Sandy found a website that contained all of HUD's two hundred questions on the 4150.2 Handbook along with the suggested answers for each question.

After reading the questions and answers, Sandy took and passed the HUD exam. She completed an application for the FHA Register and was approved. Although she was able to pass the HUD exam, Sandy was unfamiliar with construction standards and techniques. She did not know how to determine if a house's heating and cooling system was operating properly; she was unable to recognize various construction materials which are the subject of class action litigation; she was unaware of the standard for testing electrical outlets; and she believed she could not identify a roof covering with less than two years of remaining life.

After learning that Sandy had been added to the FHA Register, a mortgage company client ordered an appraisal from Sandy on a house about to be funded with an FHA loan.

What responsibility is imposed on Sandy by the USPAP in accepting an assignment to perform an FHA appraisal?

7. Certified appraiser, Denise, was conducting an appraisal review on a single-family residential appraisal performed by George, a licensed appraiser. Denise took issue with the following:
 - a) George used three comparables from a subdivision two miles away from the subject's subdivision although a review of available data revealed seven sales from the subject's subdivision within the last nine months. None of these omitted sales were addressed in the report and none would have supported George's value conclusion. In response to the review, George stated that the sales in the subdivision were omitted because the sales in the subdivision were depressed as a result of a number of foreclosures.
 - b) George used three new homes as comparables and the subject was ten years old. In the cost approach George showed the subject to have \$10,500 in physical depreciation. However, in the sales comparison approach, George made age adjustments of a negative \$2,500 with no explanation. In response to the review, George stated that the two approaches to value were independent of one another and "each stood on its own." There was no need for consistency between approaches.

- c) The subject was an older home with an almost flat roof. The house had undergone two additions. The first addition converted the two-car garage into the master bedroom and master bath (off of the kitchen). The second addition was a bedroom accessed through an existing bedroom. After additions, the gross living area was similar to the comparables used, but the photos revealed the comparables had higher pitched roofs. There were no value adjustments for differences in utility or appeal. In response to the review, George stated that the utility and marketability of the houses were similar.

What provisions of the USPAP were violated by George and why?

8. Certified residential appraiser Donald completed a drive-by appraisal on a single-family house (the house was viewed from the street without entry). In performing his appraisal, Donald complied with all relevant specific requirements of Standard 1 of the USPAP. His appraisal report identified the appraisal as a “complete” appraisal reported in “summary” format.

What sections of the USPAP were violated, if any, by Donald?

9. Rocky, a loan officer at Boss Bay Mortgage Company, strikes a deal with Clifford, a certified residential appraiser, to allow Clifford to charge \$25.00 extra on each of his appraisals. In exchange, Rocky wants Clifford to withdraw invoices on any mortgages that Rocky is unable to close for any reason.

What, if any, USPAP provisions does this agreement violate?

10. Clarence, a licensed appraiser, lives in a subdivision consisting of fifteen single-family homes. A recent countywide re-evaluation increased valuations of all the houses in Clarence’s subdivision 75% on average. At the request of the other homeowners, Clarence agreed to appraise each house in the subdivision for the purpose of contesting the new valuations. Clarence received a fee from each homeowner and represented the group before the tax appeal board. The appeals board agreed with the presentation made by Clarence and reduced the valuations increases to just 10% of the prior amounts.

What, if any, USPAP standards has Clarence violated?

11. A local commercial developer asks Lou, a certified general appraiser, to complete an appraisal on a strip center he is considering developing on a prime piece of real estate in Lou's work area. No plans and specifications are available, but the developer plans to provide verbal details of the all of the improvements and amenities. The developer also asks Lou to complete the appraisal based upon 100% occupancy and below market financing.

What should Lou's response be to this appraisal request?

12. Sean, acting as Dr. Divot's agent, calls appraiser Vito to perform an appraisal on one of Dr. Divot's investment properties. Vito's only contact person on this assignment is Sean. After completing the appraisal, but before delivering the report, Vito receives a call from Dr. Divot asking Vito what value has been placed on his property.

What concerns should Vito have and how should he respond to this call?

13. Harrison completed an appraisal for Castnet Mortgage Company. The borrower's name was Kaminski. Several weeks after delivering his report to Castnet he received a call from Cassandra with Dominici Mortgage. Cassandra stated that the Kaminski loan had been transferred to Dominici and that she needed the report reprinted showing Dominici as the client.

What, if any, obligations does Harrison have with regard to the USPAP?

Can Harrison comply with this request? If so, how?

14. Brannon performed an appraisal on the Stetson home. The valuation date was June 15, 1994 and the report was completed June 21, 1994. Late in 1995 the Stetson's filed a lawsuit against the sellers of the house and both sets of real estate agents. Brannon testified in the case July 17, 1996. The attorney who asked Brannon to testify successfully defended the lawsuit against the last remaining defendant and won a dismissal for his client. The Stetson's appealed. The Court of Appeals remanded the case to the trial court for clarification of legal issues in December of 1997. Again on appeal, the Court of Appeals affirmed the trial court's dismissal with a ruling on August 12, 1998. The State Supreme Court affirmed the Court of Appeals decision on January 20, 1999.

After the State Supreme Court's decision, the case was over and Brannon destroyed his files for this assignment except for a copy of the appraisal that had been given to the attorney.

What, if any, USPAP provisions did Brannon violate?

15. Homeowner Caulder is interested in refinancing his house. A mortgage company provides him with a list of approved appraisers and suggests that he acquire and pay for an appraisal and provide the report to the mortgage company. Caulder hires and pays Vinson for the appraisal. Vinson completes the appraisal according to the USPAP and sends the report directly to the loan officer.

What, if any, USPAP standards have been violated?

16. Bostik was engaged by Dome Home Loan to appraise a duplex nine months ago pursuant to a pending contract. The contract fell through and now Bostik is approached by Johnson Mortgage to appraise the same property in connection with a new purchase agreement. Bostik wonders if he can accept this assignment. The original appraisal was ordered by Dome Home Loan but paid for by the borrower.

Can Bostik accept this assignment? If so, under what conditions may the assignment be accepted?

17. Certified appraiser Sarah Lindsey completed an appraisal on a vacant tract of land with the highest and best use of single family residential. Sarah had made a complete appraisal and reported the appraisal in a self-contained 52 page report which was well documented, contained ample supporting data, and which demonstrated her analytical and logical application of appraisal principles.

The valuation was based on two extraordinary assumptions. First, it was presumed that the soil conditions would permit installation of the septic tank and drain field. Second, that the county health department would approve of the installation. The assumptions were items 11 and 12 in her list of assumptions and limiting conditions on page 50 of the report and not mentioned elsewhere.

No soil samples had been taken on the subject, but it was common knowledge that properties in the area had experienced difficulties with soils. Properties unable to obtain permits for septic tanks sold considerably less than those, which were capable of supporting septic tank systems.

What USPAP issues should be considered in reviewing Lindsey's appraisal?