



2008 Winter Newsletter



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No. 1

BOARD CHANGES CONTINUING EDUCATION REPORTING

In the past appraisers have been required to meet and log a minimum of 14-hours at the first renewal of each two-year education cycle, then had to log their full 28 hours at the second renewal. On the recommendation of the Appraisal Subcommittee, the regulations relating to the reporting of continuing education (CE) are in the process of change and new procedures for the reporting of CE will be implemented with the 2008 renewal.

Basically, we are removing the requirement that you meet a minimum of 14-hours during the first year of the education cycle. So when you renew your license in 2008, you will not be required to log any education. You will simply complete the application form and submit it with the renewal fee. When you renew in 2009, you will be required to log the completion of 28 hours, 7 of which must be in USPAP Update, completed on or after July 1, 2007.

As in the past, you will not submit your certificates of completion with your renewal; however, education audit will continue to be performed at the end of every education cycle and those receiving audit notices must submit evidence of completion of their continuing education.



The 2008 renewal applications are expected to mail out on or about March 15. These notices are sent to the mailing address on record for each appraiser. If you have moved your residence or business, or changed companies since July 1 and are unsure if this was reported to the Board, verify with our office prior to March 10 to ensure that your renewal application is mailed to the proper location. Board mail **will not** forward to a new address.

2008/2009 USPAP TAKES EFFECT JANUARY 1

The 2008/2009 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) went into force effective January 1, 2008. While in the past the Board has provided a copy of the most current version of USPAP to all Kansas appraisers, the accessibility of the standards on-line at the Appraisal Foundation's website and the duplication resulting from USPAP courses and licensure in multiple states, has prompted the Board to stop this mailing.

Links to the 2008/2009 & 2006 editions of USPAP can be accessed from the Board's website at <http://www.kansas.gov/kreab/pdf/home/USPAP.pdf>.



FULL LICENSURE ACT

The Kansas Real Estate Appraisal Board will be introducing a statute change during the 2008 Legislative session requesting full licensure in Kansas. Currently Kansas is mandatory **only** for appraisals in connection with a federally related transaction. Information on the introduction of this bill and its status will be posted on the Board's website when available.



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2008 CRITERIA IMPLEMENTATION

January 1, 2008 saw the implementation of the 2008 criteria changes established by the Appraisal Standards Board. Below is a brief outline of the current requirements for licensure in Kansas:

Provisional (Trainee) Classification

The Provisional Trainee must meet the education requirements of the license/certification type they are provisioning to. While a test is not required to secure the Provisional license, the appropriate level exam must be taken and passed prior to submitting experience.

State Licensed Classification

150 hours of appraisal education, State License level exam and 2,000 hours of experience

Certified Residential Classification

200 hours of appraisal education, an Associate's Degree (or its equivalent), Certified Residential level exam and 2,500 hours of experience.

Certified General Classification

300 hours of appraisal education, a Bachelor's Degree (or its equivalent), Certified General level exam and 3,000 hours of experience (1,500 of which must be in non-residential appraisal).

For a full listing of the specific modules making up the appraisal education and the college courses which must be completed if the applicant does not have the Associate's or Bachelor's Degree, visit the Board's website at <http://www.kansas.gov/kreab> and click on Licensing.



SUPERVISION CHANGES

Effective January 18, 2008, K.A.R. 117-2-2(a), 3-2(a), 4-2(a) and 5-2(a), the "experience supervision" regulations, have changed. The changes made were minor; however, it will allow a certified appraiser, who has been **licensed** or certified for a period of two or more years to supervise a trainee/appraiser. The new regulations can be accessed from the Board's website at <http://www.kansas.gov/kreab> and click on Statutes and Regulations.



In Memory

John L. Mercer, 54, of Plains, KS died on November 13, 2007. Mr. Mercer was issued his Certified General appraiser's license on November 17, 1993 and held it in good standing until his death. Mr. Mercer was the founder and a partner of Mercer, Webb and Associates, Liberal.



MY NEW CLIENT - THE FBI

By: Donald J Gossman, SRA

The Case

You might ask why a residential real estate appraiser from Kansas City has the FBI as a client. Many appraisers were approached in the frenzy of the Sub-prime mess to over value properties to hit the number that the lenders required. We are finding the damage that this is causing our economy and our country.

On October 10, 2006 I received a phone call that changed my life and sent it in directions I could not have imagined. It was a Sub-prime lender wanting to know if I appraised high-end properties in the Kansas City Country Club District. I replied yes and quoted them a fee. I instructed the lender to place an order on my website and to fax me a copy of the contract. I reviewed the contract for \$1,473,000, and then ran MLS to search for comparables and the subjects listing history.

The MLS for subject property showed as an active listing for \$699,000. I called the lender and asked if I had the wrong address or if this was a construction rehab loan. I stated, "Did you know this house was listed for \$699,000?" The lender said yes. I was told they were selling it for the higher value, and if I wanted my fee I had to appraise it for that amount.

They wanted me to sell my soul and 28 years in business for \$1,200. I declined the order and called the listing agent to warn her. The realtor noted she knew nothing about the contract. The sellers had excluded this buyer when she received the listing and were cutting her out of the commission.

I was enraged because I knew the mortgage system was broken and someone needed to act. I had attended the Appraisal Institute's Mortgage Fraud Seminar the week before and met an agent with the FBI, Julia Jensen. I decided to call and let her know what was going on so she could put the property on a "watch list."

Agent Jensen called me back the next day. I discussed the details with her about what was happening. She inquired, "Who is the buyer?" I told her the names. Agent Jensen said they were part of a mortgage fraud group operating in Kansas City, and she would be interested in the information. Agent Jensen also asked who the sellers were. I gave their names. She replied, "Let me grab another agent and we will see you in 20 minutes." That was not the reply I was expecting.

I was at my office waiting for two FBI agents. I kept thinking, "What have I gotten myself into?" Two cars pulled up, two agents in suits got out. Special Agents Julia Jenson and Robert Shaffer. They came into my office and I showed them the information that I had obtained. They asked if I was familiar with the sellers' names, which I wasn't. The agents told me the seller's dad was allegedly a made member of the mob. He was executed in the 1970's and stuffed in the trunk of a car. This information grabbed my attention. The agents assured me not to worry about the son, since he is not a member of the mob that they know. The agents asked if I knew who his wife was, and I said no. They said I might know her by her public name, which they told me. I knew that name. She had been the Jackson County Executive for the last 12 years and was going to run for MAYOR of Kansas City.

The FBI agents asked if I could assist them with their investigation. I replied I would. Next, they asked me to call the lender and tell them I would complete the appraisal. I said sure. Then the agents asked the million dollar question. "Would you tape the conversation?" The moment of truth had arrived. If I said no, then they would leave and I would go back to appraising as if nothing happened. If I said yes, I might be the next person they find in the trunk of a car.

The FBI agents pulled out a recording device and showed me how to use it. They noted the date and time of the call, who was in the office, who I was calling and the case. I called the processor and told her I would complete the appraisal. I tried to act normal when talking with her, but I am sure she could hear my knees knocking on the phone. I am a real estate appraiser, not an undercover agent. I had wanted somebody to do something about what was going on in the mortgage business. I decided that someone was me. An ordinary suburban dad who was taught to do the right thing.

The Investigation

After the agents left my heart was pounding. I tried to figure out how this might work out. The FBI agents had left another recording device to use while talking with the other people involved in the transaction. I called the selling agent to schedule a time to appraise the home, which we set up for the next Tuesday. I then spoke with the loan officer and processor, telling them when it was set up. The processor noted to me since the loan was over 1 million dollars they would require another appraisal in addition to mine. She asked if I would call the other appraiser and work together to make the appraisals similar to pass underwriting guidelines. Apparently, committing mortgage fraud was no big deal for them. It was their normal way of conducting business.

I called Agent Shaffer and confirmed the time and date was set. He asked if I could drop off the recording device to him on Monday at FBI Headquarters and trade him for a new one. It was the longest weekend of my life.

Monday finally came and I drove to FBI Headquarters. It was a three story office building like any other, with exception of the 10-foot high iron fence, blast gate, and video cameras at the front gate. I pressed the button and told them who I was meeting with, and they buzzed me in. I walked to the front door and was greeted by an armed guard. She told me the agents were on the way down. Once I spoke with the agents, they asked me to come back to the interrogation room. As we walked past the metal detectors, I asked the guard if I needed to go through one. She replied, "You are an agent, aren't you?" You don't have to go through it." I replied, "I am not an agent, I am an appraiser."

We went to the interrogation room and discussed the conversations that I had with the various people involved with the transaction. Another agent came into the room with a camera and took a picture

of me. The agents asked if I would be a confidential witness and gave me my code name. It all went so fast I had no time to think about what was happening. We set a time to meet the next day before I did the appraisal.

Agent Shaffer and I met the next morning in the parking lot of a grocery store. He showed me a different recording device that took both audio and video and how to use it. I drove to the house and the realtor was waiting for me. I took a picture of the front of the home with him in the picture, and then took a street scene with his car in the picture. The realtor could not say he wasn't there.

We went inside the house and the realtor told me this group was going to buy between 40 to 50, \$1,000,000 to \$2,000,000 houses in Kansas City, and his group was doing the same thing in 10 different cities. They had money from overseas to invest and planned to rent out these houses to executives. I couldn't believe it. This might be turning out to be a multi-city international crime ring, not just one case of mortgage fraud. I finished my inspection, then left to meet Agent Shaffer. I described the events that took place and gave him back the recording device.

Over the next three weeks, I taped conversations with people involved in the transaction. I hate to admit, but it turned into full-time job. I was doing my appraisal work at night and on weekends since my days were spent undercover. I even had my children spend the nights at their mom's house because I was worried about their safety.

The other appraiser called me and told me he was having a hard time appraising the property for \$1,473,000 dollars. He explained that the highest he could get was only \$1,200,000. I thought, "You will over appraise it by \$500,000 but not \$743,000?" I guess he had partial ethics. We agreed to the value and completed the appraisals.

The FBI agents asked if I would drop off the appraisal to the mortgage company while wearing a wire. Hell by this point, it seemed like the natural thing to do. I walked away from the mortgage company thinking my part was done and it was all over for me. If only that was the case.

My life went back to normal. I had not heard anything for three weeks. On November 24, 2006, I received a phone call from the second appraiser. He asked, "Did you hear what was going on?" I replied "No." He said, "I received a call today from the FBI and I have an appointment at 9 a.m. to talk to them about mortgage fraud." I thought, "Sucks to be you."

I told the other appraiser thanks for the heads up. He asked, "What are you going to do." I replied, "Tell them the truth; they know what is going on."

Agent Shaffer called me later that day. He told me the closing had tried to occur the prior Friday, and they had stopped it at the closing table at the title company. The FBI was interrogating the individuals involved in the transaction. Agent Shaffer asked me not to talk with anyone if they called. Agent Shaffer told me the Grand Jury was set for January 4, 2007, and asked if I could be there that day after lunch to testify. I thought to myself, "Merry Christmas and Happy New Year Don."

The Grand Jury

I was contacted by the Assistant U.S. Attorney Linda Parker Marshall. Mrs. Marshall asked me to come in so she could describe the events that would take place in the Grand Jury Room. I meet with her and the FBI agents at the U.S. Courthouse in late December 2006. It was finally sinking in that this was really going to happen. I was hoping for a lot of guilty pleas so I wouldn't have to testify, but that would not be the case.

The date arrived. I went through my morning like it was any other day. I completed two appraisal inspections then went home to put on a suit and tie. I wasn't hungry for lunch for some reason. I drove to the court house and parked in the FBI lot where Agent Shaffer had instructed me to. I took a deep breath and said to myself, "Lets do this." I walked into The U.S. Courthouse knowing if the Federal Grand Jury believed me, they would hand down indictments on 11 people and charge them with Federal crimes.

I waited for almost an hour until Mrs. Marshall came to get me. I walked into the room and told my story. I cannot reveal anything about what happened in that room or the people that were there. This was our government working at the basic level of the criminal justice system. I was in there for about an hour and then left. I walked out to my car knowing I had made the right choice when I called Agent Jensen that first day.

On my way home, I turned on the radio and switched channels to talk radio. The announcer broke in with a news update. He stated, "A Federal Grand Jury in Kansas City has handed down Mortgage Fraud charges against 11 people including the Jackson County Executive and her lawyer husband." When I arrived home I turned on the television. The charges were being reported on all of the local sta-

tions. I've always watched the news, but have never been part of the news.

The trial was set for February, but delayed until June after the election. The County Executive did go on to run for the Mayor's office and received 1.5% of the Vote. The same day her TV ads for Mayor debuted was the same day the mortgage fraud indictments were brought against her. Interestingly enough, no one was talking about the buyers. The fed alleged that the buyers were part of the larger fraud team, which had committed over 100 cases of mortgage fraud in the Kansas City area. Furthermore, the feds also alleged that in the prior 18 months, this mortgage fraud team caused millions of dollars in losses.

In May, the U.S. Assistant Attorney contacted me to prepare for the trial. We met with the two FBI agents at the U.S. Court House. We listened to the tapes that I had made, which was the first time that I had heard them. I can never explain the thoughts that were going through my head. "I AM AN APPRAISER." I am not supposed to be sitting in the Federal Court House with the US Assistant Attorney and two FBI agents listening to tapes of myself and criminals committing mortgage fraud. But I was. The trial was delayed again until November 2007. I couldn't imagine another five more months of waiting.

The Trial

After the trial was postponed for the second time, the legal maneuvering started between the U.S. Government lawyers and the defense lawyers. Seven people in the transaction pleaded guilty to the charges against them, and four people were left to be tried. I was the lead witness in the U.S. Government's case that was expected to last two weeks.

The jury was to be seated on Monday morning with opening statements to be made late in the morning. The U.S. Attorney asked me to be at the Federal Court House at 1 p.m. on November 6, 2007. I showed up during the lunch break and found out the jury had not been seated thanks to publicity that trial had received which led to larger than normal numbers in the jury pool. I sat waiting in the witness room for four hours. The jury was set and the opening arguments were made. The judge said, "That is enough for today. We will reconvene at 9 a.m." I wasn't sure I could take one more sleepless night. I walked out of the court house with everyone else. No one knew how the trial would play out.

The investigation had been portrayed by the local media as a political witch hunt by the new U.S.

Attorney office against a local politician. I knew nothing about that. All I knew was someone tried to defraud a lender, and I did my job by protecting their interest in the property that they hired me to appraise. That is it. Period. That is simply what an appraiser does. The mortgage market had forgotten that for the last six years. They were buying values not appraising houses.

I was back in the witness room the next morning. Surprisingly, I was not nervous at all. I knew after what I had been through the last year, this was going to be a breeze. I was going in to tell the truth. After walking down the hall to get a drink, I heard the Judge say, "Mrs. Prosecutor, call your first witness."

The courtroom doors opened and I walked inside. I felt all eyes in the room follow me on my way to the witness stand and while I was being sworn in. Once seated, I looked out over the courtroom. To my right were the 14 jurist, 12 on the jury and 2 alternates. To my left were the U.S. Federal Judge and the court reporter. At the defense table were the four defendants, their three lawyers, and three assistants. At the prosecutors table were two FBI agents, two U.S. Assistant Attorneys and their support staff. There were four rows of seats for the public. The newspaper, TV, and radio stations from the all across the Midwest were in the audience.

Linda Parker Marshall, the U.S. Attorney, lead my questioning. She asked me my name, address, and occupation. She then described how I became part of the case. When I was explaining the events that unfolded over the course of many months, I could hear the reaction from the audience. It seemed they were surprised by the actions that I had taken. There is no way that I could ever have imagined how things had turned out. After almost two hours, the prosecutor was finished with my questioning. The judge called for a 15 minute break, which I was ready for. They didn't make the witness seat for comfort.

The break was over and the first defense lawyer questioned me for over an hour. He was the hardest on my questioning, my ethics, and the motive behind my actions. He tried to get me upset and succeeded on a few occasions. The judge warned me twice to limit my answers to the questions asked. The second lawyer only asked me two questions and was done. The third lawyer was less aggressive towards me compared to the first lawyers. The third lawyer even talked about how I had such a good reputation and could not have been involved in mortgage fraud. I

replied, "They called the wrong appraiser to commit mortgage fraud this time."

After four hours on the stand, my part of the trial was complete. The trial would go on for another eight days. The jury deliberated for four days and came back with two guilty and two not guilty verdicts.

The mortgage and financial markets are in a mess at the present time. We will get through it like we made it through the high interest rates of the early 1980's, the recession of 1991, the first and second gulf wars and 9/11. We need the separation of the origination of mortgages from the valuation of the properties. Enforcement of the national and state laws. Prosecution of the lenders, insurers, banker, brokers, and appraisers who caused this mess. We, the mortgage business, need to rebuild the trust in our banking and mortgage businesses that the rest of the world has always depended on.

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Q USPAP requires an appraiser who is not in custody of his or her workfile to make "appropriate" retention and access arrangements; what does this mean?

A The Record Keeping section of the ETHICS RULE states, in part:
"An appraiser must have custody of his or her workfile, or make appropriate workfile retention, access, and retrieval arrangements with the party having custody of the workfile." (Bold added for emphasis)

There are a number of ways an appraiser who works for or with another party can ensure that the assignment workfile is retained so that the appraiser may access the workfile. The following is a common example: an appraiser and his employer or colleague agree that the workfile will remain in the employer's or colleague's custody for the duration of the requisite retention period and that the appraiser will have access to the workfile. In practice, having such an agreement in writing could prove beneficial to all parties if access and retrieval arrangements are subsequently called into question.

Q Two appraisers perform an appraisal assignment together. Appraiser A retains the workfile and Appraiser B has made access and retrieval arrangements. Are there any conditions under which USPAP allows Appraiser A to deny Appraiser B access to the workfile?

A No. USPAP does not set conditions for workfile access and retrieval. USPAP does not address the intent or reasons of the appraiser seeking access as conditions for allowing or disallowing workfile access and retrieval.

Q I understand that Standards Rule 1-5(a) requires the appraiser to analyze an agreement of sale (if available in the normal course of business). What constitutes proper "analysis?"

A The term "analyze" is not defined in USPAP because it does not have a special meaning within the document or in Standards Rule 1-5. The term is used based on its English language meaning as found in common dictionaries.

The extent of the analysis performed to comply with the requirements of Standards Rule 1-5(a) is part of the scope of work decision. The acceptability of the appraiser's analysis is judged in the same way that any other scope of work decision is judged. For more information, please see the SCOPE OF WORK RULE, Advisory Opinion 28, Scope of Work Decision, Performance, and Disclosure, and Advisory Opinion 29, An Acceptable Scope of Work.

Q What is the USPAP requirement regarding signing a report?

A USPAP requires that each written report include a signed certification. Although most written reports include the appraiser's signature on the report or a letter of transmittal, this is not required by USPAP. However, an appraiser who signs any part of the report must also sign the certification. For an oral report, USPAP requires that a signed and dated certification be part of the workfile.

Q What is the USPAP requirement for signing a digitally created (electronic) report?

A The requirement for paper (hard copy) and digital (electronic) reports is the same. The

appraiser must include a signed certification with each report.

Q Must the certification be exactly the same as that presented in USPAP? May an appraiser add items to the certification?

A USPAP states that the report must contain a signed certification that is similar in content to the form provided in the Rules related to reporting. An appraiser may modify or add to the certification as necessary. For example, the names of appraisers providing significant appraisal assistance who do not sign the certification should be stated in the certification.

There are also certification requirements in some jurisdictions for real property appraisal certifications and licenses as well as requirements related to membership in a professional association. Clients, intended users, and the intended use may also require additional certification items.

Appraisers using preprinted appraisal forms should be aware that clients and client groups may prohibit altering the preprinted certification used in assignments performed for them, but any such prohibition is not contained in USPAP.

Q Does USPAP require an appraiser to include a “competency statement” in all reports?

A No. USPAP does not require that an appraiser provide a statement of competency in all reports. Only when the appraiser accepts an assignment with a lack of knowledge and/or experience does the COMPETENCY RULE require the appraiser to describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.

Q Can I authorize someone else to sign an appraisal report for me, using my signature? If so, could you identify what steps I must take to do this correctly?

A USPAP does not specifically state that the appraiser can only personally sign a report. It does state, in the definition of signature, that the signature be “personalized evidence indicating authentication” and requires the appraiser to have “sole personal control of affixing the signature.”

Standard Rule 2-3 states: Each written real property appraisal report must contain a signed certification...

In the DEFINITIONS section, a “Signature” is defined as: *personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for content, analyses, and the conclusions in the report.*

Comment: A signature can be represented by a handwritten mark, a digitized image controlled by a personal identification number, or other media, where the appraiser has sole personal control of affixing the signature.

Unless specifically contrary to the law of a particular jurisdiction, USPAP allows another person to sign for an appraiser, as long as it is with the appraiser’s specific authorization and is clear. One solution would be for that other person to sign the appraiser’s name and then write their own initials along side the signature, preceded by the word “by” (for example, “by sbk”).

Q Is an appraiser required to use software or other means that allows for the user to authenticate or verify the validity of the appraiser’s digital signature?

A No. However, appraisers are required to maintain sole personal control of affixing the signature. Once the report has been completed, the appraiser is not required by USPAP to have a process to authenticate or verify the validity of the appraiser’s signature. This applies to both handwritten and digital signatures.

Q I am in a situation where I need to authorize someone to apply my digital signature for me. This would require me to reveal my current Personal Identification Number (PIN) or password to that person. If I approve this use of my digital signature have I given up “sole personal control?”

A No. Such action does not constitute a relinquishment of your digital signature or personal control, and is not a violation of USPAP.

Q I am a residential appraiser and I use software to generate my appraisal reports. The software company requires me to provide a copy of my signature to create an electronic signature file for use with the software. Under USPAP does this represent giving up “sole personal control” of my signature and violate USPAP?

A. No. This situation is analogous to providing a copy of your signature to a rubber stamp company for purposes of creating a signature stamp. Common business agreements in these situations limit use of the signature to creating the signature image. In providing a signature to a software company or rubber stamp company, the appraiser is not authorizing use of the signature.

Q. If my digital signature is stolen, am I in violation of USPAP for failing to have “sole personal control” of my signature?

A. No. Unauthorized use of the appraiser’s signature is not a violation of USPAP. If the appraiser’s digital signature is stolen, the appraiser is the victim of a crime. Any use of the signature is not authorized and beyond the appraiser’s control.

This is analogous to a party who uses an appraiser’s rubber signature stamp without permission from the appraiser, or a party who simply puts pen and ink to paper and forges an appraiser’s signature. In these cases the appraiser did not give permission to use his or her signature.

Q. When I transmit my residential form report electronically I have heard that some of my clients are opening the appraisal file and removing my signature file, reformatting the data, and in other ways altering my appraisal report for the client’s use. What are my responsibilities under USPAP if I know or believe such actions are occurring after my report is delivered to the client?

A. USPAP does not specifically address who “owns” an appraisal report, the research necessary to produce that report or the report’s supporting documentation. Once an appraisal report is delivered to a client, a client may do a variety of things, including redacting or removing the appraiser’s signature, or converting data from the report into a format more functional to the client, etc. Once the appraisal report has been transmitted to the client, USPAP does not place further responsibility on the appraiser for the client’s use of that report.

Q. The September 2007 USPAP Q&A titled “Client Altering the Report,” included the following statement in its response:

Once an appraisal report is delivered to a client, a client may do a variety of things, including redacting

or removing the appraiser’s signature, or converting data from the report into a format more functional to the client, etc.

I am confused by the phrase “a client may do a variety of things...” Is the Appraisal Standards Board (ASB) suggesting these actions by clients are permissible?

A. It is not the ASB’s role to grant permission to clients. The ASB was acknowledging that clients do a variety of things with completed appraisals, such as those noted and others; determining whether such actions are appropriate is not within the purview of the ASB.

The point of the September 2007 USPAP Q&A is that once an appraisal report has been transmitted to the client, USPAP does not place further responsibility on the appraiser for the client’s use of the report.

Q. I perform appraisal assignments for a client who asks to be notified of my final value conclusion via instant message or text message. Is this communication to the client an appraisal report that must comply with USPAP?

A. Yes, this communication of assignment results is considered an appraisal report. Instant messages or text messages are written communications and, for assignments involving real property, are subject to the requirements of Standards Rules 2-2.

Oral appraisal reports of real property (where assignment results are communicated by the spoken word) are subject to the requirements of Standards Rule 2-4.

Q. When performing residential appraisal assignments I use “standard” preprinted appraisal software forms. The forms ask me to identify whether neighborhood property values are “increasing,” “stable,” or “declining.” I have been told that lenders won’t accept appraisal reports where “declining” is checked (even when this is an accurate analysis), so I usually check “stable” to accommodate the underwriting process. Is this a violation of USPAP?

A. Yes. If the appraiser is aware that a market is declining and intentionally reports it otherwise, he or she is in violation of the ETHICS RULE.

If an appraisal report indicates that property values are “stable” when they are actually declining and the

appraiser's data supports the conclusion of declining values, the report is misleading and in violation of Standards Rule 2-1(a).

In addition, if the appraiser does not properly recognize that a market is declining, he or she may also be in violation of other requirements in STANDARD 1, as well as the COMPETENCY RULE.

Q I am a real property appraiser. I want to submit a complaint regarding an appraisal report to my state appraiser regulatory agency. I would like to express my opinions and comments about the quality of the appraisal report in a cover letter. Am I obligated to comply with STANDARD 3 regarding my opinions and comments regarding the appraisal? If so, who is my client?

A No, you are not required to comply with STANDARD 3. Because the individual filing the complaint is acting as an appraiser, USPAP applies. However, because there is no client, there is no assignment and so STANDARD 3 does not apply. Therefore, the appraiser making the complaint would be obligated to comply with the portions of USPAP that apply generally to appraisal practice (i.e. DEFINITIONS, PREAMBLE, the Conduct, Management, and Confidentiality sections of the ETHICS RULE, the COMPETENCY RULE, the JURISDICTIONAL EXCEPTION RULE, and the SUPPLEMENTAL STANDARDS RULE).

Q Most appraisers know that "inflating" values is unethical, but some appraisers think that "deflating" values is acceptable, particularly in light of difficult market conditions. I think that both actions are unethical. Am I correct?

A Yes. The ETHICS RULE requires an appraiser to be independent, impartial, and objective, and to perform assignments without bias. An appraiser who intentionally "inflates" or "deflates" an opinion of value would be in violation of the Conduct section of that Rule.

Q I performed an appraisal assignment for a lender client who has subsequently gone out of business. Now the borrower is requesting a copy of the appraisal from me since the company is defunct and there is no way to contact them. Does my obligation for appraiser-client confidentiality end since the client no longer exists?

A No. USPAP has no provision for terminating appraiser-client confidentiality. An appraiser is required to comply with the requirements of the Confidentiality section of the ETHICS RULE, regardless of the status of the client. Note: the following question is reprinted from a prior monthly USPAP Q & A. It is also included in the 2008-2009 Frequently Asked Questions (FAQ #78).

Q Is it acceptable to readdress or transfer a completed appraisal report?

A No. Once a report has been prepared for a named client or clients, the appraiser cannot 'readdress' (transfer) the report to another party. Simply changing the client name on the report cannot change or replace the original appraiser-client relationship. Therefore, this action is misleading.

However, you can consider the request as a new assignment. In so doing, you may establish a new appraiser-client relationship and appraise the property for this new client.

Additional information can be found in Advisory Opinion 26, Readdressing (Transferring) a Report to Another Party. Important considerations, such as the handling of confidential information and other factors, are addressed in Advisory Opinion 27, Appraising the Same Property for a New Client.

This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. The ASB USPAP Q & A is issued to inform appraisers, regulators, and users of appraisal services of the ASB responses to questions raised by regulators and individuals; to illustrate the applicability of the Uniform Standards of Professional Appraisal Practice (USPAP) in specific situations; and to offer advice from the ASB for the resolution of appraisal issues and problems.



Rodney A. Plagman (G-1718), Iowa
Complaint #497

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: A Consent Agreement was entered into on October 25, 2007, with the following terms and conditions: That Plagman immediately cease and desist from all supervision of appraisers/trainees and any other provision of appraisal services in the State of

Kansas; and that Plagman voluntarily surrender his certificate to practice and perform appraisal services in the State of Kansas.

Ralph E. Gingerich (L-240), Hutchinson
Complaint #515

Violations: K.S.A. 58-4141, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on November 21, 2007, with the following terms and conditions: That Gingerich maintain a log of all appraisals he performs or in which he participates for a period of six (6) months from the date of the Order; that the Board may select up to three (3) appraisals from the log for additional review; that should any review of any report indicate that the appraisal report is not in substantial compliance with USPAP, Gingerich will pay the cost of the review within 30 days and a new complaint will be filed; that Gingerich pay \$400 to cover the cost of the review within 30 days from the date of the Order.

Alan G. Oswald (L-2228), Garden City
Complaint #535

Violations: K.S.A. 58-4121; 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on November 21, 2007, with the following terms and conditions: That Oswald take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2008; that Oswald take and pass the examination of a minimum 15-hour sales comparison approach course on or prior to June 30, 2008; that Oswald take and pass the examination of a minimum 15-hour cost approach course on or prior to June 30, 2008; that Oswald take and pass the examination of a minimum 15-hour report writing course on or prior to June 30, 2008; and that Oswald pay \$500 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

Richard E. Batchellor (G-851), McPherson
Complaint #545

Violation: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8)
Action: That Batchellor take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2008; that Batchellor take and pass the examination of a minimum 15-hour sales comparison approach course on or prior to June 30, 2008; and that

Batchellor cease and desist from all supervision, commencing the date of the Order and ending six (6) months following completion of the education listed above.

Steven J. Cohorst (R-433), Marysville
Complaint #520/521

Violations: K.S.A. 58-4121; 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on November 27, 2007, with the following terms and conditions: That Cohorst take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2008; that Cohorst take and pass the examination of a minimum 15-hour sales comparison approach course on or prior to June 30, 2008; and that Cohorst take and pass the examination of a minimum 15-hour report writing course on or prior to June 30, 2008.

Charles C. Williams (G-109), McPherson
Complaint #543

Violations: K.S.A. 58-4121; 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on November 27, 2007 with the following terms and conditions: That Williams take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2008; that Williams take and pass the examination of a minimum 15-hour report writing course on or prior to June 30, 2008; that Williams cease and desist from all supervision of appraiser/trainees for a period of 12 months, commencing the date of the Order; and that following the 12-month "no supervision" period, Williams will notify the Board of any appraiser/trainee he will be supervising.

John J. Bondank (L-314), Bucyrus
Complaint #530

Violations: K.S.A. 58-4121; 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on November 27, 2007, with the following terms and conditions: That Bondank take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2008; that Bondank take and pass the examination of a minimum 15-hour report writing course on or prior to June 30, 2008; that Bondank take and pass the examination of a minimum 15-hour sales comparison approach course on or prior to June 30, 2008; that Bondank take and pass the examination of a mini-

mum 15-hour cost approach course on or prior to June 30, 2008; that Bondank pay a fine of \$1,000 within 30 days from the date of the Order; and that Bondank pay \$400 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

Kari N. Gingerich-Fast (P-2182), Hutchinson
Complaint #499

Violations: K.S.A. 58-4141, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on April 2nd, 2007, with the following terms and conditions: That Gingerich-Fast take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2008; that Gingerich-Fast take and pass the examination of a minimum 15-hour sales comparison course on or prior to June 30, 2008; and that Gingerich-Fast pay \$160 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

Sean E. Wooley (L-1618), Lansing
Complaint #523,524,525,526

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on January 18, 2008, with the following terms and conditions: That Wooley take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2008; that Wooley take and pass the examination of a minimum 15-hour report writing course on or prior to June 30, 2008; that Wooley take and pass the examination of a minimum 15-hour sales comparison approach course on or prior to June 30, 2008; and that Wooley pay \$1,000 to cover the cost of the review associated with these complaints within 30 days from the date of the Order.

Worth M. Showalter (R-455), Derby
Complaint #541

Violations: K.S.A. 58-4121, 58-4118(a)(6); (7) & (8).
Action: A Consent Agreement and Order was entered into on January 18, 2008, with the following terms and conditions: That Showalter take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2008; that Showalter take and pass the examination of a minimum 15-hour report writing course on or prior to June 30, 2008; that Showalter

take a minimum 7-hour course covering manufactured housing on or prior to June 30, 2008; and that Showalter pay \$500 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

Brian J. Reed (L-1506), Missouri
Complaint #547

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on January 18, 2008, with the following terms and conditions: That Reed take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2008; that Reed take and pass the examination of a minimum 15-hour sales comparison approach course on or prior to June 30, 2008; and that Reed take and pass the examination of a minimum 15-hour report writing course on or prior to June 30, 2008.

Robert D. Putthoff (L-2328), Olathe
Complaint #533

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on January 18, 2008, with the following terms and conditions: That Putthoff take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2008; that Putthoff take and pass the examination of a minimum 15-hour sales comparison approach course on or prior to June 30, 2008; that Putthoff take and pass the examination of a minimum 15-hour report writing course on or prior to June 30, 2008; and that Putthoff pay \$800 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

John W. Kiser (L-392), Wichita
Complaint 538

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on January 18, 2008, with the following terms and conditions: That Kiser take and pass the examination of the 15-hr USPAP course on or prior to June 30, 2008; and that Kiser pay \$300 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

Toby M. Breer (R-2302), Missouri
Complaint #548

Violations: K.S.A. 58-4121; 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on January 18, 2008, with the following terms and conditions: That Breer pay \$500 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

Chad A. Gilstrap (P-2360), Wichita
Complaint #540

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on January 18, 2008, with the following terms and conditions: That Gilstrap take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2008; that Gilstrap take and pass the examination of a minimum 15-hour report writing course on or prior to June 30, 2008; that Gilstrap take a minimum 7-hour course covering manufactured housing on or prior to June 30, 2008; and that Gilstrap pay \$300 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

Craig A. Gilstrap (R-31), Wichita
Complaint #539

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on January 18, 2008, with the following terms and conditions: That Gilstrap take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2008; that Gilstrap take and pass the examination of a minimum 15-hour report writing course on or prior to June 30, 2008; that Gilstrap take a minimum 7-hour course covering manufactured housing on or prior to June 30, 2008; and that Gilstrap pay \$300 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.



Kansas Appraisers

Certified General.....	440
Certified Residential.....	392
State Licensed.....	364
Provisional (Trainee).....	56
Total.....	1,252



Kansas Resident Appraisers	848
Non-Resident Appraisers.....	404

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