

O K L A H O M A REAL ESTATE APPRAISER BOARD NEWSLETTER



ISSUE #25

P.O. BOX 53408, OKLAHOMA CITY, OK 73152-3408

June 2008

Kim Holland, Chairperson

<u>Board Members:</u>	<u>Term Expires</u>
Lee R. Caesar Jr., Vice-Chair, Realtor Member, OK City	2011
James W. Hoyt, Appraiser Member, Oklahoma City	2009
P. Lane Wheeler, Appraiser Member, Oklahoma City	2010
Kim N. Allen, Appraiser Member, Enid	2011
Joey Snyder, Banking Member, Tulsa	2012
Jana S. Barker, Layperson Member, Elgin	2012
Patti L. Fisher, Appraiser Member, Shawnee	2013

Staff:

Rod Stirman, Director, Real Estate Appraiser Board
Christine McEntire, Legal Secretary, Real Estate Appraiser Board
Shannon Phipps, Administrative Officer, Real Estate Appraiser Board

MESSAGE FROM THE DIRECTOR

As you will recall, the 7-Hour National USPAP Update Course must be taken by all credentialed appraisers every two years. The current two year period began on January 1, 2007 and closes on December 31, 2008. So, if you haven't yet taken the course, please make arrangements to do so. Please don't put it off until the end of the year.

The first two year period ended on December 31, 2004. Forty-three individual appraisers had credentials revoked for failure to take the course. The next period ended on December 31, 2006. Twenty-six individuals were fined \$150 each for not meeting the deadline, and forty-two had certificates suspended pending receipt of the certificate of course completion accompanied by remittance of the \$150 fine.

As of right now, there are 1,255 resident appraisers and 154 non-resident credential holders. Non-resident's compliance is monitored by their resident state. Our records indicate that only 206 of our resident credential holders have furnished a certificate of course completion for the Update, leaving 1,049 people still needing to comply.

If you look to the right of your name on the mailing label, you will find a year. That is the year of your last USPAP. If it does not say 2007, 2008, or 9999, then you need to take the course. If you have done so, but the year on the mailing label does not agree, please fax the certificate of course completion to (405) 522-6909.

On a happier note, Christine McEntire joined the Board staff on July 17, 2007. Her title is Legal Secretary. Her responsibilities include support for the Disciplinary Committee, the Probable Cause Committee, disciplinary hearing panels, and our two prosecutors. She handles scheduling and docketing, issuing subpoenas, drafting legal papers, and maintaining the suspense file. She comes to us from Phillips, McFall, McCaffrey, McVey, and Murrah, PC.

Also, Shannon Phipps joined the staff on March 20, 2008. Her title is Administrative Officer. Her duties involve credentialing, education providers/courses, support to the Education, Experience, and Testing Committee and she serves as the Board's Secretary. She comes to us from the Office of the Attorney General.

These are excellent people and I am pleased to have them join our Board staff. rs

LICENSING BREAKOUT

<u>MONTH/YEAR</u>	<u>CGA</u>	<u>CRA</u>	<u>SLA</u>	<u>Total</u>	<u>TRA</u>
5/1/98	427	376	418	1221	
6/1/00	424	385	661	1470	
8/1/01	390	370	750	1510	
4/1/02	394	360	649	1403	115
10/1/02	398	361	577	1336	213
2/1/03	394	371	558	1323	280
6/30/03	387	384	510	1281	360
12/31/03	387	399	473	1259	449
6/30/04	385	417	450	1252	494
12/31/04	387	419	442	1248	503
6/30/05	378	430	396	1204	481
12/31/05	379	440	398	1217	479
6/30/06	380	450	386	1216	433
12/31/06	379	446	361	1186	387
6/30/07	386	442	313	1141	336
12/31/07	401	483	289	1173	289
5/31/08	405	479	284	1168	241

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QUALIFYING EDUCATION REQUIREMENTS

effective 1/1/08

As of January 1, 2008, the AQB Criteria for qualifying education have been changed. Appraiser courses must now be the courses listed in the Core Curriculum. The courses required are listed below in the left hand column. A course numbering system has been adopted which assigns each course provider the same course number for the same courses. For example, all providers' Basic Appraisal Principles 30 hour course has been assigned course number 601. All providers' National USPAP Courses are assigned the number 600.

Courses to be credited for qualifying must be taken in class. On-line course offerings are not acceptable for qualifying education. The specific lists of courses required of those upgrading are provided below in the right hand column.

CORE CURRICULUM REQUIREMENT

<u>TRAINEE APPRAISER</u>	<u>HOURS</u>
600: National USPAP Course	15
601: Basic Appraisal Principles	30
602: Basic Appraisal Procedures	30
Total required hours	75
<u>STATE LICENSED APPRAISER</u>	
600: National USPAP Course	15
601: Basic Appraisal Principles	30
602: Basic Appraisal Procedures	30
611: Res Market Analysis and HBU	15
612: Res Site Valuation and Cost Approach	15
613: Res Sales Comp and Income Approaches	30
614: Res Report Writing and Case Studies	15
Total required hours	150
<u>CERTIFIED RESIDENTIAL APPRAISER</u>	
600: National USPAP Course	15
601: Basic Appraisal Principles	30
602: Basic Appraisal Procedures	30
611: Res Market Analysis and HBU	15
612: Res Site Valuation and Cost Approach	15
613: Res Sales Comp and Income Approaches	30
614: Res Report Writing and Case Studies	15
621: Statistics, Modeling and Finance	15
622: Adv Res Applications & Case Studies	15
Appraisal Subject Matter Electives	20
Total required hours	200
<u>CERTIFIED GENERAL APPRAISER</u>	
600: National USPAP Course	15
601: Basic Appraisal Principles	30
602: Basic Appraisal Procedures	30
621: Statistics, Modeling and Finance	15
631: General Appraiser Mkt Anal & HBU	30
632: Gen Appraiser Sales Comp Approach	30
633: Gen Appr Site Val & Cost Approach	30
634: Gen Appr Report Writing & Case Studies	30
635: General Appraiser Income Approach	60
Appraisal Subject Matter Electives	30
Total required hours	300

ABOUT COLLEGE REQUIREMENTS

Criteria requirements for college education, either degrees or specific courses, refer to courses taken from an accredited college or university. Accredited means accreditation by the Commission on Colleges, a regional or national accreditation association, or by an accrediting agency that is recognized by the U.S. Secretary of Education. If an accredited institution accepts the College-Level Examination Program® (CLEP) examinations and issues a transcript for the exam showing its approval, credit will be accepted for the course.

Applicants applying for either of the certified credentials will be required to provide a copy of their degree or a transcript demonstrating satisfactory completion of the specified courses.

COURSE REQUIREMENTS FOR UPGRADE

<u>FROM TRAINEE APPRAISER:</u>	
<u>TO STATE LICENSED APPRAISER</u>	
611: Res Market Analysis and HBU	15
612: Res Site Valuation and Cost Approach	15
613: Res Sales Comp and Income Approaches	30
614: Res Report Writing and Case Studies	15
Total required hours	75
<u>TO CERTIFIED RESIDENTIAL</u>	
611: Res Market Analysis and HBU	15
612: Res Site Valuation and Cost Approach	15
613: Res Sales Comp and Income Approaches	30
614: Res Report Writing and Case Studies	15
621: Statistics, Modeling and Finance	15
622: Adv Res Applications & Case Studies	15
Appraisal Subject Matter Electives	20
Total required hours	125
<u>TO CERTIFIED GENERAL</u>	
621: Statistics, Modeling and Finance	15
631: General Appraiser Mkt Anal & HBU	30
632: Gen Appraiser Sales Comp Approach	30
633: Gen Appr Site Val & Cost Approach	30
634: Gen Appr Report Writing & Case Studies	30
635: General Appraiser Income Approach	60
Appraisal Subject Matter Electives	30
Total required hours	225
<u>FROM STATE LICENSED APPRAISER:</u>	
<u>TO CERTIFIED RESIDENTIAL APPRAISER</u>	
621: Statistics, Modeling and Finance	15
622: Adv Res Applications & Case Studies	15
Appraisal Subject Matter Electives	20
Total required hours	50
<u>TO CERTIFIED GENERAL APPRAISER</u>	
621: Statistics, Modeling and Finance	15
General Appraiser Mkt Anal & HBU	15
Gen Appraiser Sales Comp Approach	15
Gen Appr Site Val & Cost Approach	15
Gen Appr Report Writing & Case Studies	15
General Appraiser Income Approach	45
Appraisal Subject Matter Electives	30
Total required hours	150
<u>FROM CERTIFIED RESIDENTIAL APPRAISER:</u>	
<u>TO CERTIFIED GENERAL APPRAISER</u>	
General Appraiser Mkt Anal & HBU	15
Gen Appraiser Sales Comp Approach	15
Gen Appr Site Val & Cost Approach	15
Gen Appr Report Writing & Case Studies	10
General Appraiser Income Approach	45
Total required hours	100

APPRAISER QUALIFICATION

Real estate appraiser credentials are issued on the basis of the requirements of the Oklahoma Certified Real Estate Appraisers Act, the Real Estate Appraiser Board's administrative rules, and the Appraiser Qualification Criteria promulgated by the Appraiser Qualifications Board of The Appraisal Foundation. Forms and administrative procedures have been established by the Board to facilitate applicants' movement through the process. The Criteria may be downloaded from <http://www.appraisalfoundation.org>.

Credentialing requirements are generally broken into three components: education, experience, and examination. Each of these three components is discussed in more detail below.

EDUCATION. Education, under the Criteria, consists of three components, qualifying appraiser education, appraiser continuing education, and formal education. On the previous page, you found a presentation of current requirements pertaining to appraiser qualifying education. Previous versions of the Criteria allowed applicants to take any course that was approved by the Board as qualifying education and simply placed a minimum requirement on the number of hours, and required the National USPAP Course. Current Criteria, as you have noted from the previous page, require that applicants take specific courses designed to ensure that applicants have been exposed to all of the fundamentals of appraising, and that the material has covered all of the areas required by the content of the examination. Under Board rules, appraiser qualifying courses must be taken in class; distance education courses are not acceptable.

Formal education is a new requirement. It presently applies only to applicants for the two certified credentials. Applicants for certified residential appraiser are required to have an Associates degree. Alternatively, certified residential applicants may demonstrate proof of completion of the following seven specified college courses: English Composition; Principles of Economics (either Micro or Macro); Finance; Algebra, Geometry, or higher mathematics; Statistics; Computer Science; and Business or Real Estate Law, to total not less than 21 semester hours. Applicants for certified general appraiser are now required to have a Bachelors degree. In the alternative, applicants may demonstrate proof of completion of the following college level courses: English Composition; Micro Economics; Macro Economics; Finance; Algebra, Geometry or higher mathematics; Statistics; Computer Science; Business or Real Estate Law; and two elective courses selected from accounting, geography, agricultural economics, business management or real estate, to total not less than 30 semester hours. Degrees and courses must be from an institution accredited by the Commission on Colleges, one of the regional or national accrediting associations, or by an accrediting agency that is recognized by the U.S. Secretary of Education.

Continuing education has not been altered under the new version of the Criteria. The requirement is still for 42 hours of Board-approved courses over the three year period ending on the expiration date of the individual's credential. All qualifying courses are also creditable as continuing education. Only half of the continuing education requirement may be taken on-line; the remaining half must be taken in-class. The 7-Hour National USPAP Update Course must be taken by all appraisers during each two year period ending on December 31 of even numbered years. It is creditable as continuing education.

EXAMINATION. There are no changes in the requirement to successfully complete an examination for applicants other than trainees. There is a substantial change, however, in the examination itself effective January 1, 2008. All examinations are the National Uniform Licensing and Certification Examinations, authored by the Appraiser Qualifications Board and provided to the exam providers under contract with the various jurisdictions. These exams are designed to test the candidate's ability to apply the acquired knowledge and experience, as opposed to testing an individual's recall. They take about twice the time to administer (up to 8 hours for CG; up to 6 hours for CR and SL), and are more comprehensive. The exams cover all of the material from the appropriate Core Curriculum courses.

EXPERIENCE. There is only one minor change to the experience requirement, in that the experience of applicants for state licensed appraiser must extend over a period of not less than twelve (12) months, as evidenced by the first and last entries in the appraisal log. The experience requirement remains the least understood of the three areas. The quantitative requirements set forth by the Criteria in terms of hours and months are well understood. There is an unfortunate tendency to forget the Criteria requirement that work product being credited must comply with USPAP.

There are two reasons that USPAP compliance is important. First, if the work product is found non-compliant by the reviewer, the application will be disapproved. The second reason, and please make this connection, is that on most appraisal assignments, USPAP compliance is not optional. The Act and the Board's rules require compliance in most cases. Failure to comply with USPAP, when required, is a violation of the Act and is subject to disciplinary action by the Board. You will note that the disciplinary actions on subsequent pages virtually all involve violations of USPAP. That is why the Board strongly emphasizes USPAP Update courses and work product reviews.

Inflated Appraisals: Watch for Red Flags

Written by: Karen Oberman, SRA

With increasing scrutiny in the real estate market and a realization that all good things eventually do come to an end. (It's true, the market couldn't have "gone up" forever!) Originators, real estate professionals, homeowners, investors, end-users and appraisers alike might be paying more attention to the real estate appraisals that allow them to buy, sell and borrow.

So you have an appraisal...now what? How do you know when there may be problems or whether the appraisal is inflated? Even if you only have an infrequent occasion to read an appraisal report, there are a few key things that you can keep watch for in order to determine whether the report is truly inflated.

- **Is the report prepared in a professional manner?**

While misspelled words and incomplete sentences alone do not determine the credibility of an appraisal, the presentation of a report often speaks volumes about the dedication and due diligence necessary to analyze data and develop reliable opinions.

Many appraisals completed for mortgage lending purposes, or on residential properties in general, are completed on "forms". Depending upon the complexity of the property, it is rarely reasonable to assume that there would not be *any* narrative addendum pages necessary to adequately address the subject's improvements, neighborhood, market conditions and/or analysis of the valuation processes. Reports which appear to be minimal may not have adequately addressed value-impacting factors, or presented a clear, concise and supportable argument for the conclusions reached.

- **Does the report lack narrative or descriptive information which may not adequately reflect what you know about the market area that the subject is located in?**

There isn't an expectation for the end-user or lay-person to understand appraisal procedures and principles. However, as a responsible participant in the lending process, a basic understanding of the market area isn't unreasonable. It's difficult to watch the evening news, listen to the radio, or pick up the paper without seeing that there are areas of the country where previous record increases in value have been replaced with stagnant to plummeting values.

If you are investing in a property, do some due diligence of your own. Drive the neighborhood. Are there a high number of for sale signs? Are there any properties which appear to have been neglected or boarded up? Has this been mentioned in the report? Have positive or negative impacting factors been mentioned and analyzed by the appraiser? The residential property that is near a school and several parks may be very appealing to a certain market segment and this should be considered in the valuation. Likewise, location of a property adjacent to the new manufacturing plant may detract from the marketability. If there is a glaring omission or commission (i.e., reporting enhancing views that don't exist), then there is good reason to question the report's credibility.

- **Are comparables, "truly comparable"?**

If you are an investor, a real estate professional, or anyone else involved with the transaction, ask yourself if you would substitute "this" for "that". Is it possible for a one story home to be a substitute property for a two-story home? Absolutely! However, in certain markets, if you are in a tract subdivision, or an area with many sales that offer similar design, appeal and utility to the subject, but which weren't selected for comparison, ask yourself why these properties weren't analyzed.

Different style homes have different costs associated with construction. One story homes are typically more expensive to build than two stories. So if an appraiser chooses several one story homes as comparables for a two story subject, when ample two stories were available, it could artificially inflate the value conclusions.

Location, location, location! If the appraiser chooses comparable properties distantly located, without adequate explanation, ask why. While general appraisal practices are more favorable to comparables within one mile of the subject, *even a mile can be distant* when there are 30 sales in the immediate subdivision which were not analyzed.

Look at the photos. Do the sales used for analysis truly look "similar" to the subject? Are they superior or inferior in overall architecture? If you were presented with an opportunity to invest in any of the properties based upon the photographs alone...would you consider some to be more desirable than others? And if so, does this appear to have been reflected in the valuation process?

Inflated Appraisals: Watch for Red Flags (cont'd)

- **Are there ample photos to support commentary?**

With the technology available to every sector of our society, there is no acceptable explanation for an appraiser not including multiple photographs to support their conclusions and opinions.

If an appraiser reports that the subject has received extensive interior updating, then there should be a reasonable sampling of interior photographs included within the report to support this claim.

While professional photography is not expected, comparable photos should not be vague. Are there numerous trees in the photo so that the property can not be reasonably seen? Are the photos distant? While there is often a requirement for appraisers to physically inspect the exterior of comparables, they are able to utilize photos from other sources which may offer better views of the property for the reader to analyze.

- **Has there been an unexplained increase in value? Or a value higher than recent previous listings/sales?**

As an investor in the real estate industry, if you see that a property has been on the market, listed at \$250,000, for a year with no offers and is subsequently withdrawn and “refinanced” with an appraisal of \$300,000; you may want to investigate why this property would suddenly have a value \$50,000 higher than the value that the market already demonstrated it wasn't willing to bear.

There can be perfectly good explanations for properties that sell for more or less than “market” value; however those explanations should be provided in the report and easily understood by the reader. *Ed. Note:* See p. 8, Order 07-004; p. 9, Order 07-017; also p. 8, 07-001; p. 9, 07-012.

- **Is there explanation and logic to support the adjustments, the analysis and the conclusions?**

Appraisals should present unbiased, independent, market driven opinions. As such, they should lead the reader of the report logically through the analysis, support adjustments with facts, and present the final opinion in a manner in which there simply isn't any other reasonable conclusion.

If you see large, unexplained adjustments to comparables, or excessive, re-created costs to construct; ask why. Some adjustments are self-evident. There is a certain value to some amenities, such as a garage in a residential property, and the difference between a one car garage and a two car garage, which may need minimal explanation for the reader to understand.

Large adjustments for condition, quality or other elements with no support, or minimal to no explanation, should be scrutinized. If an appraisal requires “across the board” adjustments, there should be adequate explanation to help the reader understand why that was necessary. An across the board adjustment is when all of the comparables are adjusted for lacking or having the same element, whereas the subject does not. For example, if the subject has a swimming pool and none of the 5 sales presented have pools, yet a \$40,000 adjustment was made for this amenity, it raises the question if this is truly an amenity that the market desires or is willing to pay for.

So, why should you be worried about inflated appraisals? For property owners, paying for or borrowing against real estate that isn't worth the loan is rarely considered to be a sound personal investment. As commercial investors, holding paper on properties that may require foreclosures because owners can't pay the mortgage or sell the property can result in large bottom-line losses. In small communities and large societies, defaulted loans can create neighborhood blights due to abandoned properties and false inflation can create difficult economic situations that could take years to resolve.

While it is not necessary for the typical or infrequent end-user to understand all of the complexities involved with the appraisal process, taking time to read and understand the logic presented will help hold all parties in the lending process accountable.

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Karen L. Oberman, SRA, is the Quality Assurance Manager for Forsythe Appraisals. Karen is an AQB Certified USPAP Instructor and has provided appraisal and consultation services for clients in areas including mortgage lending, litigation support, compliance activities and state appraisal licensing. As an active appraiser contending with federal and state laws, as well as client demands, Karen uses her unique perspective of regulating authorities and her real-world experience to present seminars and articles that provide useful information for practical application in real world appraisal situations.

USPAP Q & A

Q Does the expectation to have a transcript or a summary apply only in assignments when an appraiser provides an oral report?

A: No. The requirements identified in the Record Keeping section of the ETHICS RULE apply to both oral reports and testimony in an appraisal, appraisal review, or appraisal consulting assignment.

Q: Is a transcript of an oral report or testimony required for the workfile when an appraiser testifies about an appraisal assignment?

A: No. There is no absolute requirement to have a transcript of the appraisal oral report testimony. The Record Keeping section of the ETHICS RULE requirement is for the workfile to contain summaries (which are typically prepared by the appraiser) or a transcript. In cases where summaries are retained, a transcript is not required.

Q: Does the expectation to have a transcript or summary of testimony apply if the appraiser has a written appraisal report and testifies only to the information contained in that report?

A: Yes. A transcript or summary of the testimony must be included in the workfile when the appraiser testifies about a written report. While the report that is the subject of the appraiser's testimony must also be included in the assignment workfile, it does not replace a summary of the testimony.

Q: If an appraiser prepares a written appraisal report, is the workfile required to contain a separate signed certification for any testimony the appraiser provided in support of that report?

A: In cases where testimony is provided about information contained in a written appraisal, appraisal review, or appraisal consulting report, a signed certification is required to be included in the written report. The requirement to include a signed certification is satisfied by including a true copy of the report in the workfile, consistent with the Record Keeping section of the ETHICS RULE.

Q: Must the workfile contain a transcript or summary of an appraiser's testimony for the entire proceeding, or only for that portion that contains the appraiser's testimony?

A: The appraiser's workfile must contain a summary or a transcript of the appraiser's testimony in an appraisal, appraisal review, or appraisal consulting assignment. The appraiser is not obligated to retain summaries or transcripts for other segments of the proceedings in which testimony was provided by individuals other than the appraiser.

USPAP Q & A

Q: The real estate market I appraise in has slowed down over the last 12 to 18 months, and it is now extremely common to see seller concessions as part of a purchase transaction. What are the USPAP requirements regarding proper treatment of sales/financing concessions?

A: Sales or financing concessions may have an effect on the price paid for a property. As such, it is important for the appraiser to recognize this and analyze their impact.

Sales or financing concessions should be considered in light of the type and definition of value used in an assignment. If the value opinion to be developed in a real property appraisal assignment is market value, then Standards Rule 1-2(c) requires the appraiser to ascertain whether the value is to be the most probable price:

(i) *in terms of cash; or*

(ii) *in terms of financial arrangements equivalent to cash; or*

(iii) *in other precisely defined terms; and*

(iv) ***if the opinion of value is to be based on non-market financing or financing with unusual conditions or incentives, the terms of such financing must be clearly identified and the appraiser's opinion of their contributions to or negative influence on value must be developed by analysis of relevant market data;*** (Bold added for emphasis)

It should be noted that some client groups, such as Fannie Mae, specify how sales or financing concessions are to be addressed in assignments that are subject to their guidelines. Appraisers performing assignments of this type should become familiar with all applicable guidelines in order to satisfy the requirements of the COMPETENCY RULE.

Q: I know that Standards Rule 1-5(a) requires an appraiser to analyze all current listings of the subject property. Does it also require analysis of *prior* listings of the subject property?

A: No. Similar to sales history requirements for comparable sales, this Standards Rule does not require an appraiser to analyze a prior listing history for the subject property. However, in the development of an appraisal, an appraiser is required under Standards Rule 1-1(b), to *not commit a substantial error of omission or commission that significantly affects an appraisal. If information about a prior listing is known by the appraiser, and that information is relevant to the appraisal problem, it must be considered.*

An analysis of the subject's prior listing history may be required by applicable supplemental standards in some assignments.

USPAP Q & A

Q: I was asked to appraise a single-family residence for refinancing. I am aware that the property had been previously listed but did not sell. During my data investigation and analysis, I noted that the owner's "estimate of value" was \$375,000. When I looked up the listing history, I found it had been withdrawn from the market at the asking price of \$325,000. What are my obligations under USPAP regarding a withdrawn or expired listing of the subject property?

A: Standards Rule 1-5(a) states:

When the value opinion to be developed is market value, an appraiser must, if such information is available to the appraiser in the normal course of business:

(a) analyze all agreements of sale, options, or listings of the subject property current as of the effective date of the appraisal.

Therefore, there is not a specific requirement in Standards Rule 1-5(a) to consider and analyze a withdrawn or expired listing of the subject property, prior to the date of the appraisal.

However, any prior listing of the subject property (as of the effective date of the appraisal) might be significant in that it indicates the property's availability in the market and the market reaction to that availability. Likewise, agreements of sale and options are generally significant to the appraisal problem in that they involve a "meeting of the minds," relating to the property's value, of the potential buyer and seller.

In the development of an appraisal, an appraiser is required under Standards Rule 1-1(b), to *not commit a substantial error of omission or commission that significantly affects an appraisal*. If information about a withdrawn or expired listing is known by the appraiser and that information is relevant to the appraisal problem, it must be considered.

Q: I am a state certified real estate appraiser and typically list my state license number directly below my signature on appraisal reports. I spoke with an appraiser in another state who said USPAP has certain requirements pertaining to identification of credentials in an appraisal report. Is this correct, does USPAP address how appraiser credentials must appear in an appraisal report?

A: No. There are no requirements in USPAP specifying how an appraiser must identify his or her credentials in an appraisal report. That is a matter of individual state laws for state licensed or certified appraisers. There may also be specific requirements from professional appraiser organizations for appraisers who possess designations from those organizations.

Ed. note: This guidance is statutory, 59 O.S. § 858-719 B, which states: *"Each trainee, state licensed, state certified residential or state certified general real estate appraiser shall place that appraiser's certificate number adjacent to or immediately below the title Trainee Appraiser, State Licensed Appraiser, State Certified Residential Appraiser or State Certified General Appraiser when used in an appraisal report or in a contract or other instrument used by the certificate holder in conducting real property appraisal activities."*

USPAP Q & A

Q: Recently I've heard that some appraisers are using a questionable technique to provide sample appraisal reports for prospective clients. These appraisers will redact all confidential information from the report (as required to comply with the Confidentiality section of the ETHICS RULE in USPAP) and send it to a prospective client, but then will follow-up with an additional e-mail that provides the client with all of the information that had been redacted from the sample report. Is this practice acceptable?

A: No. Although the confidential information and assignment results are not being communicated simultaneously with the initial submission of the sample report, they are nonetheless being communicated in the subsequent e-mail transmission.

The Confidentiality section of the ETHICS RULE does not permit communicating confidential information and assignment results without the client's consent, even if that information is provided in a separate communication.

Q: I am a licensed trainee with approximately six months of experience. My supervisory appraiser recently deemed me competent to perform inspections on my own; however, many of our clients require the supervisory appraiser to physically inspect the property as well. If I do the inspection by myself but take numerous representative photos of the interior of the subject property, may my supervisory appraiser check the box indicating that he "Did Inspect" the interior of the property?

A: No. A physical inspection of the interior of the property is not the same as a physical inspection of photographs of the interior of the property. It would be misleading for an appraiser to indicate that a physical inspection was performed when in fact the appraiser viewed photographs of the property. An appraiser who only inspects photographs of a property, but signs a certification indicating that he or she physically inspected the subject property, is in violation of USPAP's prohibition against the communication of a misleading or fraudulent report (Conduct section of the ETHICS RULE).

USPAP Q&A for the newsletter are selected by the staff based on questions handled by the Board's administrative staff office. There will never be sufficient space available to reprint each of them, but they will be placed, in unedited form, on the Board's website, for your reference and use.

The 2008-09 USPAP that went into effect at the beginning of this year incorporates Q&A's into a section of Frequently Asked Questions. These are in the back of the book, and are arranged by subject matter. They are an excellent source for answers to your USPAP questions.

Please remember, the staff members are neither appraisers nor USPAP instructors, and are not a good source for guidance as to USPAP compliance.

DISCIPLINARY ACTIONS**Order 07-001, W. Rob Harn, 90449TRA, Broken Arrow.**

Findings of fact. Numerous errors of commission and omission in appraisal report. Use of supervisor's electronic signature without knowledge or authorization. Implausible explanations from Respondent during testimony. Intention to produce opinion of value that was dishonest, fraudulent, and/or misrepresented value of subject property.

Conclusions of law. Violation of 59 O.S. § 858-723 A 5, 7, 8, 9, and 13. § 858-723 A 6 thru violation of Conduct Section, Ethics Rule, Competency Rule; Standard 1 and SRs 1-1 (a,b,c), 1-2(e,f), 1-3(a), 1-5, 1-6; Standard 2 and SRs 2-1(a,b), 2-2(b)(iii,ix,x).

Order. Revoked.

Order 07-002, Robert J. Emery 10034CGA & David W. Dick 11697SLA, Enid, Consent Order.

Agreed facts. Respondent Dick appraised a parcel of commercial property, which report contained numerous errors, and the report was co-signed by Respondent Emery.

Agreed violations. Violations of 59 O.S. 858-723 A 6 through violation of Conduct and Management Sections, Ethics Rule, Departure Rule, Competency Rule, Standard 1 and SR 1-1(a,b,c), 1-2(e,f), 1-3(a), 1-4(b)(i), 1-5(a), Standard 2 and SR 2-1(a,b,c), 2-2(a)(iii), 2-2(b)(l,iii,ix,x,xi), and 2-5, 1999 USPAP; § 858-719 B; and 723 A 7,8, & 9 § 858-723 A 13 thru violation of § 858-732 A 1.

Agreed settlement. Each respondent fined \$1000, respondent Dick not to appraise properties other than 1-4 family non-complex residential properties without approval from the Board.

Order 07-003, D. Geoffrey Monical 12455CRA, Ketchum, Consent Order.

Agreed facts. Respondent Harn (See order 07-001 above) was a trainee, Respondent Monical his supervisor. Harn prepared and transmitted 16 reports grossly inflating the value of the subject properties and affixed Monical's electronic signature. Monical had made his electronic signature available to Harn, but was not aware of the sixteen reports. Monical failed to safeguard his electronic signature.

Agreed violations. 59 O.S. § 858-723 A 9 through USPAP 2005 Definition, OAC 600:100-16-1-16(d)(4) and 600:10-1-16(e); § 858-723 A 13.

Agreed order. Public reprimand; directed to protect electronic signature; provide to Board 5 reports prepared by Respondent Harn, and 5 reports generated by other trainees for review; authority to act as supervisor in abeyance pending outcome of reviews; directed to notify current trainees that relationship is terminated until reports are submitted and favorably reviewed.

Follow-on. Reports were reviewed, Board removed right to supervise trainee appraisers

Order 07-004, Desiree Y. Johnson, 12154SLA, Norman; and Kimberly A. Blevins, 90367TRA, Norman.

Findings of fact. Respondents reported \$400,000 estimate of value, property was on market for 194 days list \$310,000. Improper comp selection, failure to make proper adjustments, inability to provide substantiating workfiles to match testimony, overstated subject GLA. Property foreclosed. Buyer, mortgage broker, and selling agent convicted in federal court in cash back at closing scheme.

DISCIPLINARY ACTIONS (Cont'd)

Conclusions of law. Violations of 59 O.S. § 858-723 A 6 thru violation of Conduct and Management Sections of Ethics Rule; Competency Rule; Standard 1 and SR 1-1(a,b,c), 1-5(a,b), Standard 2 and SR 2-1(a,b,c,); 858-723 A 7, A 8, A 9 and A 13 thru § 858-723 A 32 A; and § 858-723 A 5 involving dishonesty, fraud, or misrepresentation.

Order: Both Respondents revoked without the right to apply for reinstatement.

Order 07-005, Aaron D. Lindauer 12482SLA, Midwest City.

Action. Affidavit of Voluntary Surrender of Appraiser Credential in lieu of Disciplinary Proceedings.

Order. Surrender accepted by the Board.

Order 07-006, Dan W. Montague 10348CRA, Enid.

Findings of fact. Respondent failed to abide by the terms and conditions of a consent order (Order 06-001) as he had agreed. Showed a flagrant disregard for the Board's order and his agreement to abide by the order. Lied to Board under oath.

Conclusions of law. Violation of 59 O.S. § 858-723 A 5 and § 858-723 A 13 thru violation of § 858-732 A 1 & 4.

Order: Revoked. (Reduced to 6 mos. Suspension by Court Order.)

Order 07-007, Oklahoma CRA.

Findings of fact. The Board believes that mistakes were made as alleged by HUD, however, it was not proved by clear and convincing evidence that these mistakes rise to the level of actionable conduct.

Conclusions of law. It was not proved by clear and convincing evidence that Respondent's conduct was in violation of the Act.

Order. The complaint is dismissed.

Order 07-008, Oklahoma CRA.

Findings of fact. Respondent appraised a house subject to renovating and a 500 sf addition. A certificate of completion of the conditions of the appraisal was executed with what appeared to be Respondent's signature. A handwriting expert provided evidence that the signature was not that of Respondent.

Conclusions of law. It was not proved by clear and convincing evidence that there had been a violation.

Order. Action of the Board adopting grievance as formal complaint rescinded, copies of transcript of hearing and administrative record to Fannie Mae and Department of Consumer Credit.

Order 07-009, Drew S. Cartwright, 11224CGA, Jay, Consent Order.

Agreed findings of fact. Reported residence completed in as is condition but house was not completed and unlivable, numerous items remained to be completed, failed to disclose a mobile home, report indicated appraisal for ten acres, but subject was twenty-one acres, incorrect and misleading report, stated that report was incomplete and not ready for release but secretary affixed electronic signature and sent to client.

Agreed conclusions of law. Violation of 59 O.S. § 858-723 A 9 by USPAP definition regarding sole personal control of digital signature; § 858-723 A 6 and A 7.

Agreed order. Complete Business Practices and Ethics Course within 90 days, \$1,000 fine.

DISCIPLINARY ACTIONS (Cont'd)**Order 07-011, Harold E. Dunham, Pryor.**

Action. Affidavit of Voluntary Surrender of Appraiser Credential in lieu of Disciplinary Proceedings.

Order. Surrender accepted by the Board.

Order 07-012, Randolph D. Royce 12346SLA, Oklahoma City.

Action. Affidavit of Voluntary Surrender of Appraiser Credential in lieu of Disciplinary Proceedings.

Order. Surrender accepted by the Board.

Order 07-013, James T. Shepard 11758SLA, Edmond.

Findings of fact. Respondent Shepard allowed a trainee appraiser on his fourth appraisal assignment to go to Sulphur to appraise a residence, unaccompanied. There are numerous and substantive errors in the report. Respondent Shepard, according to sworn testimony, never accompanied him on an assignment, and only communicated with him by email or telephone. The Board found that the trainee did not receive the proper supervision; and that the errors in the report could have been corrected had appropriate supervision been provided.

Violations of law. Violation of 59 O.S. § 858-723 A 6 through violation of Conduct and Management Sections of Ethics Rule, Competency Rule, Standard 1 and SR 1-1, 1-2, 1-3, 1-4, Standard 2, SR 2-1 and 2-2(b)(viii,ix,x), USPAP; § 858-723 A 7 and 8; § 858-723 A 9 thru violation of OAC 600:10-1-16; and § 858-723 A 13 through violation of § 858-732 A 1.

Order. Respondent's credential is revoked.

Order 07-014, Oklahoma Trainee Appraiser.

Findings of fact. See Order 07-013, above.

Violations of law. Same as Order 07-013, above, less violation of OAC 600:10-1-16.

Order. Private censure.

Order 07-016, David E. Reddick, 10885CRA, Edmond.

Action. Affidavit of Voluntary Surrender of Appraiser Credential in lieu of Disciplinary Proceedings.

Order. Surrender accepted by the Board.

Order 07-017, Carlton L. Smith, 90116TRA, Edmond.

Findings of fact. Respondents reported \$136,000 estimate of value, failed to analyze listing (listed for \$112,000), Improper comp selection, failure to make proper adjustments, improper adjustments, failure to analyze sales contract and identify cash back at closing scheme, failure of supervision (See Order 07-016 above).

Violations of law. Violation of 59 O.S. § 858-723 A 5,7,8,9,10, and 13 through violation of § 858-732 A 1; § 858-723 A 6 through violations of Conduct and Management Sections of Ethics Rule, Competency Rule, Standard 1 and SR 1-1(a,b,c), 1-5(a,b), Standard 2 and SR 2-1(a,b,c), USPAP.

Order. Revoked without the right to reinstate.

Order 07-018, Phillip B. Gates, 12382SLA, Edmond, Consent Order.

Agreed findings of fact. Gates was a state licensed appraiser whose credential expired on December 31, 2006. Gates performed nine appraisals between the dates of 1/8/07 and 4/12/07 indicating that his credential expired in December 2009. Gates agreed to a consent order in Oklahoma County District Court permanently enjoining his from such activity.

Violations of law. Violation of 59 O.S. § 858-723 C 6 and § 858-723 C 9 through violation of § 858-704 A.

Agreed Order. Revoked without the right to reinstate.

DISCIPLINARY ACTIONS (Cont'd)**Order 07-019, William E. Davis 11946SLA, Oklahoma City.**

Findings of fact. Testified that he reported subject GLA as 10% more than it really was in order to meet the USPAP requirement to keep gross adjustments below 25%. Numerous and significant inaccuracies in reporting factual data. No understanding of cost approach or understanding of or support for site value. "[A]n appalling lack of knowledge regarding basic appraisal principles, practices, and procedures..."

Violations of law: 59 O.S. § 858-723 A 7, 8, and 13; Violation of § 858-723 A 6 thru violation of Standard 1 and SR 1-1(a), (b), and (c), SR 1-2 (a), (b), and (e)(i); Standard 2 and SR 2-1(a) and (b), and SR 2-2(b)(i), (ii), (iii) and (ix).

Order: Revoked without the right to reinstate.

Order 07-020, Don L. Standridge, 12386CRA, Okmulgee, Consent Order (2 complaints).

Agreed Findings of fact. 1) Numerous errors which in the aggregate led to inflated value conclusion of \$265K, including failure to report, analyze and explain previous sale of subject for \$136K 33 months earlier. Incorrect reporting including 500 s.f. overstatement of GLA. Left neighborhood for superior comps ignoring comps in neighborhood. 2) Numerous errors which in the aggregate led to inflated value conclusion. Comps 2 & 3 not verifiable as closed sales, failure to make proper adjustments, inflated cost approach, ignored pending sale, and ignored more appropriate comps.

Agreed Violations of law: 59 O.S. § 858-723 A 7, 8, & 9; Violation of § 858-723 A 6 thru violation of Standard 1 and SR 1-1, 1-2, 1-4 and 1-5; Standard 2 and SR 2-1 and SR 2-2(b)(viii) & (ix).

Agreed Order: \$2,000 admin fine, \$2,500 prosecution costs, 200 hours corrective education – 120 hours within one year, the balance within two years.

Order 07-021, Patsy L. Spray, 10525CRA, Enid, Consent Order.

Agreed Findings of fact. All in 2004: valued subject at \$440K in Feb, subject sold Jul for \$340K, valued subject at \$501K in Nov. Reports provide no explanation to justify differences.

Agreed Violations of law: 59 O.S. § 858-723 A 5, 6, 7, 8, & 13; § 858-726; § 858-732 A 1.

Agreed Order: Public Reprimand, \$2,000 admin fine, 30 hours corrective education within 90 days.

Order 07-022, Michael K. Shrewsbury, 12177SLA, Norman.

Findings of fact. Subject property sells for \$45K, one month later Respondent values property at \$80K citing upgrades. Inspection by reviewer disclosed that upgrades had not been made. Respondent did not provide workfile required by subpoena. One week prior to hearing respondent provides workfile which was shown to be fabricated. Respondent testified that he submitted the report in response to a request by a loan officer because he trusted the loan officer.

Violations of law. Violation of 59 O.S. § 858-723 A 5, 6, 7, 8, and 13 through violation of § 858-732 A 1; § 858-723 A 6 through violations of Conduct Section of Ethics Rule, Competency Rule, Standard 1 and SR 1-1(b) and (c); Standard 2 and SR 2-1(a) and (b), USPAP.

Order. Revoked.

Order 07-023, Billy M. York, 11024SLA, Adair.

Action. Affidavit of Voluntary Surrender of Appraiser Credential in lieu of Disciplinary Proceedings.

Order. Surrender accepted by the Board.

DISCIPLINARY ACTIONS (Cont'd)**Order 07-024, Paul H. Potter, 12348SLA, Norman.**

Findings of fact. Respondent failed to correctly analyze and report the listing of the subject. Failed to analyze the contract for sale. Use of golf course lots as comps for interior lots without proper adjustments. Use of 2 story comps when more similar 1 story comps were available. Intent to value at contract price.

Violations of law. Violation of 59 O.S. § 858-723 A 5, 7, 8, 9, 10, and 13 through violation of § 858-732 A 1 and 2; § 858-723 A 6 through violations of Conduct Section of Ethics Rule, Standard 1 and SR 1-1(a), (b) and (c); Standard 2 and SR 2-1(a) and (b), USPAP.

Order. Revoked w/right to reinstate after 6 months, conditioned on completion of corrective education and successful review of six other appraisal reports.

Order 07-025, Russell S. McIntosh, 10420CRA, Tulsa.

Findings of fact. Respondent failed to correctly report neighborhood and market area characteristics. Failed to report or analyze effect of superadequacy of subject. Respondent's report was inadequate, inaccurate and misleading.

Violations of law. Violation of 59 O.S. § 858-723 A 9 and § 858-723 A 6 through violations of Standard 1 and SR 1-1(b), and 1-2(e); Standard 2 and SR 2-1(a) and SR 2-2(b)(iii) and (ix), USPAP.

Order. Thirty hours of corrective education.

Order 08-001, Sheri L. Lovin, 90364TRA, Oklahoma City, Consent Order.

Agreed findings of fact. Respondent appraised a manufactured home and failed to indicate so in the report. Used all superior stick-built homes as comps. Unsupportable adjustments. Valued property at \$95,000. After foreclosure, a BPO 11 months later estimated \$24,900 and a second BPO 17 months later indicated \$17,500. Provided supervisor Roger Smith unfettered access to electronic signature. Did not keep a workfile.

Violations of law. Violation of 59 O.S. § 858-723 A 5, 7, 8, & 9; § 858-723 A 6 thru violation of § 858-719 and the Conduct Section, Ethics Rule, Standard 1 and SR 1-1(a), (b), (c), 1-2(e)(i) & 1-4(a), Standard 2 and SR 2-1(a), 2-2(b)(iii) & (ix).

Agreed Order. \$1,000 administrative fine, 30 hours corrective education including ethics and principles, establish supervisor relationship with a named individual.

Order 08-002, Ronald E. Burk, 12474CRA, Oklahoma City, Consent Order.

Agreed findings of fact. Respondent appraised a residential property on a commercial street, incorrectly reported zoning. Failed to analyze previous sale in "stable" neighborhood at half the appraised value. Failed to discuss or analyze the sales contract. Incorrect factual data pertaining to neighborhood. Inappropriate comps. Failure to develop income approach despite property's use as rental and obvious rental properties in neighborhood. Foreclosed 8 months after sale.

Violations of law. Violation of 59 O.S. § 858-723 A 7, 8, & 9; § 858-723 A 6 thru violation of the Conduct Section, Ethics Rule, Standard 1 and SR 1-1(a), (b), 1-2(e)(i) & 1-4(a), (c)(i), Standard 2 and SR 2-1(a), 2-2(b)(iii) & (ix).

Agreed Order. \$2,000 administrative fine, \$250 costs, reprimand, 30 hours corrective education including ethics and comp selection within 90 days.

DISCIPLINARY ACTIONS (Cont'd)**Order 08-003, Timothy L. Oyler, 12598CRA, Garland, TX.**

Findings of fact. Respondent failed to correctly report a large variety of factual data. Reporting and analysis insufficient and inadequate throughout. Chose superior comps; failed to make appropriate adjustments. Omitted adjustments that "offset" each other. Subject was metal building, comps were not. Respondent's report was inadequate, inaccurate and misleading.

Violations of law. Violation of 59 O.S. § 858-723 A 7 & 8; § 858-723 A 13 thru violation of § 858-732 A 1; and § 858-723 A 6 through violations of Standard 1 and SR 1-1, 1-2, 1-3, 1-4, 1-5, and 1-6; Standard 2 and SR 2-1 and SR 2-2; USPAP.

Order. Suspended one year. Reinstatement contingent on completion of 75 hours corrective education and on provision of letter of good standing from Texas Board to include evidence of compliance with Final Order from Texas Board of 5/5/06.

Order 08-004, Tracy A. Streich, 12417CRA, Tulsa.

Findings of fact. Respondent reported three different parcel sizes in report. Discrepancy in GLA reported. Indicated that sketch was provided to client and in workfile, but evidence showed the sketch was created at a later date, and that Respondent's testimony was dishonest. Unsupported adjustments for age and GLA. States in report dated 5/03 that it was subject to completion per plans/specs, and that property built in 2002. Comp selection flawed. Errors, in the aggregate, led to inflated value and misleading report.

Violations of law. Violation of 59 O.S. § 858-723 A 7, 8, & 9; § 858-723 A 13 thru violation of § 858-732 A 1; and § 858-723 A 6 through violations of Conduct and Management Sections, Ethics Rule; Standard 1 and SR 1-1, 1-2, 1-3, 1-4, 1-5, and 1-6; Standard 2 and SR 2-1 and SR 2-2; USPAP.

Order. Downgraded from cert residential to state licensed. Practice supervised in same manner as trainee appraiser. Any upgrade back to certified must fall under 1/1/08 Criteria.

Order 08-005, Dan W. Montague, 10438CRA, Enid.

Findings of fact. Respondent accepted assignment to appraise a 46.76 acre commercial site. Failed to report or analyze sale of subject two years previously for \$2,125,000 and failed to report or analyze pending contract for \$3,800,000. Estimated value at \$13,300,000. Inappropriate comp selection in terms of size and economic influences. Incorrect reporting of factual data. Report described as summary report; however, report failed to meet summary (or even restricted) report standards per USPAP. Did not state, confirm, detail or summarize any analysis, method of collecting, confirming, or reporting data or the source, selection, and analysis of the comparable properties. "Respondent's justifications for his comparable selection, overinflated value, the other errors, and his attitude reflect an appraiser not amenable to remedial education or other corrective action.

Violations of law. Violation of 59 O.S. § 858-723 A 7, 8, & 9; § 858-723 A 13 thru violation of § 858-732 A 1; and § 858-723 A 6 through violations of Conduct Section, Ethics Rule; Competency Rule; Standard 1 and SR 1-1, 1-2, 1-3, and 1-4; Standard 2 and SR 2-1 and SR 2-2; USPAP.

Order. Revoked.

DISCIPLINARY ACTIONS (Cont'd)**Order 08-006, D. Geoffrey Monical, 90364TRA, Oklahoma City, Consent Order.**

Agreed findings of fact. Respondent reported an appraisal of a property at 2,789 sf, value \$450K; prepared another report 5 weeks later on same property at 3,472 sf, used same comps, arrived at same value.

Violations of law. Violation of 59 O.S. § 858-723 A 7, 8, & 9; § 858-723 A 6 thru violation of § 858-719 and the Conduct Section, Ethics Rule, Standard 1 and SR 1-1(b), Standard 2 and SR 2-2(b)(iii).

Agreed Order. \$500 administrative fine, \$250 costs, Letter of Warning.

Order 08-007, Diane L. Schumacher, 10937SLA, Bristow.

Findings of fact. Respondent failed to correctly report a basement, using it as GLA when 600 sf was unfinished, creating an artificial inflation of the estimate of value. Admitted that including as GLA was inappropriate.

Violations of law. Violation of 59 O.S. § 858-723 A 13 thru violation of § 858-732 A 1; & § 858-723 A 6 through violations of Competency Rule, Standard 2 and SR 2-1, USPAP.

Order. Corrective education: 15 hour National USPAP Course and Measuring GLA ANSI within 3 months. Suspension if fails to comply.

Order 08-008, Kevin F. Broderick, 12629SLA, Oklahoma City, Consent Order.

Agreed findings of fact. Agreed findings in three actions include failure to analyze sales contract, allowing unfettered access to electronic signature, incorrect reporting of factual data regarding subject and comps, and other errors.

Violations of law. Violation of 59 O.S. § 858-723 A 7, 8, & 9; § 858-723 A 6 thru violation of § 858-719 and the Conduct Section, Ethics Rule, Standard 1 and SR 1-1(b), 1-2(a), (b), 1-3, 1-4, 1-5. Standard 2 and SR 2-1(a) and SR 2-2(b)(iii) & (ix); § 858-723 A 13 thru violation of § 858-732 A 1.

Agreed Order. 25 month suspension.

Order 08-009, Russell S. McIntosh, 10420CRA, Tulsa, Notice and Order to Show Cause.

Findings of fact. Respondent failed to show cause as to why he failed to comply with Board Order 07-025.

Violations of law. Violated Board Order.

Agreed Order. \$250 fine, comply with order by 8/1/08.

Order 08-010, Steve W. Cavin, Tahlequah.

Findings of fact. Respondent surrendered his credential in 2002, and moved out of state. A complaint was filed after his surrender and was placed on file should he ever reapply. Respondent then returned to Oklahoma and applied for reinstatement of his credential. At his request the complaint was heard. He appraised a property, as is, describing the structure as a new home with 8 rooms, 4 bedrooms, 3.5 baths, 4 car garage and in-ground pool. The estimate of value was \$180,000. As part of a foreclosure process, a real estate broker did a BPO, describing it as a metal pole building with concrete floor, plumbed with electricity, but without interior walls, or pool. Comps were not comparable. Respondent admitted the factual allegations. He testified that he was helping the borrower and mortgage company make a loan.

Violations of law. Violation of 59 O.S. § 858-723 A 5, 7, 8, 9, 10, and 13 thru violation of § 858-732 A 1; & § 858-723 A 6 through violations of Conduct & Management Sections, Ethics Rule, Standard 1, SR 1-1, 1-2, 1-3, 1-4, 1-5, Standard 2 and SR 2-1, USPAP.

Order. Application for reinstatement denied.

DISCIPLINARY ACTIONS (Cont'd)**Order 08-014, Roy B. Black, 10283CRA, Norman.**

Findings of fact. Respondent appraised a property involved with foreclosure proceedings by USDA/FSA. The 2055 report indicated that the appraisal was for a mortgage financing transaction and failed to mention pending litigation. Failed to select appropriate comps. Omitted adjustments and could offer no support for others. Indicated that a drive-by on a 2055 justified some deficiencies. Board disagreed, by including a statement that: "The substantive content of a report determines its compliance."

Violations of law. Violation of 59 O.S. § 858-723 A 7, 8, and 9; and § 858-723 A 13 thru violation of § 858-732 A 1; & § 858-723 A 6 through violations of Conduct & Management Sections, Ethics Rule, Standard 1, SR 1-1, 1-2, 1-4, Standard 2 and SR 2-1 and 2-2, USPAP.

Order. \$1,000 fine, 45 hours corrective education within six (6) months.

Order 08-015, William R. Harn, 90888TRA, Broken Arrow.

Findings of fact. Respondent appraised a property for its owners. Incorrect reporting of, or omission of, zoning and pertinent physical attributes of comps. Inappropriate comp selection, four of five comps are stick built structures, subject is manufactured home.

Violations of law. Violation of 59 O.S. § 858-723 A 7, 8, and 9; and § 858-723 A 13 thru violation of § 858-732 A 1; & § 858-723 A 6 through violations of Conduct & Management Sections, Ethics Rule; Competency Rule; Standard 1, SR 1-1, 1-2, 1-3, & 1-4, Standard 2 and SR 2-1 and 2-2, USPAP.

Order. Probation one year, submit appraisal log monthly with random samples to Board for review, 52 hours corrective education within one year.

Order 08-016, Curtis L. Roberts, 10239CRA, Jenks.

Findings of fact. Respondent failed to report impact of major thoroughfare, left neighborhood for superior comps. These and other errors led to inflated estimate of value.

Violations of law. Violation of 59 O.S. § 858-723 A 7, 8, and 9; and § 858-723 A 6 through violations of Conduct Section, Ethics Rule; Standard 1, SR 1-1(a) & (b), 1-2(e), & 1-4(a), Standard 2 and SR 2-1(a), USPAP.

Order. 60 hours corrective education within one year, provide random samples of work product for Board review.

Order 08-017, Tracy A. Streich, 12417CRA, Tulsa.

Findings of fact. Respondent appraised a property on an as-is basis, subject to renovation and additional gross living area. He subsequently incorrectly reported that repairs and alterations were complete. The additional GLA had not been added. Failed to correctly describe neighborhood boundaries, property value range, and predominant values, and composition. Incorrect site description. Selected comparables that were superior and made incorrect adjustments.

Violations of law. Violation of 59 O.S. § 858-723 A 7, & 8; § 858-723 A 13 thru violation of § 858-732 A 1; and § 858-723 A 6 through violations of Conduct and Management Sections, Ethics Rule; Competency Rule; Standard 1 and SR 1-1, 1-2(e)(i) & 1-2(h); Standard 2 and SR 2-1 and SR 2-2(b)(viii); USPAP.

Order. 75 hours specified corrective education courses from Core Curriculum within six months.

EXPIRATIONS

When an appraisal credential expires, the credential holder is no longer qualified to perform appraisal activity under that license. There is no grace period. Authority to practice is not restored until the credential holder has been issued a renewal credential by the Board staff. The effective date of that restoration is the date that the credential is issued by the staff. There should be no appraisal reports by the credential holder indicating a date signed between the expiration date of the old credential and the issue date of the new credential.

If a signed, completed application for renewal supported by the proper remittance and forty-two creditable hours of continuing education, is not received by the due date there will be a \$50 late fee assessed. Any required late fee must also be paid before the new credential will be issued.

Up to 90 days following expiration, the credential may be renewed in accordance with the above. From 91 days to 24 months, expired credentials may be reinstated by submitting an application for reinstatement, accompanied by the correct remittance and the original 42 hours of continuing education plus 7 hours continuing education for each 6 month period that the credential has been expired. This must include the current 7-Hour National USPAP Update Course. After 24 months have elapsed, reinstatement will require application including proof of qualifying education under the core curriculum, the appropriate number of hours of USPAP compliant experience, and the examination.

NATIONAL REGISTRY

If you are on the HUD Roster, you need to read this item. There have been a number of inquiries about HUD.

First, please understand that there is no direct link between REAB and HUD. HUD has its own application process and uses the National Registry to determine qualification. (www.asc.gov.) Around the first of each month, HUD eliminates those who are expired on the registry. The national registry is not a real-time data link. The registry is updated monthly on Tuesday or Wednesday of the week following the Board meeting.

So, as an example, you receive your fee statement on 7/10 for your payment due date of 8/31. You pay your fee on 8/15. 9/1 is on Thursday, and HUD drops you that day. The September Board meeting is on 9/9. On 9/13, an email update is sent to ASC. ASC gets the update input into their system on 9/15. You can then get back on the HUD roster.

Don't wait to pay your annual fee or to renew your license. Do it before August 1st so that you will be included in the August update.

Also, the expiration date in the registry is the ASC national registry expiration date. It advances one year at a time as you pay annual fees. Do not confuse it with the expiration date on your credential.

USPAP Q & A

Q: My client has asked that I provide a draft of my appraisal report prior to issuing the report in final form. Is this permitted under USPAP?

A: USPAP does not explicitly define or address drafts of reports. When clients, other intended users, and appraisers use the term "draft," they may mean many different things, from preliminary spreadsheets to a written document that contains all that will be in the "final" report except it is labeled as "draft" and does not contain signatures. Report drafts have traditionally been part of certain types of appraisal practice but have never been considered acceptable in other types of appraisal practice.

State-regulated appraisers should be aware of applicable state laws and regulations. Many laws define a "report" as *any communication, written or oral, of an appraisal.* *Ed. note:* 59 O.S. § 858-702 A 2 (Definitions) states: appraisal report "means any written or oral communication of an appraisal."

Whatever a "draft" may be in a particular context, it would always be part of "appraisal practice, because it is a valuation service provided by an appraiser. When performing a service that is considered appraisal practice, but for which there are no applicable Standards Rules, an appraiser must still comply with the portions of USPAP that apply generally to appraisal practice. These include the DEFINITIONS, PREAMBLE, ETHICS RULE except for the Record Keeping section, COMPETENCY RULE, and JURISDICTIONAL EXCEPTION RULE.

The second sentence of the PREAMBLE states: It is essential that appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading. *Additionally, the ETHICS RULE states:* An appraiser must not communicate assignment results in a misleading or fraudulent manner. *Therefore, if an appraiser communicates with intended users prior to completion of an assignment, the communication must not be misleading.*

The purpose of issuing a "draft" cannot be to allow the client to improperly influence the appraiser.

Q: I received a request from my state attorney general's office to turn over some appraisal reports I had prepared. Can I comply with this simple request or must it be in the form of a subpoena?

A: The Confidentiality section of the ETHICS RULE states, in part: "An appraiser must not disclose confidential information or assignment results prepared for a client to anyone other than the client and persons specifically authorized by the client; state enforcement agencies and such third parties **as may be authorized by due process of law...**" USPAP does not identify what constitutes "due process of law." While a subpoena or court order might clearly constitute due process, a simple verbal or written request might not. Therefore, for requests of this type, it may be necessary to seek legal counsel to determine what constitutes "due process."

APPRAISAL REVIEWS

Ordering a review? Providing a review? Need to have a general idea of what will be accomplished in a review? The following is a brief outline of what is typically expected in all review assignments.

R E V I E W

Read the report. The first step for any review should begin with a quick, but educated, reading of the report.

- Are the required or pertinent pages/addenda included?
- What's missing?
- Can we complete the review without it?
- How many comparables am I reviewing?
- Is this a rural; atypical; suburban; single-family; or income property?
- Were the proper forms utilized?

Evaluate the Scope of Work. The review should be approached from the same point of view that was described in the scope of work in the report under review. It's necessary for the reviewer to read and understand the scope of work, as well as for the appraiser to adequately disclose and report the scope of work to the reader.

Verify the factual information. Depending upon the scope of work for the review, the level of verification can vary. If performing a field review, verification of factual data should be confirmed through available local sources. If performing a desk review, the level of verification and availability of sources can vary. The required and necessary level of verification should be agreed upon as part of the engagement process.

Independent, Unbiased, Objective analysis. The review process requires an unbiased analysis. The *Uniform Standards of Professional Appraisal Practice* (USPAP) apply to an appraiser acting as a reviewer. The Standards require that ethical and competency requirements be met for each and every review. (If you are unfamiliar with the review process and the applicable USPAP requirements, take time to read Standard 3, along with Advisory Opinion 20).

Explanation and support. When completing a review, there should be ample explanation and support for any disagreements. The reviewer should state what it is they disagree with; state their opinion as to what it should be; and provide support for that opinion.

Weighted, well documented and well written reports. Regardless of the form utilized for the review, the reviewer should provide concise, pertinent information regarding the report under review. Regardless of whether the review results are affirming or critical, the documentation and analysis should provide constructive and meaningful commentary.

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Karen Oberman, SRA

CLONING REPORTS

We've all been here before. Picture this; we are talking with a client who has a potential assignment in a neighborhood (property type for commercial appraisers) that we recently finished another report in. We're excited, sounds like an easy assignment to complete in a short amount of time with little research required! He engages us on the assignment and off we go.

Right then and there we all know we need to proceed with caution.

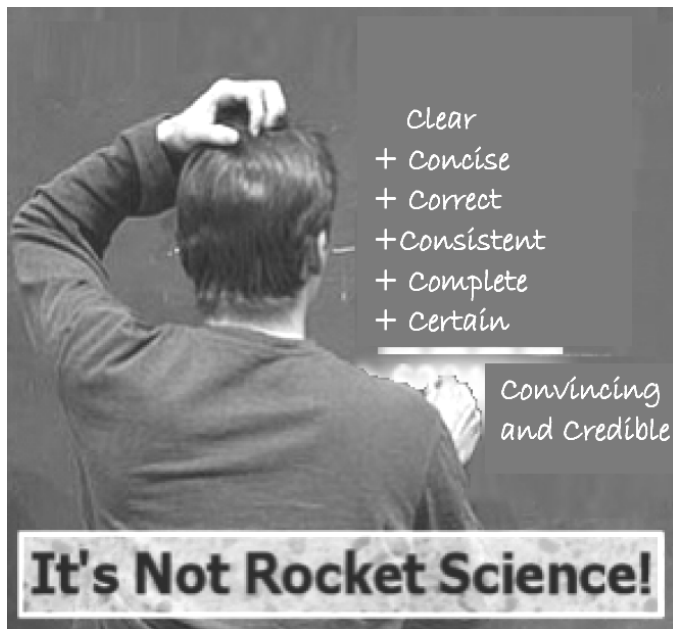
This is a new assignment and should be treated in that regard. It requires the same amount of due diligence and investigation as the previous assignment. All too often, the inspection is made and the previous report is pulled up from our software. We attempt to modify the previous report to fit the subject (i.e. address, client, legal description, etc).

On way too many occasions, reports are brought to the attention of the Iowa Real Estate Examining Board that only vaguely resemble an appraisal for the subject property. For example, there are site or improvement descriptions that do not depict the property, and even generic comments in the sales comparison or cost approaches that do not fit the conclusions. Sometimes a search for newer or more similar sales is not completed. Comments are found in addenda that clearly denote another property. Mathematical errors in adjustments that do not pertain to the property are another common mistake in cloning reports. All of these oversights are simple and easily correctable.

Another issue worth mentioning is software complications. Sometimes reports are copied or cloned, and properly modified with the appraiser's true analysis. But when the report is printed off and sent to the client it does not include the updated analysis. Possibly the revised report was not saved, or the software took on a mind of its own and inserted its own text adjustments. Who knows?

The main point of this article is that we as appraisers need to spend a little more time in proof reading our final reports before they are sent to the client. Whether we are cloning a report or utilizing any software package, we need to be extremely careful that the appraisal is a true indication of our analysis of the subject property. **We are responsible for what we sign.** These reports take on a life of their own; it is a prudent decision to spend a few extra moments to examine our work before it enters the business community.

This article was written by and is printed with the expressed permission of Mr. Michael J. Lara, MAI. Mr. Lara is the Chairperson of the Iowa Real Estate Appraiser Board.



Summing Up Communication

The appraisal process consists of development and reporting of the data analyzed. Report writing can often times be an onerous task and a skill that is often neglected by new and seasoned appraisers alike. Learning how to communicate an opinion in a clear and concise manner can turn an ordinary appraiser into a respected and sought after professional!

Failure to accurately communicate can lead to the loss of credibility at the least; loss of money, time and reputation at the worst. No matter what field you're in, or what position you hold, the ability to communicate clearly, concisely and credibly is a required and important skill.

The following are the variables in the formula for successful communication.

☞ **CLEAR.** Clear and simple writing is an art to which many aspire, but few achieve. When writing an appraisal report, try to avoid slang and jargon. Technical terms can be useful to people who understand them, but confusing to those who don't.

Organize yourself. You have to think clearly about a topic in order to communicate it clearly. Create an outline that provides the readers with an overview, a summary and a conclusion within your reports.

☞ **CONCISE.** Concise writing is a sentence which contains no unnecessary words, or a paragraph which contains no unnecessary sentences. Writing concisely does not require that the writer use all short sentences or that all details are avoided, but rather that every word is meaningful.

Writing concisely takes considerably more time and effort than *not* writing concisely. Don't try to eliminate every needless word in one pass, and, more important, never sacrifice clarity by cutting too much.

☞ **CORRECT.** In the appraisal world, correctness is imperative. Misreporting of factual data can not only cost you in time and reputation, but equally important, errors can impact your bottom dollar. What better reason to ensure the information we present is verified and accurate!

While errors will occur, minimizing them with due diligence is not only good business practice but is expected of valuation professionals.



☞ **CONSISTENT.** Consistency has lost its rightful place among the qualities of good writing. Failing to be consistent throughout the appraisal process can lead to doubt on the part of the reader.

Consistency in appraisal report writing pertains to the information presented, as well as the writing style. Consistency is critical for showing your reader how your thoughts fit together.

☞ **COMPLETE.** Complete writing is fully developed writing. Combined with the other variables presented, it will provide a path for the reader to follow to your conclusions.

A complete report not only contains the verified facts, data and analysis necessary to conclude an opinion, but provides the reader with a clear understanding of the process.

☞ **CERTAIN.** Writing with certainty is writing confidently, a key to persuasive writing. Appraisers are persuasive writers. It is through persuasion, that a writer leads readers to a point of view on a topic, subject, or in our case, a value. The appraiser presents facts and analysis in a manner that enables the reader to understand why there is no other logical conclusion than the opinion which was developed.

☞ **CONVINCING & CREDIBLE.** When you add all of these variables together, the result is a convincing and credible report. A report, *worthy of belief*.

Writing well takes patience and persistence, which takes time to nurture. Make it a priority to exercise and cultivate your writing skills for better report writing!

WEBSITE

The Insurance Department has rebuilt its website. Web addresses have changed, including that of the Real Estate Appraiser Board. The new web address for the Real Estate Appraiser Board is www.reab.oid.ok.gov.

The Real Estate Appraiser Board is also in the process of rebuilding its portion of the website. New material has been added and will continue to be added. At this point, this would include copies of disciplinary orders issued by the Board beginning in 2005. Minutes for calendar years 2005 through the present are also going up.

Other items maintained on the website for your use are current copies of the Oklahoma Certified Real Estate Appraisers Act, and the Board's administrative rules. You find numerous references to those documents in this and previous newsletters, and this is where you can go to read them. In addition, a link to the current USPAP will be installed on the site for your use.

We keep a current event calendar posted to the site. The calendar lists all public events and other dates about which you may wish to be informed. This includes dates and times for Board meetings, disciplinary hearings and other events such as Board seminars that are scheduled.

Previous editions of the Board's newsletters are also posted on the website. Each edition of the newsletter has USPAP Q&A. These can be an interesting review. Links to USPAP Q&A are also going to be posted on the site.

Resident licensing information includes information as to licensing including the current Criteria. There are also various forms in that category.

There are currently plans to put a list with contact information for the approved course providers as well as a list of approved appraiser courses on the website.

If there is something you would like to see added to (or removed from) the website, we'd like to hear from you. Send any comments to reab@oid.ok.gov.

EMAIL ADDRESSES

Email addresses for Board staff are also changing. Please note the changes and make corrections to the address book in your email.

Director: Rod Stirman, reab@oid.ok.gov.

Legal Secretary: Christine McEntire, disciplinary matters, subpoenas, realegal@oid.ok.gov.

Administrative Officer: Shannon Phipps, licensing and education matters, reabadmin@oid.ok.gov.

UPGRADES

2007 saw an effort by many to upgrade credentials to a higher level. This was particularly true with respect to trainee appraisers upgrading to residential and licensed levels. There were 119 individuals successfully completing the upgrade process in 2007, a remarkable number.

A total of 178 examinations were administered in 2007, also remarkable. This resulted in 21 applicants passing the certified general exam, 70 successful at certified residential, and 28 passing the licensed exam.

A total of 178 work product reviews were conducted in 2007 with 110 of those reviews resulting in approval. This is a 62 percent pass rate for reviews. It is worth noting that a number of individuals who did not pass the first time, resubmitted and gained approval.

Members of the Education, Experience, and Testing Committee, along with a few selected volunteers, did all of these reviews. 178 reviews of three samples of work product means over 500 reports reviewed, an enormous amount of work. The committee members and volunteers are to be commended for their diligence.

Examinations and work product reviews have each seen gradual increases in percent of success. There is really no method available for determining how to account for this increase. The institution of Core Curriculum courses could be a factor. There has probably been a benefit for a significant number of applicants as a result of the trainee appraiser program. Hopefully, these increases will continue.

Recurring shortcomings in the area of work product review are more visible. Some of these are:

Standards Rule 1-1(a). "...correctly employ those recognized methods and techniques..."

a. Failure to correctly report the cost and income approaches.

b. Failure to understand and correctly apply depreciation/obsolescence in sales comparison and/or cost approaches.

c. Failure to apply supportable adjustments in sales comparison approach.

SR 1-6. Failure to reconcile quality and quantity of data within the approaches used; failure to reconcile applicability and relevance of approaches, methods and techniques.

SR 2-1(b). Failure to provide sufficient information to enable the intended users to understand the report properly.

SR 2-2(b)(viii). Failure to summarize the information analyzed, methods and techniques employed, and the reasoning that supports the analyses, opinions and conclusions.

Residential reports. General: failure to understand that completing blanks on a 1004 does not alone constitute reporting an appraisal activity in a USPAP compliant manner. See p. 4, Inflated Appraisals; p. 13, Cloning Reports; and p. 14, Communication.

STATE OF OKLAHOMA

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HAVE YOU MOVED?

**YOU ARE REQUIRED BY LAW
TO NOTIFY THE REAB IN
WRITING WITHIN 10 DAYS OF
CHANGING YOUR ADDRESS.**