STATE OF OKLAHOMA
Real Estate Appraiser Board
PO Box 53408
Oklahoma City, OK 73152-4308

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

USPAP Q AND A

Question: I am appraising a property improved with an apartment complex, but have found that the land is zoned for commercial use. My research indicates that such commercial land would have a value different from that of apartment land, but still far less than the current total value of the apartment complex. According to USPAP, how should I value the land?

Answer: USPAP does not dictate the use of any particular theory or technique. You may apply any method, as long as it is recognized, applicable, and correctly employed. SR 1-1(a) only requires the appraiser to *correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal.*

USPAP Q AND A

Question: A client has asked me to use a definition of value included in an engagement letter for the assignment. Is this permitted?

Answer: Yes. As part of identifying the problem to be solved, the appraiser must identify the type and definition of value, but USPAP does not require the use of any specific type or definition of value. For example, in a real property appraisal assignment, Standards Rule 1-2(c) requires the appraiser to:

- *identify the type and definition of the value …*

In addition, Standards Rules 2-2 (a)(v) and 2-2 (b)(v) require that the report:

- *state the type and definition of value and cite the source of the definition;*
- *Comment: Stating the definition of value also requires any comments* needed to clearly indicate to the reader how the definition is being applied.

The source of the definition of value could be a simple as "provided in the engagement letter".

The requirements for identifying and reporting the definition of value are similar for personal property and business and intangible asset appraisals.

OKLAHOMA
REAL ESTATE APPRAISER BOARD
NEWSLETTER

ISSUE #20 | P.O. BOX 53408, OKLAHOMA CITY, OK 73152-3408 | June 2005

Kim Holland, Chairperson

Board Members:	Term Expires
Lee R. Caesar Jr., Vice-Chair, Realtor, Oklahoma City	2006
Travis L. Parsons, Appraiser Member, Edmond	2005
Jimmie R. Burton, Appraiser Member, Tulsa	2006
Jana S. Barker, Layperson Member, Oklahoma City	2007
Harold J. Joey Snyder III, Banking Member, Oklahoma City	2007
Patti L. Fisher, Appraiser Member, Shawnee	2008
James W. Hoyt, Appraiser Member, Oklahoma City	2009

Staff:
Rod Stirman, Director, Real Estate Appraiser Board
Linda Churchill, Licensing Administrator, Real Estate Appraiser Board
Joann Stevenson, Assistant Attorney General, Board Counsel

LICENSING BREAKOUT

MONTH/YEAR	CGA	CRA	SLA	Total	TRA
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
7/1/03	387	384	510	1281	360
1/1/04	387	399	473	1259	449
5/1/04	387	406	471	1258	473
10/1/04	385	417	450	1252	494
1/1/05	387	419	442	1248	503
5/1/05	381	426	418	1225	468

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This newsletter is distributed for informational and educational purposes only and does not constitute an endorsement by the Oklahoma Insurance Department or the Real Estate Appraiser Board of any service, company or individual offering any product or service.

"THE ONLY THING NECESSSARY FOR THE TRIUMPH OF EVIL IS FOR GOOD MEN TO DO NOTHING."
EDMUND BURKE (1729-1797)

MESSAGE FROM THE COMMISSIONER

I am honored to serve as your Insurance Commissioner and as Chairperson of the Real Estate Appraiser Board. First and foremost I want you to know that I understand this office belongs to the citizens and taxpayers of Oklahoma. As your custodian, I will return integrity to this office and we are cleaning up our own house.

I have worked in the insurance industry for many years. I am an insurance agent, not a career politician. I have over 25 years of experience in the field as an employee benefits expert. I believe that my background as an agent and as a community leader brings a new and refreshing perspective to the role of Insurance Commissioner.

Most people don't know a lot about the Oklahoma Insurance Department. We oversee an industry that generates $11 billion in premiums annually and returns roughly seven billion in claims dollars to our communities to repair the lives of Oklahoma citizens. Between fees and premium tax, we contribute in excess of $200 million in annual revenues to the state's general fund as well as the pension funds of our firefighters, police and highway patrol. That contribution is second only to the Oklahoma Tax Commission in dollars collected for the benefit of Oklahomans.

My first priority as Insurance Commissioner is to restore the public's confidence in the Oklahoma Insurance Department and in the Insurance Commissioner. This effort begins from within by creating an environment that rewards honesty, self-discipline and great performance built on a foundation of mutual respect and a shared vision. Within that vision comes the obligation to conduct our business with the utmost honesty, fairness, consideration and caring.

These values of honesty, fairness, consideration and caring that I will apply as Insurance Commissioner are the same values that I will apply as Chairperson of the Real Estate Appraiser Board. I intend to restore the Department's credibility within the appraiser community and will work diligently with your Board and my staff to do so. I look forward to a long and mutually rewarding relationship.

Kim Holland

PARAGRAPH 600:10-1-16, RULES (as amended)

600:10-1-16. Supervision of trainee appraisers.

(a) Trainee Appraisers shall report to the Board, on a form prescribed by the Board, the identity of any supervisory appraiser. Trainee Appraisers may have more than one supervisory appraiser, but a supervisory appraiser may not supervise more than three (3) trainee appraisers at one time. When a Trainee Appraiser has more than one supervisory appraiser, each shall be reported to the Board as indicated above.

(1) The supervisor-trainee relationship shall become effective on the date of receipt of the original required form with original signatures in the administrative office of the Board.

(2) A supervisory appraiser shall notify the Board in writing immediately when supervision of a Trainee Appraiser has been terminated by the supervisory appraiser or the Trainee Appraiser.

(3) Supervisory appraisers having responsibility for more than three (3) trainee appraisers on the effective date of this rule may keep those relationships intact, but may not undertake additional supervisory responsibilities until such time as this action will not violate the three (3) trainee limitation imposed above.

(b) Trainee Appraisers shall maintain an appraisal log on a form prescribed by the Board. Separate appraisal logs shall be maintained for work performed with each supervisory appraiser. This appraisal log shall record the following information:

(1) Client name and date of report,

(2) Address or legal description of the real property appraised,

(3) Description of the work performed by the trainee appraiser and the scope of review and supervision of the supervisory appraiser,

(4) Number of actual hours worked,

(5) Type of property appraised,

(6) Form number or description of report rendered, and

(7) The signature and state certificate number of the supervisory appraiser.

(c) Experience credit for the purpose of upgrading will not be given unless:

(1) a properly completed trainee-supervisory report form is on file in the administrative office of the Board, and

(2) the Trainee Appraiser either signs the certification required by Standards Rule 2-3 of the Uniform Standards of Professional Appraisal Practice, or the supervisory appraiser gives credit to the Trainee Appraiser in the certification and complies with the requirements of Standards Rule 2-2(a)(vii), 2-2(b)(vii), or 2-2(c)(vii) as applicable.

(d) Both supervisory and trainee appraisers shall maintain complete workfiles as required by the Uniform Standards of Professional Appraisal Practice and the Oklahoma Certified Real Estate Appraisers Act.

(e) A supervisory appraiser shall meet the following requirements:

600:10-1-16 (cont'd)

(1) have been a State Licensed or Certified Appraiser for a period of at least three (3) years;

(2) be a State Certified General or State Certified Residential Appraiser on a credential issued by the Oklahoma Real Estate Appraiser Board;

(3) be in good standing with the Board and not subject to any disciplinary action within the last two years that affects the supervisor's legal eligibility to engage in appraisal practice; and

(4) accept responsibility for training, guidance, and direct supervision of the Trainee Appraiser by signing the form referenced in (a), above.

(5) State Licensed appraisers with supervisor-trainee relationships in place on the effective date of this rule may keep those relationships intact, but may not undertake additional supervisory responsibilities until such time as they have upgraded to State Certified General or State Certified Residential Appraiser.

(f) A supervisory appraiser shall:

(1) accept responsibility for a Trainee Appraiser's appraisal reports by signing each report and certifying that the report is in compliance with the Uniform Standards of Professional Appraisal Practice, and

(2) personally inspect each appraised property with the Trainee Appraiser until the supervisory appraiser determines that the Trainee Appraiser is competent, in accordance with the Competency Rule of the Uniform Standards of Professional Appraisal Practice, for the property type.

(f) A supervisory appraiser shall notify the Board immediately when supervision of a Trainee Appraiser has been terminated by the supervisory appraiser or the Trainee Appraiser.

(g) Prior to assuming duties as a supervisory appraiser, an appraiser who has been disciplined by the Board must receive approval from the Board.

[Source: Added at 19 OK Reg 1489 eff 7-14-02; Amended at 22 OK Reg 1503 eff 7-14-05**]**

OBSERVANCE OF LAW AND RULES

As the Director, I have the ongoing opportunity to observe the operations of the Board. I'm writing this to convey an impression that I have gained over recent months. You should be aware of this.

Over the past several years, the Board has had the occasion to review a large number of requests for exceptions to be granted to the rules of the Board. For a number of years, certain requests were granted on a fairly routine basis.

In the last six months to a year, this has changed. The Board now operates under the expectation that its licensees read the law and the rules that were furnished to them. Please be advised, the Board expects that its credential holders will govern their actions accordingly, and has very little tolerance for those who fail to do so. rs

(www.mortgagefraudblog.com)

Imagine The Surprise
by Mike Brown

Just imagine the surprise when you open a Formal Request for documentation from the Appraisal Division concerning ten to forty appraisal reports that you did not do. Just imagine the surprise when you find that someone who you have been mentoring has been submitting appraisal reports with your name on them without your knowledge.

These are everyday occurrences here in the Appraisal Division. Recently we revoked a license and turned our files to the Federal Government of an appraiser who with help forged millions of dollars worth of fraudulent appraisal reports. Some of the forged appraisals used the name and license number of a well-known Chicago commercial appraiser. This unsuspecting victim has probably never completed a residential form report. The group that did this has accounted in total for over thirty forged reports.

We have uncovered a "trainee" who submitted forty-three **reports with the signature** of his supervisor/mentor. Reports that the supervisor had never seen. We have been dealing with other revoked appraisers who simply **keep right on doing reports** by forging innocent appraisers names and license numbers. No one is safe at this point

The forgers get names and license numbers from appraisers they meet in appraisal classes, from lender's files and who knows where else. We have seen a growing number of fraudulent appraisals using electronic signatures. Appraisers who authorize the use of an **electronic signature without some kind of protection** are at risk. If you are asked to provide a signature to be put into an electronic format please make sure you have a written agreement that outlines how and when that signature can be used.

We recently uncovered a forged appraisal on a single-family house in Skokie. This house had burned two years prior to the effective date. Just imagine trying to explain to us that you did not do this report. What do you say or do to prove your innocence?

Identity theft now occupies the majority of our enforcement time. Your defense of your good name needs to be more than a statement to us that you did not do the report. You will be asked a lot of questions should your name show up on a report that you did not do. You will be asked to prove that you did not do the fraudulent report. Not only to us, but most likely to a Federal Agent.

What can you do to minimize the risk?

- **Protect your license.** Please be very careful to whom or where you send copies of that license.
- **Keep a detailed appraisal log.** It is very hard to believe when we ask an appraiser to produce their log; many just look at us like we asked them for a million dollars.
- **Be careful how much information you disclose** to strangers at classes and seminars.
- **Beware of calls from strangers** who state they are looking for appraisers or are in need of a rush report. It is better to pass on an assignment that does not feel right than spend days proving you did not do the appraisal in the hands of the FBI agent.

The by-words here: be vigilant, be careful and report any suspect activities you may come across.

Mike Brown is the State Director of the Appraisal Division of Banks and Real Estate, a Division of the Illinois Department of Financial and Professional Regulation. This article is reprinted with the permission of Mr. Brown.
http://www.obre.state.il.us/realest/APPRAISAL.HTM

LIST vs. CLOSED PRICE

Over the past several years, there has been a growing phenomenon with respect to residential sales. This is evidenced by an increasing number of MLS entries for which the closed price (CP) is considerably larger than the list price (LP). This is of interest to the appraiser community for a variety of reasons.

As appraisers, you are required to follow USPAP in appraisal development and reporting. Standards Rule 1-1 states: *"In developing a real property appraisal, an appraiser must: a) be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal b) not commit a substantial error of omission or commission that significantly affects an appraisal; and c) not render appraisal services in a careless or negligent manner…"*

You must "be aware of" financing concessions. If a property sells for more than it was listed, it should be an automatic red flag! If possible, throw it out and move on to the next comp. If not, you apply due diligence "and correctly employ those recognized methods and techniques…"

Clearly, this can be legitimate, involving repair funds, personal property, or other issues. Even though value cannot be assigned to personal property, it explains what the extra funds were applied to. If new carpet or new CH&A was installed, that might change the condition of that comp. These are things you must be aware of.

In other cases, it is not legitimate. Instances are being found in which the repair allowance disappeared with no repairs made. In others, the buyer is a straw buyer, the balance of funds between CP and LP disappears, and the property immediately forecloses.

There are two primary appraiser issues. The first is that an appraiser has facilitated a fraudulent transaction, adding the appraiser to the list of those conspiring to commit fraud. The reports estimated the value "as is", thereby eliminating a requirement to escrow funds pending final inspection.

The other is that for the unsuspecting, it appears the CP is the sale price. The CP is entered into MLS. The realtor does not state in MLS what the extra funds were for. The CP is recorded in county records, and sent from the county to other data services. The sale and two others like it down the street are then used as comps by an unwary appraiser. Use of these sales as comps supports an inflated value for the next sale, and the cycle thus continues. There are areas where this has happened so many times, it is virtually impossible to determine a value.

See if there are other comps available where the CP is not higher than LP. If not, verify sales price as reported on MLS with sales price per county records. Sometimes the realtor reported a higher CP on MLS than was actually paid. If sales price is confirmed, then call the realtor, the title company, the appraiser of the comp, or a party to the transaction and get details. Make a note of to whom you spoke. Don't give up until you gather the information.

See SR 1-1(b)&(c). Omitting this information may significantly affect the appraisal and be a violation of USPAP.

LICENSE NUMBERS

All records that the administrative office maintains are indexed by the appraiser's license number. To expedite processing, the appraiser should place the license number on all correspondence. This includes letters, checks, CE certificates, etc.

If it becomes necessary to phone, please have your license number readily available. This will assist in expediting any requests for information or services.

WALK-IN TRAFFIC

The Appraiser Board staff is co-located with the Oklahoma Insurance Department. Space allocated to REAB staff, its records, and supplies is limited. The staff has no space that can be used to greet visitors and take care of problems without advance notice. Also, with a two person staff, it is difficult for the staff to spend time away from their workstations.

For this reason, all routine actions have been designed in a manner that is most easily handled by mail. If, for some reason, you have a reason to come to the office to conduct your business, please do not hesitate to do so. The staff will accommodate you to the best of its ability.

SCOPE OF PRACTICE

The Board's administrative rules set forth the scope of practice for the various levels of credentials issued by the Board. These limitations are defined in the rule as the scope of practice specified by the corresponding section of the Appraiser Qualification Criteria.

The scope of practice for certified general is the appraisal of any real property for any transaction value.

Scope of practice for certified residential is the appraisal of any one to four family residential units without regard to transaction value or complexity. It includes any type property with a transaction value of less than $250,000. It includes vacant or unimproved land that is utilized for 1-4 family purposes or for which the highest and best use is 1-4 family purposes. It does not include the appraisal of subdivisions for which a development analysis/appraisal is necessary.

Scope of practice for state licensed is the appraisal of non-complex 1-4 residential units with a transaction value under $1,000,000 and complex 1-4 residential units with a transaction value less than $250,000. It also includes any type property with a transaction value less than $250,000.

Trainee appraisers' scope of practice is the scope that the supervising appraiser is permitted to appraise.

Complex 1-4 residential units are those that exhibit atypical factors such as size, design, location, physical condition, or ownership; or non-conforming zoning, landmark or historical place designations, lack of data or other unusual or atypical factors.

Regardless, The USPAP Competency Rule applies.

CHANGES TO ADMINISTRATIVE RULES

On July 14, 2005, the changes to the rules of the Board that were the subject of Newsletter #19 (Nov 2004) will become effective. The following paragraphs have been written to explain the most significant of the changes.

Chapter 10

Chapter 10 contains added language incorporating the Uniform Standards of Professional Appraisal Practice and the Appraiser Qualification Criteria by reference. In simple terms, this means that these two publications are now a part of the Board's rules.

Paragraph 600:10-1-4(d) adds the requirement that an applicant for Trainee Appraiser furnish a completed REA Form 8 establishing a trainee-supervisor relationship before being considered qualified to take the examination and being issued a certificate.

600:10-1-16, Supervision of Trainee Appraisers, contains numerous and significant changes. Rather than try to summarize the changes, the paragraph will be printed for you to read on page 3, Some of the major changes are as follows:

- State Licensed appraisers may no longer assume supervisory responsibilities. Supervisors may no longer have more than three trainees. You will note that neither of these rules require immediate termination of existing relationships, but allow no further initiation of these situations.
- Hours of experience credit begin accumulating upon receipt of the REA Form 8 in this office. For hours to count, the trainee must either sign the report or be given credit in the SR 2-3 certification and as required by SR 2-2(a)(vii), 2-2(b)(vii), or 2-2(c)(vii).
- Trainee and supervisor must each maintain a workfile in the manner contemplated both by USPAP and the Oklahoma Real Estate Appraisers Act.
- The supervisor must personally inspect each parcel with the trainee until a determination of competence of the trainee is made with respect to the type property.
- A supervisor must be a certified appraiser on a credential issued by the Oklahoma Real Estate Appraiser Board.

Chapter 15

Changes to Chapter 15 are relatively minor. The Uniform Standards of Professional Appraisal Practice are incorporated by reference in the same manner as with Chapter 10. There is a minor change regarding scheduling of events through the disciplinary process.

The other change is found in a number of paragraphs. The change revises the term "informal complaint" to the use of the term "grievance." This change was made to make a more readily identifiable distinction between an action that consists of a raw allegation and an action in which it has been found that probable cause exists to believe that a statutory violation has occurred.

FILING OF A GRIEVANCE

The staff receives calls wanting information about what sorts of actions fall within the Board's jurisdiction and also about who can file a grievance. This was the subject of a recent letter to the Board from its counsel, Ms. Joann Stevenson. The following is a brief rendition of the information received, and under which the Board is presently operating.

Within the scope of the conversation, there are two questions requiring answers. The first of these is: "In what situations does the Board have jurisdiction?" The second is: "Who can file a grievance?"

The Board has the statutory responsibility to assert jurisdiction as follows:

1. Any appraisal or appraiser involving the following:
   a. federally related transaction (FRT).
   b. real estate-related financial transactions of federal agencies and FIRREA entities.
   c. where an appraisal report was made under an agreement that it would follow USPAP or where a report states that it complies with USPAP.
2. Any REAB credential holder to the extent that the appraiser and any real property valuation he or she performs must comply with the code of ethics in the Act.

The Board has the duty to accept grievances from the following sources:

1. By any person who is the recipient of, relies upon, or uses an appraisal report indicated in 1(a) or 1(b) in jurisdiction, above.
2. By any person with knowledge of circumstances surrounding an act or omission involving fraud, dishonesty, or misrepresentation in any real property valuation activity.
3. A complaint may be filed directly by the Board if it becomes aware of situations in which it believes that reasonable cause exists to believe that violations have occurred.

Those who come into lawful and appropriate possession of appraisal reports would include clients, borrowers, review appraisers, and others according to the individual circumstances. The Board will investigate grievances filed by these individuals

Further, should the Board gain knowledge of sanctionable conduct by a credential holder, regardless of the source of that knowledge, and if reasonable cause exists to believe the conduct occurred, the Board will file a formal complaint and sanction the credential holder if the alleged violations are proven.

Hopefully, this will help make it more understandable to the supported appraiser population how the system works and what to expect in these situations. Questions about this may be directed to the board's administrative office.

CONTINUING EDUCATION CORNER

QUALIFYING vs. CONTINUING EDUCATION:

Qualifying education courses are those that have been approved by the board for credit for initial licensure or upgrade. By definition, qualifying courses are courses of not less than 15 hours duration and have a proctored final examination as the standard for successful course completion.

Continuing education courses are those that are board-approved as such. CE courses must be not less than two hours duration and may or may not have an examination. Most qualifying courses are also approved as CE. The schools can advise you as to what courses are appropriate for your particular situation.

RENEWAL:

A renewal certificate will not be issued unless and until certificates of course completion for the required 42 hours continuing education have been received. There is no provision in the law or rules for a "grace period." Once the expiration date rolls around, the certificate is expired, and the appraiser is not authorized to appraise until the certificate is renewed following completion of the renewal application, payment of fees, and submission of proof of successful completion of 42 hours continuing education. The staff cannot extend the time period for the CE or fees.

CE COURSE POSTING:

Regardless of what the course providers tell you, your record is only posted from certificates that you send. Your CE record is not posted from the rosters that the providers send us. Course completion certificates are accepted by mail, fax, email (scanned to PFD), and hand delivered to the front desk.

Don't send the original course completion certificate. Keep the original in your personal file and send us a copy to post and file.

USPAP UPDATE COURSE:

The first two year USPAP Update period ended on December 31, 2004. The current period runs from January 1, 2005 and closes on December 31, 2006.

After having been informed in this newsletter that it was mandatory that you take the update, and after having been sent three letters over a six month period warning that there was no certificate of course completion for the update on file, and after having been sent a certified letter in January warning that there was no certificate on file for the update, there were 43 appraisers revoked in March 2005 for failure to comply with this requirement.

We would really like to prevent a recurrence of this situation. Remember that 12/31/06 will be here before you know it, and that we'll be looking again. Please don't wait until the last moment to address this requirement.