



Kansas Real Estate Appraisal Board 2005 Summer Newsletter

August 2005

No. 3

APPRAISAL FRAUD REFORMS NEEDED

By Bruce Fitzsimons
Special to the KC Star

Mortgage and appraisal fraud often encourage homeowners to borrow more money than their homes are worth. This puts them at risk of not being able to sell for a high enough price to pay off their mortgages, even if there is no downturn in the real-estate market.

Lenders, brokers and real-estate agents often have an incentive to inflate the value of residential properties. The process of appraising a property, among the most important steps in either the purchase or refinancing of a home, is sometimes done dishonestly as appraisers go along with requests to overstate the value of a home.

Appraisers often feel they have no choice in going along with dubious practices. Their livelihoods are dependent on a steady stream of work from lenders and mortgage brokers. Up to half of all appraisers have reported feeling pressures from lenders or brokers to overstate property values.

The conflicts of interest around real-estate appraisal practices pose serious risks to homeowners and new home buyers. In most parts of the country, these risks have been masked by continually rising real estate prices. However, if there is a leveling off or decline in property values, the consequences of appraisal fraud could be devastating for millions of Americans.

Federal financial regulators, Congress, and the FBI are focusing new attention on appraisers, the accuracy of valuations and reported attempts by lenders and others to influence the numbers they produce. They have imposed new rules and restrictions on banks, requiring them to more carefully monitor appraisals on first mortgages and home-equity transactions. The Office of the Comptroller of the Currency

required banks to prohibit mortgage loan officers from being involved in the selection of appraisers to reduce the potential for conflicts of interest.

The value of real estate and its value as collateral are the cornerstones of the real estate and mortgage lending industry. Appraisers play a key role in ensuring a healthy mortgage marketplace. Responsible appraisers protect the interests of each of the parties to the mortgage transaction through application of appropriate home valuation techniques that serve to inform and insure a robust housing market.

Competent and qualified real-estate appraisers are a crucial safeguard to this portion of our economy. A professional appraiser's objectivity, experience and ethics are fundamental in ensuring that participants in real-estate mortgage transactions know the value of the real estate involved and understand the risks inherent in collateral lending.

Continued on page 2

INSIDE THIS ISSUE	
IDENTITY THEFT - APPRAISER STYLE	2-3
FBI GOING UNDERCOVER	3
IN MEMORY OF	3
KREAB WELCOMES NEW MEMBERS	4
USPAP Q & A	4-8
DISCIPLINARY ACTIONS	8-9
THIRD EXPOSURE DRAFT	10
CONTACT INFORMATION	10

Several kinds of reforms are needed to reduce appraisal fraud: New rules to ensure the independence of appraisers, stronger sanctions on appraisers who overstate property values, tougher punishment of lenders or brokers who pressure appraisers, streamlined processes for filing complaints in cases of lender or broker pressure, and additional government enforcement capacity. These and other reforms should be achieved through a combination of industry self-regulation and more effective government oversight.

Bruce Fitzsimons is chief appraiser and vice-president of credit administration, consumer and mortgage lending with First National Bank of Olathe and a member of the Kansas Real Estate Appraisal Board. He lives in Overland Park.



IDENTITY THEFT—APPRAISER STYLE

Source: Working RE Magazine
www.workingre.com

The best advice comes from an FBI agent though unfortunately for one appraiser, it came a little too late. That advice is: Be very careful whom you work with and never give anyone authority to use your electronic signature. Here's why.

Billy G., we will call him while the investigation is ongoing, has been appraising for nearly 25 years and figures he has seen just about everything: everything except the dozens of appraisals completed using his signature and tax identification number.

The trouble began with lender requests to fix problem appraisals that were not his, and continues today, over one year later, as Billy battles to clear his name and extricate himself from the mess.

TRAINEE TROUBLE

The culprit in this case is a trainee Billy took under his wing - we'll call him X. For the first several months the relationship between mentor and trainee worked the way it is supposed to: Billy receiving orders from long-time clients and completing appraisals with trainee X, who was working from a home office. Billy visited all the properties with X and oversaw all appraisals from start to completion.

After some months, orders to Billy's firm began to slow. Billy discovered that his clients were sending orders and payments directly to X, who was fraudulently using Billy's signature and tax ID to complete the work. Billy never saw the orders or the appraisals.

"When I realized what was going on, I immediately notified him (X) in writing to cease and desist and that the sponsorship was terminated. I also notified our state board and my clients in writing about the fraud," Billy said.

Amazingly, some of his clients continued sending orders to X, buying his excuses and explanations. The fraud continued for nearly eight more months.

As Billy persisted in trying to get X to stop, he was threatened and his property vandalized. The police are now involved. Out of desperation, Billy went to the FBI (white collar fraud unit) who is now on the case.

"The FBI told me that the only thing that saved me is the paper trail I have documenting my demands to stop using my signature. Otherwise, I would have had trouble proving my case."

AFTERMATH

As a result of this tangled mess, Billy has lost clients for refusing to "fix" appraisals he didn't do, owes the IRS taxes on money he didn't receive (his attorney advises him to pay now and go after X later) and is preparing for the worst: a substandard appraisal with his name on it coming back to haunt him. Given that X was producing a staggering 5 to 10 appraisals a day using his signature, Billy's worry is justified.

Getting justice also seems remote. According to Billy, X has nothing in his name and hasn't paid taxes in years.

DIRTY DEEDS

Where did Billy go wrong? That's the discouraging part. Billy never gave X permission to use his signature nor to work independently. More ironic is that Billy has no electronic signature; he doesn't send files via e-mail at all - he's in a rural area and his clients still want reports delivered by hand or overnight express. He figured X scanned his signature from a paper appraisal and lifted his tax ID from a document in the office. But recently he made a surprising discovery when he finally was able to obtain copies of the fraudulent reports from the state: the signature on the reports are not his at all; they are simply forged.

Today, Billy expects he has not seen the last of this trouble. "My attorney advises me not to be surprised if this leads to even worse identity theft, as this person appears to be a career criminal. Appraisers really need to be aware and be careful. This can and does happen to anyone."



Coming
Soon!

The Board has been working with Information Network of Kansas, Inc. (INK) to update the KREAB website to make it more user friendly and give it a new look. While most of the information will remain the same, we have added county search to our directory of appraisers, as well as the current expiration date.

If there is information that would prove helpful to you and it is not on our website at this time, please let the Board staff know and we will do our best to see that it is included.

FBI GOING UNDERCOVER TO THWART MORTGAGE FRAUD

Source: ELLIOTT® & Company Website, April 2005

In order to reduce the growing number of mortgage fraud occurrences, the FBI has been conducting undercover investigations in an effort to combat this problem.

According to the a recent report by the FBI, appraisal fraud was the most prevalent form of mortgage-related fraud, followed in order by property flipping, straw buying and identity theft.

"Mortgage fraud really took off a couple of years ago when interest rates began dropping and there was a run on refinancing," said Chris Swecker, assistant director of the FBI Criminal Investigative Division. "The problem continues to escalate, but we're working to get out in front of it. By its nature, mortgage fraud needs insider

involvement, so we're finding that undercover operations are highly effective."

The FBI had over five times as many mortgage-fraud investigations last year as it did four years ago, while the IRS doubled its amount of such investigations between two and four years ago.

Recently, appraiser Dave Hansen of Washington State was sentenced to 18 months in prison after being convicted of making inflated appraisals. Hansen was also ordered to pay \$287,796 in restitution to the borrowers, who ended up in foreclosure and bankruptcy after it turned out they owed more money than their property was worth. Hansen was not alone in getting sent to the big house by this Spokane, Wash., court. Mortgage brokers Dale Gibbons and Ronald Burger received terms of five years and 37 months, respectively. Both must pay over \$400,000 in restitution. Real estate agent Sally Gibson must serve 30 months in prison and pay \$264,000 in restitution. Closing agent Cathy Patrick is in for 60 days and out \$148,340 for her part in this scheme.

This is only one recent example of appraisers, mortgage lenders, real estate agents and closing agents paying a severe price for being involved in mortgage fraud schemes.



In Memory

RICHARD S. KESSLER, 77, of Wichita, passed away on Sunday, May 8, 2005. Mr. Kessler was Chief Appraiser for the State of Kansas from 1972 until he moved to Wichita to form his own firm, Kessler and Associates Appraisal, in 1976. Mr. Kessler was issued his General Certification on October 10, 1991 and it remained in force until his death.

PAUL MARTIN KROEPFL, 64, of Towanda, passed away on Monday, May 9, 2005. Mr. Kroepfl worked under the company name Prime Site Appraisal Service out of Wichita. Mr. Kroepfl was issued his Residential Certification on July 1, 1993 and it remained in force until his death.

KREAB WELCOMES NEW MEMBERS

In a memo, dated June 6, 2005, Melissa A. Gregory, Director of Appointments for Governor Sebelius, announced the appointment of two new members of the Kansas Real Estate Appraisal Board and the re-appointment of one.

MICHAEL F. MCKENNA, Jennings, was appointed to the Board on February 3, 2005, to complete the term of Donna Hutchinson. Mr. McKenna is a native of NW Kansas and, together with his wife Joan, operates McKenna Appraisal Services, Inc. Their appraisal practice is a full service business, specializing in the appraisal of irrigation and cattle operations in western Kansas, eastern Colorado and southwest Nebraska, in addition to residential, commercial, agricultural and mineral royalty appraisals. Mr. McKenna is a Certified General appraiser in Kansas, Colorado and Nebraska, with a Bachelor's degree in Business Administration from Ft. Hays State University. Professional memberships include the Accredited Rural Appraiser (ARA) with the American Society of Farm Managers and Rural Appraisers and the IFAA-Agricultural designation with the National Association of Independent Fee Appraisers. Mr. McKenna's first term ended on June 30, 2005, at which time he was re-appointed for a second term, to expire on June 30, 2008.

BRUCE A. FITZSIMONS, Overland Park, was appointed to the Board effective July 1, 2005. Mr. Fitzsimons has been employed with First National Bank of Olathe since 1990. He is Chief Appraiser and Vice President of Credit Administration, Mortgage and Consumer Lending. He is a certified residential appraiser with 14 years of appraisal experience and over 30 years of experience in banking/financial services. He is a current board member and past president of KC Data Service, current affiliate and former board member of the Kansas City Chapter of the Appraisal Institute, and member of the Kansas City Mortgage Bankers Association. He is a graduate of Leadership Olathe, attending American River College in Sacramento, CA and graduated from the American Institute of Banking. He lives in Overland Park with his wife, Ronda and son. Mr. Fitzsimons' term will expire on June 30, 2008.

DOUGLAS L. HAVERKAMP, St. George, was appointed to the Board effective July 1, 2005. Mr.

Haverkamp joined Commerce Bank in January, 2005 with 18 years banking related experience. He serves as Vice President and Relationship Manager in the Commercial Banking Dept. responsible for new commercial business development and credit quality. He also serves as their market specialist for government programs, agricultural banking and appraisals. He has worked at the county, district and state office level within Farm Service Agency, formerly Farmers Home Administration, an agency within USDA, with experience in agricultural, residential and commercial lending. Mr. Haverkamp's most recent experience included overseeing the real estate and chattel appraisals within USDA in the state, working with agency personnel and contractors. He is a Certified General appraiser in the State of Kansas.

Mr. Haverkamp is a native of Seneca and graduated from Nemaha Valley High School and Kansas State University, with a Bachelor of Science degree in Agricultural Economics with a minor in Finance. He is also a graduate of the Kansas Agricultural and Rural Leadership, Class V, April 2001, which included an international studies tour to Australia and New Zealand. Mr. Haverkamp serves in the following organizations: Board of Directors for the Kansas Society of Farm Managers and Rural Appraisers and is currently the presiding President; Kansas Agricultural and Rural Leadership Alumni Association, Secretary; Finance Council Member for St. Thomas More Church; Endowment Committee Member, Manhattan Catholic Schools; Youth Soccer Coach - Manhattan Recreation Commission. He and his wife, Laura, reside in rural Manhattan with their three sons, Anthony (16), Jacob (14) and Nicholas (9). Mr. Haverkamp's term will expire on June 30, 2008.



USPAP Q & A

DISCLOSURE OF THE CLIENT IN A PRIOR ASSIGNMENT

Q. As a condition of engagement, I have been asked to disclose the name of the client for any prior appraisals I have completed on the subject property. Is making this disclosure a violation of USPAP?

A. A definitive answer cannot be provided without examining the circumstances. The Confidentiality section of the ETHICS RULE states, in part: *An appraiser must protect the confidential nature of the appraiser-client relationship.* There are some situations in which the appraiser cannot disclose the name of a prior client and still protect the confidential nature of the appraiser-client relationship:

- A client may tell the appraiser to not disclose the fact that he or she appraised a particular property for that client. In that case, the name of the client becomes confidential information (as defined in USPAP) and it is clear that the appraiser cannot comply with the request for disclosure of the client's name.
- There are other cases that simply require judgment on the part of the appraiser to determine whether disclosing the prior client's name would or would not *protect the confidential nature of the appraiser-client relationship.*

An appraiser who is asked to identify the client in a prior assignment may be able to protect the confidential nature of the appraiser-client relationship by identifying the client by type rather than name. Identifying the client by type describes the client with a generalization (for example: financial institution or accountant). However, there may be circumstances in which disclosing the identity of the client by type would actually disclose the name of the client (for example: property owner, trustee). In such a case, naming the client "by type" would not be a solution.

If disclosure of the client's identity is a condition of a potential new assignment, and the appraiser cannot disclose the client's identity and still protect the confidential nature of the appraiser-client relationship, then the appraiser must turn down the new assignment. An appraiser must consider the circumstances when forming a response to a request to disclose the name of the client from a prior assignment.

36. DISCLOSURE OF A PRIOR ASSIGNMENT

Q. As a condition of engagement, a financial institution requires that I disclose any prior appraisals I have completed on the subject property. If I disclose that I have previously appraised the subject property, am I violating USPAP?

A. No. Except as noted below, USPAP does not specifically prohibit the disclosure of

the fact that a prior appraisal has been performed. Disclosing the fact that you have previously appraised the property is permitted except in the case when an appraiser has agreed to keep the mere occurrence of a prior assignment confidential. There are some cases in which the appraiser is asked by the client not to reveal that he or she has appraised that particular property. In such cases, the fact that the appraiser previously appraised the property is confidential information. If the occurrence of a prior appraisal is confidential, and disclosure of prior appraisals is a condition of a potential new assignment, the appraiser must turn down the new assignment because the appraiser could not make the requested disclosure.

WHEN DOES STANDARD 3 APPLY?

Q. I am an appraiser and my practice includes requests to comment on a wide range of valuation work performed by others. Sometimes this work is presented as an appraisal report, appraisal consulting report, consulting report, market data summary, and even as a broker's price opinion. When does STANDARD 3 apply?

A. The answer to this question lies in the definition of an "appraisal review:" *the act or process of developing and communicating an opinion about the quality of another appraiser's work that was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.*

For this question, the key features of an appraisal review are:

- the work under review was performed by an appraiser, and
- the work under review was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

If a service satisfies the definition of appraisal review, STANDARD 3 applies. Assignments involving commenting on the quality of appraisal reports and appraisal consulting reports are appraisal reviews. Assignments related to consulting reports, market data summaries, and broker's price opinions are not appraisal reviews. Even when the work under examination is performed by an individual who sometimes acts as an appraiser, evaluating these types of work is not part of an appraisal review.

However, even if the service is not an appraisal review, the portions of USPAP that apply generally to appraisal practice (i.e.

DEFINITIONS, PREAMBLE, the Conduct, Management, and Confidentiality sections of the ETHICS RULE, the COMPETENCY RULE, the JURISDICTIONAL EXCEPTION RULE and the SUPPLEMENTAL STANDARDS RULE) would apply.

USPAP COMPLIANCE IN RETROSPECTIVE APPRAISALS

Q. When preparing an assignment with a retrospective date of value, should the appraiser comply with the standards in effect as of the date of valuation or as of the date of report?

A. Appraisers must comply with the standards in effect as of the date of the report. Only the data and the analyses of that data should be considered on a retrospective basis, not the standards under which the assignment is performed.

DOES A NEW ASSIGNMENT REQUIRE STARTING OVER?

Q. AO-26 and AO-27 clarify that I cannot re-address an appraisal, and I must treat a subsequent request as a new assignment. Does that mean I must “start from scratch” since I would be performing a new assignment for a different client? Must I re-inspect the property?

A. No, a new assignment does not mean that you must “start from scratch.” You must decide the appropriate scope of work for the new assignment. This would include a decision as to whether or not it was necessary to perform another inspection. The scope of work for the new assignment can be different from the scope of work completed in the earlier assignment. As with any assignment, you might be able to use information and analyses developed for a previous assignment. Appraisers are often selected for subsequent assignments specifically because of experience and demonstrated competency in a prior assignment. One must be mindful of obligations relating to the use of confidential information. The Confidentiality section of the ETHICS RULE states: “*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...*”

USPAP COMPLIANCE AND JURISDICTIONAL EXCEPTION

Q. I am a real property appraiser and a government employee. The agency I work for wants me to provide a “preliminary estimate of value.” The agency policy states that this work is not an appraisal and is not covered by USPAP because of a Jurisdictional Exception. Should I comply with USPAP when I prepare a “preliminary estimate of value?”

A. This question raises a number of issues related to USPAP compliance and the application of the JURISDICTIONAL EXCEPTION RULE. Based on your identification as an appraiser, you should comply with USPAP. This is because an individual’s public identification as an appraiser establishes an expectation that valuation services will be performed in compliance with USPAP. You must comply with USPAP when required by law, regulation, or agreement. Even if the agency policy does not require USPAP compliance, other applicable law or regulation might require compliance.

The JURISDICTIONAL EXCEPTION RULE cannot be used to resolve this type of USPAP compliance question because compliance is not required by USPAP. USPAP does not establish who or which assignments must comply; thus, the JURISDICTIONAL EXCEPTION RULE cannot be applied to the decision to comply with USPAP.

Another issue raised by this question relates to the USPAP requirements that apply to a “preliminary estimate of value.” USPAP does not define “preliminary estimate of value.” However, it is the nature of the service, not the label applied, that defines the service. An appraisal is defined as *the act or process of developing an opinion of value; an opinion of value.* If the service is an “appraisal” as defined in USPAP, then STANDARDS 1 and 2 apply to the “preliminary estimate of value.”

READDRESSING WITH LENDER RELEASE

Q. I am aware of Advisory Opinions AO-26 “*Readdressing (Transferring) a Report to Another Party*” and AO-27 “*Appraising the Same Property for a New Client.*” Does that guidance still apply if Lender A releases me to perform another assignment, or can I just readdress the

report to Lender B since I have obtained a release?

A. It is never permissible to “readdress” a report by simply changing the client’s name on a completed report, regardless of whether the first client gave a release. The request from Lender B must be treated as a new assignment. Further guidance can be found in the Obtaining a Release section of Advisory Opinion 27.

FANNIE MAE APPRAISAL REPORT FORMS Q & A

Numerous questions and comments have been presented to the Appraisal Standards Board (ASB) regarding the recently revised Fannie Mae appraisal report forms. Many of the questions, which are summarized and presented below, are related to Item #23 in the Appraiser’s Certification on report Form 1004, the Uniform Residential Appraisal Report. (The statement in Item #23 on Form 1004 also appears in the other Fannie Mae forms.) The first question is included because the answer is central to the issue raised about Item #23.

Q. What is meant by the term Intended User in USPAP?

A. Intended User is defined in USPAP as: “the client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment.”

Although the client provides information to the appraiser regarding the Intended Users, it is the appraiser who is responsible for specifying the parties he or she is identifying as Intended Users. Knowing the Intended Users is important because USPAP requires that reports contain sufficient information to allow Intended Users to understand the report. Without clear knowledge of the Intended Users in an assignment, an appraiser cannot be certain that the report content is appropriate. Some Intended Users will require more information than others in order to facilitate understanding.

Furthermore, identification of the Intended Users is important in understanding the Intended Use or Uses of the appraisal; different Intended Users may have different Intended Uses for the appraisal.

Q. I have studied the recently issued revised Fannie Mae appraisal report Form 1004. On that form, the lender/client is identified as the Intended User. However, Item #23 in the Appraiser’s Certification states: “The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties.”

I am concerned that Item #23 is not clear, and I wonder if the parties listed in Item #23 could interpret it to mean that they are also Intended Users. To be in compliance with USPAP, what should I do about this item in the Appraiser’s Certification?

A. USPAP requires that each written appraisal report must: “...clearly and accurately set forth the appraisal in a manner that will not be misleading.” Part of satisfying this requirement is clarifying which parties are Intended Users. USPAP requires the appraiser to identify the Intended User(s) and to state in the report who the Intended Users are. (See the definition of Intended User, Standards Rule 1-2(a), and Standards Rule 2-2(b)(i).) The revised Fannie Mae appraisal report Form 1004 clearly states that the lender/client is the Intended User. However, the language in the Appraiser’s Certification Item #23 confuses the matter.

Therefore, in order to clearly and accurately set forth the appraisal in a manner that is not misleading, the revised Fannie Mae report Form 1004 requires supplementation to clarify which parties the appraiser is identifying as Intended Users. As stated in USPAP: “An appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraisal is not misled...”

Part of not misleading the Intended Users is ensuring that they know who they are.

Q. Does the ASB consider Item #23 in the Appraiser’s Certification on report Form 1004 confusing?

A. The statement that the parties listed, “...**may rely on** this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties” [**bold added for emphasis**] is subject to various interpretations.

First, from a practical standpoint, there is little distinction between parties who “use” the report and parties who “rely” on the report. It is difficult to determine the difference between those parties given permission to “rely on” the appraisal report (from the Fannie Mae report forms) and those parties identified as “users of” the appraisal report (from the USPAP definition of Intended Users).

Another matter of confusion is the meaning of the word “may” in the phrase “may rely on.” One interpretation could be that the appraiser is granting permission. This permission for the parties to “rely” on the report suggests that they are Intended Users. Another interpretation could be that the appraiser is simply acknowledging the possibility that another party might choose to rely on the report, even if that party is not an Intended User. This possibility has always existed; the appraiser cannot control to whom the client provides copies of the report.

Q. What should an appraiser do if the parties listed in Appraiser’s Certification Item #23 are determined by the appraiser to be Intended Users? What if the appraiser determines they are not Intended Users?

A. If the appraiser intends any of the parties listed in Appraiser’s Certification Item #23 to be Intended Users, the report must state that fact, and the appraiser must comply with the USPAP requirements associated with these other Intended Users. For example, further supplementation might be necessary to comply with Standards Rule 2-1(b), requiring that the appraisal report must: “...contain sufficient information to enable the intended users of the appraisal to understand the report properly...”

If the appraiser does not intend the parties listed in Appraiser’s Certification Item #23 to be Intended Users, the report must be supplemented to clearly explain this. For example, as indicated in USPAP Statement on Appraisal Standards No. 9, a statement similar to the following may be appropriate: *This report is intended for use only by (identify the client and any other intended users). Use of this report by others is not intended by the appraiser.*

Q. But how can I supplement the Fannie Mae appraisal report forms? Fannie Mae prohibits supplementation of the certification regarding anything material.

A. The ASB cannot comment on Fannie Mae policies. However, USPAP requires that the appraiser supplement an appraisal report form if the form is not adequate. As stated in STANDARD 2 of USPAP: “An appraiser **must supplement a report form, when necessary, to ensure that any intended user of the appraisal is not misled and that the report complies with the applicable content requirements set forth in the Standards Rules.**” **[bold added for emphasis]**

Each assignment is different, and no form could cover all USPAP requirements for all assignments. Appraisal report forms are simply tools to assist in organizing the reporting of assignment results. It is the responsibility of the appraiser to properly develop an appraisal and to properly report the assignment results. A template or form may or may not adequately report the assignment results.

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



DISCIPLINARY ACTIONS

**JOHN ECTON (L-1479), RIVERSIDE, MO
CASE NO. 04-13**

Violations: K.S.A. 58-4121; 58-4118(a)(6); 58-4118(a)(7); and 58-4118(a)(8).

Action: A Consent Agreement and Order was entered into on March 31, 2005, with the following terms and conditions: That Ecton take and pass the examination of the 15-hour USPAP course within 12 months from the date of the Agreement; that Ecton voluntarily will not conduct Kansas property appraisals for 12 months from the date of the Agreement (Ecton’s license will be “inactive” but will not be “suspended” during this period of time); That Ecton pay an administrative fine of \$1,000, plus costs of the re-

view associated with the complaint, within 30 days of the Order; that upon expiration of the 12-month period of inactive status, Ecton will maintain a log of all appraisals performed for a period of 6 months, to be submitted to the Board office at the end of the 6-month period; that Ecton pay the cost of review of 3 of the appraisals selected from the log; and that should any review show substantial non-compliance with statutes and regulations, a new action will be filed by the Board.

**PETER LIKENS (L-1396), OVERLAND PARK
CASE NO. 05-01**

Action: A Summary Proceeding Order was issued, effective February 18, 2005, revoking Likens State License for failure to comply with the Consent Agreement entered into between Likens and the Kansas Real Estate Appraisal Board on June 24, 2004.

**DAVID L. HARTLINE (R-615), LENEXA
COMPLAINT #360 & 414**

Violations: K.S.A. 58-4121; 58-4118(a)(6); 58-4118(a)(7) and 58-4118(a)(8).

Action: A Consent Order was entered into on April 7, 2005, with the following terms and conditions: That Hartline be supervised by a Kansas Certified Residential appraiser, in good standing with the Board, for a period of 12 months, effective the date of the Order, that Hartline maintain a log of all appraisals he performs or in which he participates for the 12 month supervised period, the log to be signed by the supervisor and submitted to the Board quarterly; that after 6 months, the Board may select a report from the logs for review; that Hartline pay \$400 to cover the cost of the review within 30 days from the date of the Order; and that Hartline pay the cost of the additional review within 30 days from the date of notice by the Board.

**JAMES ROBERT LESKY (R-418), LENEXA
COMPLAINT #401**

Violations: K.S.A. 58-4121, 58-4118(a)(6); 58-4118(a)(7); and 58-4118(a)(8)

Action: A Consent Order was entered into on April 20, 2005, with the following terms and conditions: That Lesky cease all supervision for a period of six months, commencing with the date

of the Order; that Lesky take and pass the examination of the 15-hour Uniform Standards of Professional Appraisal Practice course on or prior to June 30, 2006; that Lesky pay a fine of \$500 within 30 days from the date of the Order; and that Lesky pay \$280 to cover the cost of the review associated with this complaint within 30 days from the date of the Order

**THOMAS OLSON (R-478), WICHITA
COMPLAINT #395**

Violations: K.S.A. 58-4121; 58-4118(a)(6); 58-4118(a)(7); and 58-4118(a)(8).

Action: A Consent Order was entered into on May 11, 2005, with the following terms and conditions: That Olson take and pass the examination of the 15-hour Uniform Standards of Professional Appraisal Practice course on or prior to June 30, 2006; that Olson pay a fine of \$500 within 30 days from the date of the Order; and that Olson pay \$240 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

**JANE SANSON, R-896 (OVERLAND PARK)
COMPLAINTS #382, 385, 388, 413 & 426**

Violations: K.S.A. 58-4123(c); 58-4123(d); 58-4121; 58-4118(a)(9)

Action: A Summary Order was issued on May 9, 2005, revoking Sanson's residential certification.

**RONALD L. SHIVERS, R-676 (ABILENE)
CASE NO. 04-08**

Violations: K.S.A. 58-4121, 58-4118(a)(6); 58-4118(a)(7); and 58-4118(a)(8)

Action: A Final Order was issued on June 3, 2005, with the following terms and conditions: That Shivers pay a fine of \$250 for Count 1, \$250 for Count 2 and recovery of costs of the action not to exceed \$600, within 45 days from the date of the Order; that 30 days following the date of the Order, Shiver's certification will be suspended for 90 days or until the fines and costs are paid, whichever is longer.



**THIRD 2005 EXPOSURE DRAFT
ON PROPOSED REVISIONS TO USPAP**

On July 19, 2005, the ASB issued the third 2005 exposure draft on proposed revisions to USPAP. The deadline for comments on these revisions is September 2, 2005, and should be submitted to:

ASB Comments
The Appraisal Foundation
1029 Vermont Ave., NW, Suite 900
Washington, DC 20005-3517

Comments may also be submitted by facsimile to (202) 347-7727 or (202) 624-3053, or by email to: comments@appraisalfoundation.org.

This Exposure Draft covers revisions to USPAP and certain Advisory Opinions relating to:

- The Scope of Work Project as reflected in the SCOPE OF WORK RULE, relevant DEFINITIONS, STANDARDS 1 through 10, and STATEMENTS 9 and 10
- The specific review of STANDARDS 9 and 10
- The proposed revisions to Advisory Opinion 2 (AO-2) *Inspection of Subject Property*
- The proposed new Advisory Opinion 28 (OP-28) *Scope of Work Decision, Performance and Disclosure*; and the proposed new Advisory Opinion 29 (OP-29) *An Acceptable Scope of Work*.

Readers are asked to especially note and comment on the following:

- The proposed deletion of the labels "Binding Requirement" and "Specific Requirement" from USPAP
- The proposed edits to Standards Rules 1-4(e), (f) and (g); 6-3(a) and (b); 6-6(e); and 7-4(e), (f) and (g)
- The proposed revisions to Advisory Opinion 2 (AO-2) *Inspection of Subject Property*
- The proposed new Advisory Opinion 28 (AO-28) *Scope of Work Decision, Performance, and Disclosure*
- The proposed new Advisory Opinion 29 (AO-29) *An Acceptable Scope of Work*

The 2005 edition of USPAP will remain effective until mid-2006. The next edition of USPAP is expected to be published by January 2006, several months ahead of its effective date of July 1, 2006. This will allow additional time to provide education regarding and implementation of the proposed changes. The 2006 edition of USPAP likely will remain effective through the

end of 2006 and all of 2007. The ASB anticipates converting to a two-year USPAP publication cycle in 2008. All dates are tentative and the ASB will revise this schedule if appropriate.



**LICENSED/CERTIFIED APPRAISERS As Of
AUGUST 23, 2005**

GENERAL CERTIFIED	411
RESIDENTIAL CERTIFIED	331
STATE LICENSED.....	365
PROVISIONAL (TRAINEE).....	128
 TOTAL:	 1,235

KANSAS REAL ESTATE APPRAISAL BOARD

ACTING CHAIRMAN
GREGG LESH, WICHITA

MEMBERS
PHILIP L. BOWMAN, WICHITA
BRUCE A. FITZSIMONS, OVERLAND PARK
DOUGLAS L. HAVERKAMP, ST. GEORGE
TIM KELLER, LAWRENCE
RALPH LENO, GARDNER
MICHAEL F. MCKENNA, JENNINGS

STAFF
SALLY PRITCHETT, EXECUTIVE DIRECTOR
CHERYL MAGATHAN, PUBLIC SERVICE EXE.

1100 S.W. WANAMAKER RD., STE. 104
TOPEKA, KS 66604

(785) 271-3373 (PHONE)
(785) 271-3370 (FAX)

sally.pritchett@kreab.state.ks.us
cheryl.magathan@kreab.state.ks.us

APPRAISAL FOUNDATION CONTACT INFORMATION

(202) 347-7722 (phone)
(202) 347-7727 (fax)
E-mail: info@appraisalfoundation.org
Website: www.appraisalfoundation.org