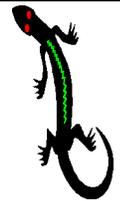




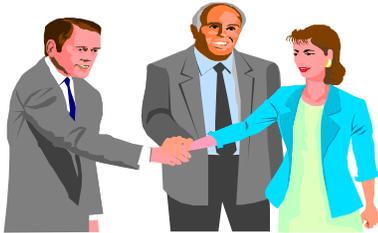
# APPRAISING ARIZONA

## BOARD OF APPRAISAL NEWSLETTER



Volume 6 Issue 6

JULY 2000



### JUNE 21 AND 22 BOARD MEETING

The Board had a very informative meeting by way of a visit from the Arizona Banking Department. John J. Coyle, Deputy Superintendent and Robert D. Charlton, Division Manager, Financial Services Division attended the meeting.

The Board informed Mr. Coyle and Mr. Charlton of their concerns regarding the predetermined valuations, "property flipping" and pressuring of appraisers by mortgage lenders. The public was allowed to speak about their personal involvement with these particular issues.

The Banking Department is more than willing to assist the Board as well as appraisers in trying to overcome these major problems.

The Banking Department would like to hear your complaints and they accept anonymous complaints. You can contact their Consumer Affairs Division at (602)255-4421 or you can go to their web site for a form at: [azbanking.com](http://azbanking.com).

The Board of Appraisal is still interested in receiving any information concerning predetermined valuations and "property flipping".

\*\*\*\*\*

The Appraisal Standards Board's communication of December 1999 directly addresses "property flipping".

The phrase "property flipping" or "a flip" is commonly used to describe the transfer of property where fraud is used to obtain inflated prices and loans.

It is important to note that "property flipping" is distinctly different than the usual activity of buying and selling property at a profit. The market for real estate is imperfect. Knowledgeable and honest parties seek opportunities to acquire a given property at a favorable price with the objective of reselling that property at a profit. Such activity does not constitute flipping as there is no intent to mislead or defraud.

*USPAP does not describe property flipping itself, but it does prohibit appraisers from communicating assignment results in a fraudulent or misleading manner. The ETHICS RULES is explicit about any kind of activity designed to mislead or defraud - as specified in the Conduct Section of the ETHICS RULES:*

An appraiser must perform assignments ethically and competently in accordance with these standards, and must not engage in criminal conduct.

An appraiser must not communicate assignment results in a misleading or fraudulent manner. An appraiser must not use or communicate a misleading or fraudulent report or knowingly permit an employee or other person to communicate a misleading or fraudulent report.

To avoid being entangled inadvertently in such schemes, Standards Rule 1-5 requires that appraisers analyze any current Agreement of Sale, option or listing of the property, when such information is available. Many lenders require that Agreements of Sale be provided to the appraiser for their review and analysis. Sometimes the second or third leg of a flip can be discovered when the seller in the sale agreement is not the owner of record. Verification of the terms of sale with brokers may also reveal multiple transactions on the same property.

Experienced appraisers can recognize anomalies in the market and will avoid relying on sales that do not reflect the prevailing market. If an appraiser is asked to value a property in an area that is unfamiliar to them, they should become familiar with the area and the market for the subject property.

Standards Rule 1-4 requires the appraiser to collect, verify and analyze information applicable to the appraisal problem. Knowing the conditions of sale, financing and motivations of the buyer helps the appraiser to adjust sales to the market and avoid the affects of inflated prices.

Standards Rule 1-2(e) requires that the appraiser identify the characteristics of the property that are relevant to the purpose and intended use of the appraisal including the location and physical, legal, and economic attributes. Knowledge of these attributes plays a critical role in the valuation process. Appraisers should exercise care in identifying these attributes noting any adverse conditions which could impact the property's value.

- ASB USPAP Q&A Vol.1, No. 12  
December 1999

**ARIZONA  
BOARD OF APPRAISAL**

The Arizona Board of Appraisal Newsletter is published by the Arizona Board of Appraisal, 1400 West Washington, Suite 360, Phoenix, Arizona 85007 (602)542-1539.  
Editor: Linda Schutzenhofer  
web site [www.appraisal.state.az.us](http://www.appraisal.state.az.us)

**BOARD OF APPRAISAL MEMBERS**

Melvin Young, Chairman  
Appraiser

Micahel Naifeh, Vice Chairman  
Property Tax Agent

Lee Ann Elliott  
Public Member

Sonny Solot  
Appraiser

Keith Maio  
Public Member

Ella Makula  
Public Member

Audrey Gay  
Appraiser

Lezlie Benham  
Public Member

C. Marie Meahl  
Appraiser

**BOARD OF APPRAISAL STAFF**

Ed Logan  
Executive Director

Linda Schutzenhofer  
Deputy Director

Debb Pearson  
Regulatory Compliance Administrator

Katherine Gass  
Administrative Secretary

**USPAP REQUIREMENT FOR  
RENEWAL**

The new requirement of 14 hours of USPAP every four years will take effect on October 1, 2000. Applicants who expire on October 31, 2000 will be exempt from this new rule if **renewal applications are filed by Friday, September 29, 2000**. Any renewal applications filed after this date will be required to show 14 hours of USPAP in the previous four years.

Applications **cannot** be postmarked on the September 29 date. They **must** be in our office on September 29 by 5:00 p.m.

All applicants whose license/certificate expires on November 30, 2000 and thereafter, will fall under the new requirement. The four year period is calculated from the November 30 expiration date. In this case, the period goes back to November 1996. All subsequent renewals will follow this procedure.

Applicants may use the 14 hours of USPAP as continuing education for this renewal if taken within their current two-year license/certification term.

\*\*\*\*\*

**REMINDER**

To avoid complications and misunderstandings, please make certain that the signature on your renewal application, upgrade, etc. is the same name that is reflected on your license/certificate.

There has been confusion in the past over nicknames and other names used by applicants. If you are known and sign by a different name than what you have put on your initial application, the Board **must** have this information.

Also, when you submit a change of address to the Board, please indicate which address you want to use as your mailing address. And please remember to give us your phone number(s) if applicable.

**THE DANGER OF EX PARTE  
COMMUNICATIONS**

*Ex parte* communications, which include instances of individual appraisers contacting members of the Arizona Board of Appraisal to get information about a pending or denied application; to discuss a pending complaint; supervisory audit or disciplinary action; or to attempt to influence a board decision; are improper and may be detrimental to the individual appraiser.

*Ex parte* communications are any oral or written communications received by the ABA members or the administrative law judge, when **all** parties are not present.

Such communications could cause a board member who may have voted in the individual's favor to recuse him or herself from voting on the application or disciplinary action in question when it comes before the ABA.

- Linda Riddell, Administrator  
Oregon Appraiser Board

\*\*\*\*\*

**BOARD MEETING DATES**

August 16	9:00 a.m.
September 20	9:00 a.m.
October 18	9:00 a.m.
November 15	9:00 a.m.
December 20	9:00 a.m.

**ARIZONA APPRAISERS**

<b>LICENSED</b>	<b>363</b>
<b>CERT. RESIDENTIAL</b>	<b>668</b>
<b>CERT. GENERAL</b>	<b>637</b>
<b>NONRESIDENT TEMP</b>	<b>58</b>



## DISCIPLINARY ACTIONS

The Board has reviewed many cases since the March Board meeting. We have also received 23 new appraiser complaints and a new inquiry form for tax agents has been developed and the Board will soon be accepting complaints against tax agents. Debb Pearson and the contract investigators are always busy and manage to keep the Board up to date on complaints.

Since the March 2000 Board meeting there have been:

12 Due Diligence letters sent

13 appraisers are currently on probation  
- 8 of the appraisers on probation have numerous cases

2 appraisers have been suspended and one of the appraisers had two cases

2 Orders of Censure

6 cases are pending formal hearings

9 cases had informal hearings or have been set for informal hearings

13 cases have been dismissed

2 appraisers settled by means of a Consent Agreement

13 cases are presently with an investigator

21 cases are waiting to be sent for investigation

On May 11, 2000, Ed Logan, and Michelle Wood presented an investigator training seminar for the contract investigators.

Diane Mihalsky, Anthony Halas and George A. Schade, Jr., Administrative Law Judges from the Office of Administrative Hearings, gave an overview of formal hearings, investigations and testimonies by investigators. Their information was extremely interesting and helpful.

Judy Hakalmazian, State Contract Officer from the State Procurement Office instructed the group on the investigator contracts.

The contract investigators learned about the disciplinary process, statutes and rules. They were instructed on the investigative report approaches: what it is and what it isn't, where the investigators fit in, content, length and style of the report and testifying.

At the end of the session the investigators gave feedback on their major concerns, experiences and they gave suggestions for improving the process.

The session was successful and was an opportunity for all concerned to gain vital information from everyone who participated.

\*\*\*\*\*

### **WHAT GOES IN A WORKFILE**

According to USPAP 2000 Edition, an appraiser must prepare a workfile for each appraisal assignment. The workfile *must* include the name of the client and identity, by name or type, and any other intended users; true copies of any written reports, documented on any type of media; summaries of any oral reports or testimony, or a transcript of testimony, including the appraiser's signed and dated certification; all other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with this rule and all other applicable Standards, or references to the location(s) of such other documentation.

An appraiser must retain the workfile for a period of at least five (5) years after preparation or at least two (2) years after final disposition of any judicial proceeding in which testimony was given, whichever period expired last, and have custody of his or her workfile, or make appropriate workfile retention, access, and retrieval arrangements with the party having custody of the workfile.

A workfile preserves evidence of the appraiser's consideration of all applicable data and statements required by USPAP and other information as may be required to support the findings and conclusions of the appraiser.

A photocopy or an electronic copy of the entire actual written appraisal, appraisal review, or consulting report sent or delivered to a client satisfies the requirement of a true copy.

Care should be exercised in the selection of the form, style, and type of medium for written records, which may be handwritten and informal, to ensure they are retrievable by the appraiser throughout the prescribed record retention period.

A workfile must be in existence prior to and contemporaneous with the issuance of a written or oral report. A summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report.

**A workfile must be made available by the appraiser when required by state enforcement agencies or due process of law. In addition, a workfile in support of a Restricted Use Appraisal Report must be available for inspection by the client in accordance with the Comment to Standards Rule 2-2(c)(ix), 8-2(c)(ix) and 10-2(b)(ix).**

## QUESTIONS AND ANSWERS

**QUESTION:** *When I am deciding whether departure is appropriate in a real property appraisal assignment, how do I figure out what my “peers’ actions would be in performing the same or a similar assignment”, as required by the Departure Rule?*

**ANSWER:** Although the Definition section of USPAP does not contain a definition of the term “peers”, a good description of one’s peers is provided in Statement 7:

**“Appraiser’s peers” are other competent, qualified appraisers who have expertise in similar types of assignments involving similar types of properties.**

When confronted by the question, “what would my peers’ actions be”, an appraiser can research it himself, ask experts or refer to educational materials. However, the most direct way to find an answer is to develop and maintain relationships with competent appraisers, and to discuss with them what their actions would be in a similar assignment.

**QUESTION:** *Is it okay for me to say in my appraisal report that I’ve done a Limited Appraisal, even though I didn’t invoke the Departure Rule?*

**ANSWER:** USPAP defines “Limited Appraisal” as:

**the act or process of developing an opinion of value or an opinion of value developed and resulting from invoking the Departure Rule.**

By definition, then, if the Departure Rule is not invoked, an appraisal is not a Limited Appraisal. Further, all USPAP’s reporting standards require that in reporting a Limited Appraisal, an appraiser must **“state and explain any permitted departures from applicable specific requirements.”** A report of a Limited Appraisal that lacks these required disclosures would violate USPAP; a report that disclosed departures that weren’t actually taken would be misleading and so would also violate USPAP.

*-ASB State Advisory Bulletin - The Appraisal Foundation*