



## Administrator's Report

By Bob Keith, ACLB Administrator

Since our last newsletter the Appraiser Certification and Licensure Board (Board) has adopted a supervising appraiser endorsement program to help ensure that supervising appraisers are providing a sufficient level of direct supervision to registered appraiser assistants and to ensure that the assistant's experience hours toward a credential are acceptable. The Board has developed a four-hour Supervising Appraiser/Appraiser Assistant training course and has provided it free of charge to a number of course providers including one on-line provider.

The Board has sent a number of mass e-mails to all appraisers/assistants on important topics such as the adoption of new Fannie Mae appraisal forms, disclosure of sales concessions, summary of USPAP and administrative rule changes, and notices of proposed rulemaking hearings.

One of the most troubling issues for appraisers recently is the trend of real estate brokers being unwilling to disclose sales concessions. This unwillingness is based on a viewpoint that sales concessions are confidential information as defined by State statute and therefore could not be disclosed to an appraiser without specific authorization from the broker's principal (the seller and/or buyer). The Board requested and received a legal opinion (OP-2007-4) from the General Counsel of the Oregon Department of Justice which stated that real estate licensees (brokers) are not precluded by statute from disclosing sales concessions, but neither are they required to disclose them. Please refer to the entire legal opinion which can be found on the Board's website at [www.oregonaclb.org](http://www.oregonaclb.org).

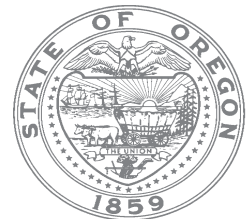
January 1, 2008 marked the beginning of significant change with respect to education requirements for all new licensed and certified appraisers. The license credential will require 150 hours of appraisal education (up from 105 hours), the certified residential credential will require 200 hours of appraisal education (up from 120 hours) plus a two year college degree, and the certified general credential will require 300 hours of appraisal education (up from 180 hours) plus a four year college degree. These increases in education requirements have been handed down to all States by the Appraiser Qualifications Board of The Appraisal Foundation.

January 1, 2008 also marked the beginning of a new edition to the Uniform Standards of Professional Appraisal Practice (USPAP) and marks the beginning of a two-year revision cycle for USPAP. Please refer to page U-v and U-vi in the 2008 USPAP book to read about the 2008 revisions to USPAP and to the Advisory Opinions. Also note that 220 frequently asked questions have been added to the back of the book.

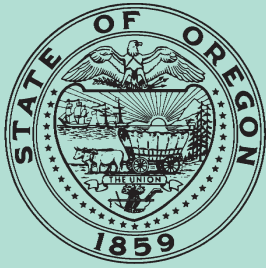
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Appraiser Certification and Licensure Board of Oregon



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# The ACLB as an Appraiser's Resource

The Appraiser Certification and Licensure Board (ACLB) strives to be one of the most efficient, knowledgeable and accessible appraiser boards in the nation. Aligned in our mission to protect the public by ensuring that all real estate-appraisal activities conducted in Oregon comply with state and federal laws and standards, the ACLB is *really* the best resource partner to the appraiser. To coin a recent advertising campaign, "If you have questions, we have answers." The staff has more than 60 years of collective appraisal and financial experience to draw upon when answering questions from Oregon appraisers. Even more impressive is the almost 200 years of collective knowledge and experience of the staff *and* Board members. *What an amazing appraisal resource!*

It is sad when I learn in conversation with appraisers, there is a reluctance by appraisers to call the Board and pose a question regarding their practice as it relates to USPAP. It appears there is an underlying apprehension from appraisers that if they call the Board, we are keeping a scorecard and making notes in their files. Let me assure the Oregon appraisal community, *this is not the case*. Part of our mission is appraiser education and we would much rather help in answering a USPAP or practice question rather than sanction appraisers in disciplinary action. Give the dial a whirl and call 503-485-2555 the next time you have a USPAP or practice question, you might be surprised! ■

## Past Newsletter Resources

The ACLB Newsletter is an excellent reference resource for appraisers. I hope that you find each newsletter chocked full of useful real world appraisal information and look forward to each irregularly scheduled issue with unbridled enthusiasm. Having said that, I'm sure you also retain the newsletters and have carefully preserved each one to perpetuity. What, you haven't! Well luckily, prior issues are available at the ACLB website. Here is a handy list of some of the most pertinent articles relative to frequent inquiries at the Board:

<u>Topic</u>	<u>Newsletter Issue</u>
Reappraising a Property for a Different Client, or Why Assignment Letters Don't Work	Summer 2003
Recertifying an Appraisal versus Updating A Prior Appraisal	Summer 2003
Revising a Previously Issued Appraisal Report	Spring 2004
Abstracting Depreciation from the Market	Spring 2004
Disclosure Requirements for Appraiser Assistants	Summer 2005
Understanding Transaction Value and Complex 1-4 Family Assignments	Summer 2005

# Broker Price Opinions

The Real Estate Agency has been asked for guidance in performing Broker Price Opinions (BPO). The following services can be provided by a real estate licensee without first being licensed as a real estate appraiser. Analysis of an interest in real property can be performed for ownership or collateral purposes for *financial institutions*, **provided that the analysis is used for internal purposes only and that any loan transaction at issue is valued at less than \$250,000**. Therefore, a real estate licensee can analyze real estate for purposes of a lending collateral analysis. A real estate licensee can also perform a default collateral analysis when performed for internal use of a *financial institution*.

Real estate licensees may perform these services under an exemption to the appraiser licensing law (ORS 674.100(3)(a)), but only if the service is provided for a *financial institution* (or its affiliate) which is defined in the statute (ORS 674.010(7)) as "an insured depository institution as defined in section 3 of the Federal Deposit Insurance Act or an insured credit union as defined in section 101 of the Federal Credit Union Act.

Each individual licensee has the responsibility to verify that the request to perform a BPO, for a lending or default collateral analysis, qualifies as an exemption from the statutory requirement to hold an appraiser license. Otherwise, the licensee could be subject to penalties for unlicensed appraisal activity which are (up to) \$500 for the first offense and \$1,000 for the second and each subsequent offense.

Counsel provided the following definitions: A "lending collateral analysis" involves a real estate licensee preparing or assisting in the preparation of a real property analysis when the purpose of the analysis is for use by a lending institution in support of a loan application. A "default collateral analysis" involves a real estate licensee preparing or assisting in the preparation of a real property analysis when the purpose of the analysis is for use by a lending institution in considering its actions with respect to a loan in default.

The Real Estate Agency recommends that licensees performing these services require a written statement from the client, who is requesting the

service, verifying that the BPO requested:

- is being performed for a financial institution as defined in ORS 674.010(7),
- do not constitute a real estate appraisal,
- are either for the purposes of a lending or default collateral analysis,
- are for the internal use only of the financial institution; and
- are for a loan transaction which is valued at less than \$250,000. ■



## Important Notice

Effective January 1, 2010, State Licensed Appraisers will no longer be permitted to supervise Appraiser Assistants. All Appraiser Assistants supervised by a licensed appraiser must either (1) become licensed or certified before January 1, 2010, or (2) as of that date, be supervised only by a State Certified appraiser holding a Supervising Appraiser Endorsement.

Also effective January 1, 2010, the Appraiser Certification and Licensure Board will no longer accept new applications for or issue **new** State Licensed Appraiser credentials. Only State Certified Residential or State Certified General Appraiser certification applications will be accepted. All individuals holding a State Licensed Appraiser credential as of December 31, 2009 will be allowed to maintain and renew their credential beyond that date, but they will not be permitted to supervise Appraiser Assistants.

# Common USPAP Errors



## Visit our Web site!

[www.oregonaclb.org](http://www.oregonaclb.org)

The Appraiser Certification and Licensure Board Web site contains valuable information concerning real estate appraiser licensing:

- fees for services
- a search engine for a listing of approved education courses
- a search engine for a listing of Oregon appraisers
- link to The Appraisal Foundation
- appraiser application and renewal forms
- a list of ACLB members and staff
- a list of states with Oregon reciprocity
- newsletters from the ACLB

Below is a list compiled from a survey of State Appraisal Boards throughout the country on the most common USPAP development and reporting errors.

Use of Fannie Mae forms for non-lending assignments [SR 1-2 (a); SR 1-2 (b); SR 2-1(a) and SR 2-2 (b)(ii)]

Over-reliance on boilerplate: comments and inclusion of boilerplate that is not applicable or contradicts statements made elsewhere in the report [SR 2-1(a) and SR 2-1(b)]

Inadequate information regarding the subject's neighborhood/market area and/or any external influences which may affect marketability and their affect on value (Examples: traffic and freeway influence, noise, BPA easement, commercial developments in the immediate area, school influence) [SR 1-2 (e)(i) and SR 2-1 (b)]

Failure to describe or summarize sufficient information to disclose – to the client and any intended users of the appraisal – the scope of work used to develop the appraisal [SR 2-2 (a) or (b)(vii)]

Inadequate disclosure of extraordinary assumptions or hypothetical conditions, including failure to state that their use might have affected the assignment results [SR 2-1 (c) and SR 2-2 (b)(x)]

Failing to develop and state an opinion of reasonable exposure time linked to a market value opinion [SR 1-2 (c) and SR 2-2 (a)(v) or (b)(v) and Statement 6]

Failing to disclose known facts concerning the physical, legal, or economic characteristics of the property being appraised when using a hypothetical condition [SR 2-1 (b)]

Failure to address impact of zoning non-conformity [SR 1-3 (a) and SR 2-2 (a) or (b)(iii)]

Insufficient explanation of effective age when it varies substantially from the chronological age [SR 2-2 (a) or (b)(iii)]

Failure to summarize the support and rationale for the opinion of highest and best use [SR 2-2 (a) or (b)(ix)]

Unsubstantiated land value or construction costs in the cost approach [SR 1-4 (b) and 2-2 (a) or (b) or (c)(viii)]

Failure to analyze and report concessions and make appropriate adjustments to the comparable sales [SR 2-1 (a)]

Selecting comparable sales based upon their ability to support a preconceived notion of value, rather than based upon their similarity to the subject. [Ethics Rule – Management Section]

Insufficient reasoning and support for adjustments applied to the comparables [SR 2-1(b)]

Inadequate reconciliation of the quality and quantity of data available and analyzed within the approach to value used [SR 2-1 (b) and SR 2-2 (a) or (b) or (c)(viii)]

Inadequate reconciliation of the approaches used or inadequate explanation of the rationale behind the exclusion of any approaches [SR 2-1 (b) and SR 2-2 (a) or (b)(viii)]

Failure to disclose the extent of assistance provided in the appraisal process [SR 2-2 (a) or (b) or (c)(vii) and SR 2-3]

Omitting an approach to value that typical practice and peers would require [Scope of Work Rule, SR 1-4 (a) or (b) or (c) and 2-2 (a) or (b) or (c)(viii)]

Failure to identify and **analyze** all prior sales of the subject property within required time frames or to identify and **analyze** a current listing or current sales agreement for the subject property [SR 1-5]

Inconsistencies within the report, for example, stating in the reconciliation section the cost approach was not developed, when the cost approach is included in the report [SR 2-1 (a) and (b)]. ■

# Inspection of Real Estate - Do What You Say and Say What You Do

One of the practical rules of appraisal is to “Do what you say you are going to do” in the completion of the assignment and then “Say what you did” in the appraisal report. This rule applies in all instances but has special applicability in the inspection of real estate. Many appraisers are just not aware when they sign a certification attesting to their inspection of the interior and exterior of the subject property and the exterior of the comparables that they must have *personally* inspected the interior and the exterior of the subject property and the exterior of the comparables.

It is unethical to sign a certification falsely attesting to inspection of the interior and exterior of the subject property and the exterior of the comparables without having done just that. It is unacceptable to sign any certification in which you are attesting to actions which you undertook in the completion of the assignment when you did not actually undertake those actions.

By signing a FannieMae certification appraisers make specific certifications with regard to the degree of inspection of the subject and the comparables. These certifications are made by the individual signing the certification. In Oregon, that person *cannot be* a registered appraiser assistant. As a result, it is misleading and unethical for an appraiser to sign a certification stating they inspected the interior and the exterior of the subject and the exterior of the comparables when indeed *only* the appraiser assistant inspected the interior and the exterior of the subject and the exterior of the comparables.

Depending on the intended use of the appraisal and the scope of work, it can be permissible for appraisers to not inspect all or part of the subject and the comparables. Many appraisers address this issue by physically altering the FannieMae certification to reflect the actual degree of their inspection of the real estate. This is appropriate under Uniform Standards of

Professional Appraisal Practice for non-FannieMae assignments. The practical problem for appraisers who complete FannieMae type assignments is that FannieMae does not allow any changes to their certifications and limiting conditions.

Some appraisers unsuccessfully attempt to address the issue by adding a statement in FannieMae type assignments that, although they signed a certification attesting to their inspection of the subject and comparables, they really did not perform the inspections which are attested to in the certification. They add the statement because FannieMae does not allow physical alterations to the original certifications and limiting conditions. Adding a statement in the appraisal report, about the appraiser’s lack of inspection, that is contrary to the original signed certification and limiting conditions is not acceptable to FannieMae. FannieMae representatives have told the Board staff they view such a statement by the appraiser as a limiting condition. FannieMae does not permit appraisers to add limiting conditions to appraisal assignments completed for its use.

Remember, FannieMae is a government sponsored enterprise (GSE). The Supplemental Standards Rule of USPAP provides that “Supplemental standards applicable to assignments prepared for specific purposes or property types may be issued (i.e. published) by government agencies, government sponsored enterprises or other entities that establish public policy.” As a result, FannieMae’s position with respect to inspections, certifications and limiting conditions becomes the basis of certain Supplemental Standards which apply in an assignment completed for FannieMae or in accordance with FannieMae guidelines.

The short story here is if the appraisal assignment is to be used by FannieMae or is intended to be

completed according to FannieMae guidelines, you must be fully aware of every element of the certification and limiting conditions that you are attesting to. Don’t attest to something you have not done. Never forget the basic appraisal practice maxim to “Say what you do” and “Do what you say”.



## Forms on the Web



All license and registration application and renewal forms are now available at [www.oregonaclb.org](http://www.oregonaclb.org). The Board will no longer mail renewal forms. If you do not have access to the Internet, call our office, (503) 485-2555, and we will mail or fax you the necessary forms.

In addition to licensing and renewal application forms, course providers may get course-provider and course-approval-application forms from our Web site. Simply choose “Forms” located in the menu of the home page. ■

# Excess or Surplus Land

by Larry Green, Appraiser Compliance Analyst

Once upon a time in a land far far away an appraiser inspected a property with a site that appeared much greater in size than needed to support the current utilization of the improvement. The appraiser developed their value opinion considering the site's supercalifragilisticexpialidocious character and completed the assignment. Although this begins to sound like the proverbial fairy tale, it is a problem real property appraisers face in many assignments. Let's look at the differences between *excess land* and *surplus land* and how each should be identified and valued.

The Dictionary of Real Estate Appraisal defines *excess land* as, "In regard to an improved site, the land not needed to serve or support the existing improvement. In regard to a vacant site or a site considered as though vacant, the land not needed to accommodate the site's primary highest and best use. Such land may be separated from the larger site and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement."

You can see the concept of *excess land* is founded in highest and best use analysis. The four highest and best use tests of legal permissibility, physical possibility, financial feasibility, and maximum profitability are considered and applied to the portion of the site identified as *excess land*. A property's land-to-building ratio (a.k.a. site coverage ratio) can help to identify *excess land*. To illustrate, let's consider Property A developed with a 25,000 square foot light industrial building situated on an 80,000 square foot industrially

zoned site. The land-to-building ratio for this property is 3.2:1. Similar improved industrial properties have land-to-building ratios from 2.8:1 to 3.6:1, or from 70,000 square feet up to 90,000 square feet of land area. Parcel size and gross building areas meet market demands for several alternative uses. Zoning regulations require minimum dimensional standards of 65,340 square feet, identified as 1.5 acres in the zoning ordinance. The property represents its highest and best use as vacant and as improved. Now consider Property B developed with a 25,000 square foot light industrial building situated on a 150,000 square foot industrially zoned parcel. Property B has a land-to-building ratio of 6.0:1. This property's parcel size is larger than needed to support prospective alternative uses of the improvements. Remember, typical uses of this property type only require land-to-building ratios of 2.8:1 to 3.6:1, or from 70,000 up to 90,000 square feet of land area. Consequently, from 65,340 (zoning minimum dimensional standard) to 80,000 square feet of Property B's site may be *excess land*. Let's conclude a 75,000 square foot size parcel provides the optimum size to meet market demands and offers the greatest potential to alternative land uses. We need to apply the above four highest and best use tests to support the reasoning to make this determination for *excess land*. The analysis may read like this: Legal Permissibility - The site portion identified as *excess land* meets and exceeds zoning regulation minimum dimensional standards; Physically Possible - it will support industrial buildings from

20,833 square feet up to 26,786 square feet (building ratios from 2.8:1 to 3.6:1) meeting market demand; and for the purpose of this illustration, Financially Feasible - let's assume interest rates are attractive to borrowers and investors, and Maximally Profitable - let's assume a proposed light industrial use meets market demand and allows for entrepreneurial profit. We have just identified Property B has *excess land* having its own highest and best use as a potential building site for industrial improvement. Obviously with many other considerations of set back, landscape requirements, easements, access, etc. Next, we select comparable sales data to value this portion of the site based on this highest and best use conclusion. Location in the market area, zoning, parking requirements, availability of utilities, topography, soils, access, off-site development costs, and environmental influences must be studied to assess just how comparable each property actually is to the subject property. For illustration, similar competitive land sales indicate a price per square foot range from \$11.50 to \$14.00. We estimate an appropriate market based price per square foot rate of \$12.00 and apply this rate to our identified *excess land* of 75,000 square feet to arrive at a value estimate for the *excess land* of \$900,000.

The same basic procedure applies to residential property. However, *excess land* identification will typically not employ a land-to-building ratio technique, but focus on dimensional standards promul-

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gated in zoning ordinances. The numbers will change, but the process is similar.

Now, let's turn our attention to *surplus land*. The source cited previously defines *surplus land* as, "Additional land that allows for future expansion of the existing improvement(s); cannot be developed separately and does not have a separate highest and best use. Surplus land is associated with an improved site that has not been developed to its maximum productivity according to its highest and best use as though vacant." Note here, *surplus land* does not have its own highest and best use. It must be valued in context of its contribution to its "parent" site. In this illustration, let's identify Property C with a 25,000 square foot light industrial building situated on a 110,000 square foot industrially zoned site. The same zoning regulations apply to Property C that requires minimum dimensional standards of 65,340 square feet, identified as 1.5 acres in the zoning ordinance. However, this property has a land-to-building ratio of 4.4:1 exceeding those previously identified from 2.8:1 to 3.6:1 as meeting market demands of land and building uses. Using the highest land-to-building ratio, a land parcel of 90,000 square feet is calculated to represent the largest optimum parcel size demanded by market participants. The difference between the actual parcel size of 110,000 square feet and the greatest optimum parcel size is 20,000 square feet. In this scenario, Property C has 20,000 square feet of *surplus land*. To value this portion of a parcel will require the appraiser to estimate its contributory value to the overall parcel. To

accomplish this task, we can use paired data set analysis and plottage analysis. The most accessible and understood is the paired data set analysis. To illustrate, we have gathered several data set analyses pairing smaller parcels with slightly larger parcels to extract the differences in the price per square foot paid by market participants. Aliened to the economic theory of economies of scale, these pairings indicate from \$3.00 to \$4.50 per square foot. In other words, we have extracted how much market participants are willing to pay for this additional land, known as *surplus land*. For this illustration, we estimate \$3.50 per square foot as best representing market reaction to *surplus land*. Noted here is the significant difference between *excess land* valued at \$12.00 per square foot in comparison to *surplus land* valued at only \$3.50 per square foot.

Residential property application uses the same procedure identifying *surplus land*. In many market areas where acreage building sites are concerned, the unit of comparison for a residential acreage building site is in fact, just the building site. Take for example an eight-acre home site parcel located in an area regulated by zoning ordinances requiring five-acre dimensional standards. Paired data set analysis may indicate minimal or inconclusive evidence showing any market reaction to the *surplus land*. In this scenario, there may not be any identifiable value contribution from *surplus land*, and when this data is used in a comparative analysis, adjustment to comparable data may not be warranted or the contribution of the surplus land may

be relatively small compared to the incremental value per acre.

In conclusion, the appraiser's recognition and employment of these valuation techniques is paramount in the appraisal process and provides the support and reasoning necessary for a credible value opinion. The above illustrations are simplified and in reality, there are many additional criteria for consideration, such as setback requirements, easements, and parking to name a few. Hope this helps and happy appraising out there!



## Thank You

During the last six months of 2007, the Board received a tremendous number of applications from individuals wanting to apply for new or upgrade existing licenses before the new education requirements took affect January 1, 2008. As part of the application process, the Board is required to conduct a USPAP compliance review of at least one appraisal report from each applicant. This resulted in a huge volume of work for staff. Subsequently, the Board sought volunteers to assist in the review process. The Board would like to thank those licensees who volunteered their time and expertise to assist the Board in reviewing this large volume of appraisal reports. As a result, the processing time for applications was significantly reduced. Your help was greatly appreciated!

# Update Appraisals

by Bob Keith

Appraisers are often called to update a previous appraisal report. Advisory Opinion 3 in USPAP provides advice from the Appraisal Standards Board (ASB) on the Update of a Prior Appraisal. It states:

Regardless of the nomenclature used, when a client seeks a more current value or analysis of a property that was the subject of a prior assignment, this is not an extension of that prior assignment that was already completed – it is simply a new assignment.... Further, the same USPAP requirements apply when appraising or analyzing a property that was the subject of a prior assignment.

Regarding Development Requirements, the ASB writes:

When developing an opinion regarding a property that was the subject of a previous assignment, the scope of work in the new assignment may be different from the scope of work in the prior one. ...rather than duplicating steps in the appraisal process, the appraiser can elect to incorporate some of the analysis from the previous assignment (those items that the appraiser concludes are credible and in compliance with the applicable development Standard) into the new assignment through the use of an extraordinary assumption.

Regarding Reporting Requirements, the ASB writes:

The new report is not required to have the same level of detail as the original report – i.e. a different report option (self contained, summary, or restricted use appraisal report) may be used. However, the new report must contain sufficient information to be meaningful and not misleading to the intended users. There are three ways that the reporting requirements can be satisfied for these types of assignments:

1. Provide a new report that contains all the necessary information/analysis to satisfy the applicable reporting

standard, without incorporation of the prior report by either attachment or reference.

2. Provide a new report that incorporates by attachment specified information/analysis from the prior report so that, in combination, the attached portions and the new information/analysis added satisfies the applicable reporting requirements.

3. Provide a new report that incorporates by reference specified information/analysis from the prior report so that, in combination, the referenced portions and the new information/analysis added satisfies the applicable reporting requirements. This option can only be used if the original appraiser's firm and the original intended users are involved, since the prior report was issued from that appraiser to those intended users, assuring they have access to a copy. When this incorporation by reference option is used, the following items from that prior report must be specifically identified in the new report to avoid being misleading:

- ***Subject property***
- ***Client and any other intended users***
- ***Intended use***
- ***Appraiser(s)***
- ***Effective date of value or assignment results***
- ***Date of report, and***
- ***Interest(s) appraised***

When information is being extended to the report by use of an extraordinary assumption, the requirements in USPAP for use of an extraordinary assumption must be met.

Don't forget that every appraisal report, including an appraisal reported treated as an Update of a Prior Appraisal, requires a certification. If you are incorporating (by attachment or reference) the certification from the prior appraisal report, you must make

certain that nothing in that certification conflicts with the scope of work identified in the update appraisal report.

For example, the certification for the Fannie Mae (appraisal report) form 1004 contains a certification that the appraiser developed the appraisal in accordance with the scope of work requirements that are stated in the report. The scope of work is contained in a pre-printed portion of the form (page 4) and it states that the appraiser inspected the interior and exterior of the subject property and the exterior of the comparable sales. If the update appraisal assignment calls for a different scope of work, such as no inspection of the subject or comps, then the appraiser cannot incorporate the certification from the original report into the update report. In this case, the appraiser must attach a certification to the update report that accurately certifies what the appraiser did or did not actually do in the update assignment.

Regarding Confidentiality Requirements, the ASB writes:

In all assignments, the appraiser must comply with Confidentiality section of the ETHICS RULE with respect to handling of confidential information – i.e. if the prior appraisal...report included any confidential information, its disclosure in a new report to a different client or intended users might violate the ETHICS RULE.

USPAP defines confidential information as:

Information that is either identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or classified as confidential or private by applicable law or regulation.

Regarding Record Keeping Requirements, the ASB writes:

If the assignment includes use of, or reliance upon, all or part of a prior

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report, that report (or the portions used or relied upon) must be retained in the workfile for the new assignment or its location must be properly referenced in the workfile.

Residential appraisers are familiar with the one page Fannie Mae form 1004D which is the Appraisal Update and/or Completion Report. The appraiser is asked to check a box “yes” or “no” in answer to the question “Has the market value of the subject property declined since the effective date of the original appraisal?” The answer to this question is an opinion of value (an appraisal) because it provides a direction of value relative to a benchmark (the value opinion in the original appraisal report).

When the subject of the appraisal is real property, the appraiser must develop that opinion of value in compliance with Standard 1 in USPAP. In an update assignment, that value opinion may be developed with the same or a different scope of work than was utilized in the prior assignment. Remember, portions of the analysis in the prior assignment which remain credible may be employed in the update assignment. This assumes the scope of work (identified by the appraiser) of the update assignment calls for incorporation of those credible portions of the prior assignment.

Any new analysis completed within the update assignment must be reported in keeping with one of the reporting options of Standard 2. It is not necessary the report of the update assignment have the same level of detail (reporting option) as the report of the prior assignment, but this would be determined after communication with the client.

For example, presume an appraiser completed an appraisal assignment six months ago for a lender client using the Fannie Mae form 1004. Today, the same lender asks the same appraiser to provide an update appraisal assign-

ment using the Fannie Mae form 1004D. Can the appraiser simply do a quick check of MLS comps and fill out the form indicating that the value of the subject property has not declined?

The answer is “no” if the appraiser simply completes the 1004D form and sends it to the client. The reason the answer is “no” is that the 1004D form by itself does not contain sufficient information. The update appraisal report must contain an addendum (in addition to the 1004D form) summarizing the research and analysis performed in arriving at the opinion that the subject value has not declined since the original effective date of value. Note that certification number 4 in the Appraiser’s Certification section of the 1004D states: “I have summarized my analysis and conclusions in this appraisal update and retained all supporting data in my workfile.” To meet Standards in this area, the update report would have to include, at a minimum, a summary of the research and analysis completed by the appraiser to form his or her value opinion.

The update report addendum must also accurately report the scope of work for the update assignment. The scope of work for the update assignment may be different than the scope of work for the prior assignment. When the scopes of work are different, it would be improper to report the same scope of work for both assignments. For example, if the cost approach was performed in the original appraisal, but not in the update assignment then the appraiser cannot incorporate the original scope of work statement into the update assignment.

In this case, the appraiser must attach an addendum specifying the actual scope of work utilized in the update assignment. The scope of work section of the Fannie Mae form 1004D is not sufficient to stand on its

own to achieve USPAP compliance with the Scope of Work Rule.

Also, certification number three in the Appraiser’s Certification section of 1004D states: “I have updated the appraisal by incorporating the original report.” The problem here is that USPAP provides two methods of “incorporation”, one is by attachment and the other is by reference. Therefore, the update addendum must specify which method of incorporation is utilized in the update appraisal.

In summary, update appraisal assignments of prior appraisal assignments are permitted, but special attention must be paid to proper development (Standard 1) of the update opinion of value and proper reporting (Standard 2). The report of an assignment identified as an update is always a new report. An entirely new report may be provided without incorporation of any of the reporting found in the prior assignment or a new report may be provided incorporating elements from a prior report.

If the appraiser decides to report the results of an update assignment incorporating elements of a prior report, he or she must incorporate the prior (original) report by reference or by attachment. Incorporation by reference can only be utilized if the original appraisal firm and intended users are involved. Appraisers who use the Fannie Mae 1004D Update Appraisal form must be cognizant of any supplemental information that must be included in an addendum to 1004D form to comply with USPAP reporting requirements.

Finally, properly reporting the scope of work for the update appraisal, properly reporting research and analysis for portions of the report not incorporated from the prior report, disclosing the method of incorporation (if applicable), and utilizing an accurate certification are among the items to be included in an update appraisal report. ■



## USPAP Update Course

Please remember that the 7-hour USPAP Update course is required as part of your 28-hour continuing education requirement to renew your license or certificate. Also, the 15-hour USPAP course *cannot serve as a substitute* for the 7-hour USPAP Update course requirement. However, you may take both classes and count them as 22 hours of continuing education.

# Fannie Mae Forms Are Not Intended For Non-Lender Work

FannieMae (FNMA) revised their suite of appraisal forms in March 2005 specific to their mission of a government-sponsored entity. With these new appraisal forms, FNMA attempted to alleviate investor concerns associated with their portfolios of mortgage-backed securities. FNMA specifically changed portions of their forms to narrow the intended user/use, the appraisal process, and the scope of work. In so doing, FNMA designed their forms solely for lending/client use. Consequently, *none of FNMA's March 2005 forms are intended for non-lender appraisal assignments.*

Let's examine the Uniform Residential Appraisal Report (FNMA 1004), one of the most widely used residential forms. Problems using this form for non-lender assignments arise on page one and page four, and certification items on pages five and six may cause greater appraiser liability. The top of page one identifies the purpose of the appraisal report as: *"The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property."* Note here the appraisal begins conjoining the lender as the client. At the top of page four, second paragraph, *"This appraisal report is subject to the following scope of work, intended use, intended user, definition of market value..... Modifications, additions, or deletions to the intended use, intended user, definition of market value or assumptions and limiting conditions are not permitted."*

The fourth paragraph is titled: **"Intended Use: The intended use of this appraisal report is the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction."** This statement eliminates the use of the appraisal for any other purpose than for lender/client use.

The fifth paragraph is titled: **"Intended User: The intended user of this appraisal report is the lender/client."** This statement restricts the user of the appraisal to none other than a lender/client.

Addendums contravening the scope of work, intended use, and intended user do not work because the scope of work description states "Modifications, additions, or deletions to the intended use, intended user.....are not permitted." You're trapped! If you use FNMA March 2005 forms for non-lender assignments, you are open to USPAP Ethics Rule and Standard Rule violations.

For non-lender assignments, use a residential appraisal form specifically designed for non-lender assignments or the old FNMA 1004 with supplemental limiting condition and certification addendums, found with most software vendors. ■

## Appraisers in Oregon

Certified general appraisers .....	570
Certified residential appraisers .....	567
Licensed appraisers .....	655
Appraiser assistants .....	214

## It's your responsibility to understand and comply with rules and statutes

All applications include the appraiser's acknowledgement and agreement to comply with Oregon Revised Statutes (ORS) Chapter 674, and Oregon Administrative Rules (OAR) Chapter 161.

Whether you are an appraiser assistant, a licensed/certified appraiser, or a supervising appraiser, you are required to comply with all ACLB statutes (laws) and rules. In order to comply with these statutes and rules you must read them. The Board adds, deletes and revises its administrative rules on a periodic basis, so if you haven't read them recently, please do so. Both the statutes and rules can be found on our website at [www.oregonaclb.org](http://www.oregonaclb.org). On our home page click on "Rules and Statutes".

Applicants, appraiser assistants, and licensed/certified appraisers may be subject to disciplinary action such as denial of an application, civil penalty assessment, suspension or revocation of their license for failure to comply with statutes and administrative rules. So, take a few moments to read and understand them and, if you have any questions, please feel free to call the Board office.

If you wish to receive copies of future notices regarding administrative rule hearings along with proposed rule changes, you may submit a written request with your name, address and contact phone number to: Jan Cannon, Appraiser Certification and Licensure Board, 3000 Market St NE, Suite 541, Salem, Oregon 97301. ■

## Thank you for serving!

The Board wishes to extend heartfelt thanks and gratitude to former Board member Terry Bernhardt, JD. The Board is comprised of seven members; five are licensed or certified appraisers, one is a public member, and one is employed by a financial institution or a mortgage banker.

Terry is from Portland and is a partner in Valuation Trust, Inc. and he holds the SRA designation from the Appraisal Institute. Terry is one of the longest serving Board members in board history commencing February 1999 and ending in October 2006. He served as Vice-Chair for one year and Board Chair for two years during his tenure.

Terry was instrumental during a tumultuous period in Board history and helped lead the Board after it became a semi-independent agency. Terry was influential in improving the appraiser assistant training and in establishing the supervising appraiser endorsement program.

The next time you see Terry, be sure to shake his hand and tell him thank you for a job well done! Good luck Terry in all of your future pursuits. ■

## Continuing education credit

All licensed and certified appraisers are required to obtain a minimum of 28 hours of continuing education to renew their license. The continuing education must be obtained between the issue date and expiration date of your license. Carryover of hours from past to future years/cycles will not be allowed. The same or like course cannot be repeated for use as continuing education within a two year period, with the exception of USPAP. The Appraisal Foundation's National USPAP Update course is required for renewal of all licensed and certified appraisers every two year license cycle. The 15-hour National USPAP Course may not be used in place of the 7-hour USPAP Update course. ■



# Enforcement Actions September 2005 - February 2008



## Orders Related Specifically to Licensing Issues

### **Allen, Paul D. – Applicant.** Default Final order

Denying Application for State Certified Residential Appraiser entered May 30, 2006, for withholding information, misrepresentation, and submission of false statements in connection with his application regarding prior disciplinary actions in another state.

**England, Marshall H. III – L001204.** Stipulated Order entered December 11, 2006, related to the Board's Second Amended Notice of Proposed Denial of Renewal Application for State Licensed Appraiser and Civil Penalty. England did not challenge the Board's findings in said Notice, withdrew his renewal application, agreed not to reapply for an appraiser license for a period of two years, and agreed to satisfy six specific conditions outlined in the Stipulated Order related to his compliance with state and federal laws prior to submitting any license application.

**Morgan, Robert W. – L002042.** Stipulated Final Order entered June 30, 2006, wherein Morgan withdrew his application for hearing related to the Board's July 21, 2005 Notice of Proposed Denial of Renewal of application for State Licensed Appraiser. The Board agreed that upon settlement they would not initiate referral of this matter for criminal prosecution although the Board will respond in a full and complete manner if queried by law enforcement personnel. The Board denied Morgan's application for renewal

and retained complete discretion as to pending investigations pertaining to Morgan.

**Sisneros, Jeremy – AA01747 (OAH Case No. 123055).** Final Order entered May 12, 2006 assessing a \$500 civil penalty and denying renewal of Sisneros' Appraiser Assistant Registration based on 9 offenses of misrepresenting information in his renewal application.

**Snodgrass, John – Applicant.** Final Consent Order entered September 19, 2007. Snodgrass was not eligible for a license under the application he submitted June 5, 2007. He agreed not to re-apply until he met all conditions of the Order and any other requirements for licensure provided by statute or rule at the time of application. He also agreed to participate in an audit program as outlined in the Consent Order which included completing an additional 200 hours of experience.

**Wells, Edward A. – Applicant.** Final Consent Order entered February 24, 2006. Wells withdrew his application, agreed not to re-apply until he met all conditions of the Order and any other requirements for licensure provided by statute or rule at the time of application. He also agreed to complete 250 additional hours of experience and to participate in an audit program as outlined in the Consent Order.

## Unlicensed Activity

**Campbell, Richard K. (Case No. 06-1479).** Final Consent Order entered January 8, 2007, assessing a \$500 civil penalty for 1 violation of ORS 674.100(1)(a)

(purporting to be an appraiser prior to obtaining license). Campbell admitted the violation and agreed to pay a \$100 civil penalty. The Board agreed to waive the remaining civil penalty of \$400 upon receipt of Campbell's \$100 payment.

**Hanson, Daniel J. (Case No. 08-1574).** Final Consent Order entered February 29, 2009, assessing a \$12,500 civil penalty for 13 violations of ORS 674.100(1)(a) (purporting to be an appraiser while license is expired). Hanson admitted the violations and agreed to pay a \$1,300 civil penalty. The Board agreed to waive the remaining civil penalty of \$11,200 upon receipt of Hanson's \$1,300 payment.

**Hodges, Michael A. (Case No. 06-1427).** Final Consent Order entered March 10, 2006, assessing a \$1,500 civil penalty for 2 violations of ORS 674.100(1)(a) (issuing 2 reports without obtaining license or TNR). Hodges admitted the violations and agreed to pay a \$500 civil penalty. The Board agreed to waive the remaining civil penalty of \$1,000 upon receipt of Hodges' \$500 payment.

**Jinneman, Paul M. (Case No. 05-1365).** Final Consent Order entered December 30, 2005, assessing a \$500 civil penalty for 1 violation of ORS 674.100(1)(a) (issuing report without obtaining license or TNR). Jinneman admitted the violation and agreed to pay a \$100 civil penalty. The Board agreed to waive the remaining civil penalty of \$400 upon receipt of Jinneman's \$500 payment.

**Manley, Timothy R. (Case No. 06-1423).** Final Consent Order entered March 24, 2006, assessing a \$2,500 civil penalty for 3 violations of ORS 674.100(1)(a) (issuing 3 reports without obtaining license or TNR). Hodges admitted the violations and agreed to pay a \$750 civil penalty. The Board agreed to waive the remaining civil penalty of \$1,750 upon receipt of Hodges' \$750 payment.

**McCall, Richard L. (Case No. 05-1355).** Final Consent Order entered September 29, 2005, assessing a \$1,500 civil penalty for 2 violations of ORS 674.100(1)(a) (issuing report without obtaining license or TNR). McCall admitted the violations and agreed to pay a \$500 civil penalty. The Board agreed to waive the remaining civil penalty of \$1,000 upon receipt of McCall's \$500 payment.

**Reynolds, Carol J. (Case No. 06-1455).** Final Consent Order entered August 25, 2006, assessing a \$500 civil penalty for 1 violation of ORS 674.100(1)(a) (issuing report without obtaining license or TNR). Reynolds admitted the violation and agreed to pay a \$500 civil penalty.

**Saucy, Tara J. – AA01734 (Case No. 07-1549).** Final Consent Order entered October 16, 2007, assessing a \$282,500 civil penalty for 283 violations of ORS 674.100(1)(a) and OAR 161-025-0030(5). Saucy conducted real estate appraisal activity by co-signing and issuing 283 appraisal reports while registered as an appraiser assistant under the direct supervision of Bill R. Dollar. Saucy admitted the violations and agreed to pay a \$1,500 civil penalty and assist Dollar in amending all reports. Board agreed to waive remaining civil penalty of \$281,000 upon receipt of signed order, the \$1,500 civil penalty, and verification that all reports were amended to ensure compliance with ORS 674.100(1)(a) and OAR 161-025-0030.

### ***Surrender in Lieu of Other Disciplinary Action (2)***

**Pulley, Bruce A. – L001214.** Final Consent Order entered November 21, 2007 revoking Pulley's license and assessing a \$21,000 civil penalty. These sanctions were imposed for: 1) Violations of ORS 674.150 and OAR 161-025-0050(1) and OAR 161-025-0060 (failure to maintain workfiles and failure to produce true and exact copies of records within required timeframe); 2) pursuing a continued course of material misrepresentation when describing physical and economic characteristics of subject property; and 3) 30 violations of OAR 161-025-0060 (USPAP). The Board agreed to stay revocation and collection of total amount of civil penalty provided Pulley sign and return consent order, return his license, confirm by signing FCO that he: 1) hadn't conducted real estate appraisal activity since his license expired on August 31, 2007; and 2) had not supervised real estate appraisal activity since his license expired; will not supervise in any capacity at any time in the future, and will not attempt to make any type of application with the Board at any time in the future. The Board agreed to the following predicated on Pulley's full compliance with conditions outlined in FCO: 1) accept surrender of Pulley's license in lieu of revocation, waive revocation of his license, waive the \$21,000 civil penalty, and suspend investigation of Case Nos. 06-1473 and 06-1483. Pulley was unable to locate hard copy of license (see note attached to FCO) - Administrator accepted FCO without physical surrender of license. Pulley will be subject to



Visa  
 MasterCard

## **ACLB takes credit cards**

The ACLB now accepts Visa and MasterCard credit card payments for fees. Credit card payments may be made by walk-in, phone, or mail. Credit card forms may be obtained on the ACLB Web site.

To use your credit card, provide the name of the cardholder as it appears on the credit card, the credit card number, and the expiration date. ■

## Enforcement actions Continued

revocation and \$21K CP as well as additional disciplinary action for violation of Board Order if he violates conditions of Final Consent Order.

**Zarrugh, Ausama B. – L001254 (Case No. 07-1497).** Final Consent Order entered January 3, 2008, revoking Zarrugh's license and assessing a \$60,000 civil penalty for violations of ORS 674.140(1), ORS 674.140(2), ORS 674.140(6), ORS 674.140(7), ORS 674.140(10), ORS 674.140(11), ORS 674.140(13)(a), ORS 674.150, OAR 161-006-0160(9), OAR 161-025-0025(2), OAR 161-025-0025(2)(a), OAR 161-025-0025(2)(a)(A), OAR 161-025-0025(2)(b), OAR 161-025-0025(2)(c), OAR 161-025-0025(2)(d), OAR 161-025-0025(2)(f)(B), OAR 161-025-0025(2)(f)(C), OAR 161-025-0030(3), OAR 161-25-0050, OAR 161-025-0060, OAR 161-025-0060(1), and OAR 161-025-0060(3). The Board concluded that Zarrugh knowingly misrepresented material facts, pursued a continued course of material misrepresentation, failed to produce records, failed to maintain records, and failed to take responsibility for the direct supervision of an Appraiser Assistant. Zarrugh neither admitted nor denied the Board's facts as concluded. Zarrugh agreed to surrender his license in lieu of disciplinary action. Board agreed to waive revocation and civil penalty provided that Zarrugh meets the terms of the Order as agreed.

**Civil Penalty / Reprimand / Suspension / Education / Supervision Restriction**

**Baker, Albert R. – L001056 (Case Nos. 05-1370, 05-1371 and 05-1384).** Final Consent Order entered December 26, 2006, assessing a \$12,000 civil penalty, imposing a reprimand, imposing a 150-day suspension, imposing a limitation on Baker's license that prohibits him from employing and/or supervising *any person* that may provide professional appraisal assistance at any time in the future, and requiring 30 hours of additional education. These sanctions were imposed for: 1 violation of ORS 674.150 and OAR 161-25-0050 (failure to produce true and exact copies and requested documents by required date), 3 violations of OAR 161-025-0030(9) (failure to properly supervise registered appraiser assistant), and for 21 violations of OAR 161-025-0060 (USPAP- 2004 Edition). Baker admitted the violations. The Board agreed to stay collection of the full civil penalty and the full suspension provided Baker serve a 7-day suspension, pay \$3,250 in civil penalty, complete a 30-hour course in the Residential Sales Comparison & Income Approach Course category by an agreed upon date, and cease all supervisory appraiser activities and not supervise real estate appraisal activity, *in any capacity*, at any time in the future. Upon verification that all conditions of the Order were met as agreed, the Board agreed to waive remaining of civil penalty of \$8,750 and 143 days of suspension. The Board also agreed that no complaints would be initiated by the Board in conjunction with 8 other reports the Board found to be non-compliant with USPAP.

**USPAP Violations Report No. 1:** Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(b)

substantial errors of omission / commission; SR 1-1(c) carelessness / negligence; SR 1-3(a) failure to analyze effect on use and value of existing land use restrictions; SR 1-4(c)(i) failure to analyze comparable rental data and/or potential earning capacity; SR 1-6(a) failure to reconcile the quality and quantity of data available and analyzed; SR 1-6(b) failure to correctly reconcile the applicability/suitability of the approaches used to arrive at the value conclusion; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; SR 2-1(b) insufficient information to enable the intended user to properly understand the report properly; SR 2-2(b)(vii) failure to provide summary of professional appraisal assistance provided; SR 2-2(b)(ix) failure to summarize information analyzed, the procedures followed and the reasoning that supports the analyses, opinions and conclusions; and SR 2-2(b)(x) failure to summarize the support and rationale of the HBU opinion given the current use of the property.

**USPAP Violations Report No. 2:** Ethics Rule – Record Keeping; SR 1-1(b) substantial errors of omission/commission; SR 1-1(c) carelessness/negligence; SR 1-3(a) failure to identify and analyze the effect on use and value of existing land use regulations; SR 1-6(a) failure to reconcile the quality and quantity of data available and analyzed; SR 1-6(b) failure to reconcile the applicability/suitability of the approaches used to arrive at the value conclusion; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; SR 2-1(b) insufficient information

to enable the intended user to properly understand the report properly; SR 2-2(b)(vii) failure to provide summary of professional appraisal assistance provided; SR 2-2(b)(ix) failure to summarize information analyzed, the procedures followed and the reasoning that supports the analyses, opinions and conclusions; and SR 2-2(b)(x) failure to summarize the support and rationale of the HBU opinion.

**USPAP Violations Report No. 3:** Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(b) substantial error of omission/commission; SR 1-1(c) carelessness/negligence; SR 1-6(a) failure to reconcile the quality and quantity of data available and analyzed; SR 1-6(b) failure to reconcile the applicability/suitability of the approaches used to arrive at the value conclusion; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; SR 2-1(b) insufficient information to enable the intended user to properly understand the report properly; SR 2-2(b)(vii) failure to summarize professional appraisal assistance provided; and SR 2-2(b)(ix) failure to summarize information analyzed, the procedures followed and the reasoning that supports the analyses, opinions and conclusions.

**Civil Penalty / Reprimand / Suspension / Supervision Restriction**

**Thompson, Charles P. Jr. – L000627 (Case Nos. 05-1360 and 05-1400).** Final Consent Order entered December 12, 2006, assessing a \$6,000 civil penalty, imposing a reprimand, imposing a 300-day suspension, and placing a restriction on Thompson’s license that prohibits him from supervising any appraiser assistants for 24 months, for 2 violations of ORS 674.150 and OAR 161-25-0050 (failure to produce records by required dates, failure to produce true and exact copies by required dates, and failure to maintain

records as required), failure to properly supervise registered appraiser assistants in violation of OAR 161-025-0030(9), and for 3 violations of OAR 161-025-0060 (USPAP-2002 & 2004 Edition) Thompson admitted the violations and agreed to pay a \$3,000 civil penalty, to not supervise real estate appraisal activity, *in any capacity*, until January 15, 2009, and to submit verification of compliance by January 20, 2009. The Board agreed to waive the remaining civil penalty of \$3,000 and the 300-day suspension upon receipt of Thompson’s \$3,000 payment and verification that all conditions of the Order have been met.

**USPAP Violations Report No. 1 and Report No. 2:** Ethics Rule – Conduct; Ethics Rule Record Keeping; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading.

**Civil Penalty / Reprimand / Suspension (waived) / Education / Supervision Restriction**

**Buckles, Scott P. – L000598 (Case No. 05-1352).** Final Consent Order issued August 10, 2006, imposing a 180-day suspension, imposing a reprimand, assessing a \$46,500 civil penalty, requiring 15 hours of additional education, and imposing limitation on Buckles’ license prohibiting him from employing and/or supervising any person that may provide professional real estate appraisal assistance at any time in the future. These sanctions were imposed for the following: 11 violations of OAR 161-015-0010(3) (withholding information and misrepresenting material facts by submitting false information to the Board); 34 violations of OAR 161-025-0030(9)(c), OAR 161-025-0030(3) and OAR 161-025-0060(1) (continued course of material misrepresentation by signing and issuing reports containing misleading certification falsely

## Meeting dates for 2008

Sun	Mon
1	2
8	9

**April 30, 2008**

**July 23, 2008**

**October 22, 2008**

**Quarterly board meeting**

All meetings are open to the public. Auxiliary aids for those with disabilities are available with advance requests. Contact the Board office for specific times and locations of meetings, (503) 485-2555, or visit our Web site, [www.oregonaclb.org](http://www.oregonaclb.org).

## USPAP on line

The 2008 Uniform Standards of Professional Appraisal Practice can now be viewed on The Appraisal Foundation’s Web site under the ASB heading. There is a link to the table of contents on the Appraiser Certification and Licensure Board’s Web page: [www.oregonaclb.org](http://www.oregonaclb.org). ■

## Enforcement actions Continued

stating that he had personally inspected the interior and exterior of the subject and the interior of all properties listed as comparables when he had conducted no such inspections); 7 violations of OAR 161-025-0030(3) and OAR 161-025-0060(1) (failure to comply with a contractual agreement with a client that required that he personally inspect the interior and exterior of the subject and the exterior of the comparable sales and misleading the client to believe he had met the conditions of the agreement by attesting in signed certifications that he had performed the required inspections; issuing reports containing misleading certifications falsely stating that he performed the required inspections); 34 violations of OAR 161-025-0030(6), OAR 161-025-0030(3) and OAR 161-025-0060(1) (failure to insure that reports included proper disclosure regarding the extent of professional appraisal assistance provided); and Buckles' failure to take responsibility for the direct supervision of a registered appraiser assistant working under his supervision which resulted in: 34 violations of OAR 161-025-0030(9)(b), OAR 161-025-0030(3) and OAR 161-025-0060(1) (failure to review reports for accuracy and reliability); 3 violations of OAR 161-025-0030(7) (failure to ensure that appraiser assistant did not misrepresent himself and/or advertise in any way which may mislead the public and Buckles' client into believing that the assistant was authorized to perform the functions of a licensee); and violations of OAR 161-025-0030(12)/OAR 161-025-

0030(13) (failure to review and sign Appraiser Assistant Experience Logs on a monthly basis). Buckles admitted all violations and agreed to pay a \$29,000 civil penalty, complete 15 hours of additional education, cease all supervisory appraiser activities as of August 8, 2006, not supervise real estate appraisal activity in any capacity at anytime in the future, no longer operate any appraisal offices other than his primary office in Sisters, Oregon, withdraw May 9, 2006 Tort Claim, and resubmit one page of his appraiser renewal application and provide specific required information. The Board agreed to complete the processing of Buckles renewal application, waive the remaining civil penalty of \$17,500, and waive the 180-day suspension provided that he comply with all terms of the Consent Order as agreed.

### **Civil Penalty / Reprimands**

**Halligan, Kevin D. – CR00054 (Case No. 04-1284).** Final Consent Order entered October 3, 2005, imposing a reprimand and assessing a \$2,000 civil penalty for 4 violations of OAR 161-025-0060 (USPAP-2004 Edition). Halligan admitted the violations and agreed to pay a \$1,000 civil penalty. The Board agreed to waive the remaining \$1,000 of the civil penalty upon receipt of Halligan's \$1,000 payment.  
USPAP Violations: SR 1-1(b) substantial errors of omission/commission; SR 1-1(c) negligence/carelessness; SR 1-5(b) failure to analyze all sales of the subject within the last 3 years; SR 2-1(a) failure to clearly and accurately set forth the appraisal

in a manner that will not be misleading; SR 2-1(b)(iii) failure to summarize information sufficient to identify physical, legal and economic property characteristics of the real estate relevant to the assignment; SR 2-2(b)(ix) failure to summarize the information analyzed, the appraisal procedures followed, and the reasoning which supports the analyses, opinions and conclusions.

### **Civil Penalty / Reprimand (waived) / Education**

**Walker, Ross A. – L000298 (Case No. 05-1349).** Final Consent Order entered July 17, 2006, assessing a \$3,500 civil penalty, imposing a reprimand and requiring 15 hours of additional education for 6 violations of OAR 161-025-0060 (USPAP-2005 Edition) and 1 violation of OAR 161-25-0010(1) (Scope of Practice). Walker admitted the violations and agreed to pay a \$2,000 civil penalty and complete an additional education course. The Board agreed to waive the remaining civil penalty of \$1,500 and the reprimand upon receipt of Walker's \$2,000 payment and submission of verification of successful completion of a 15-hour National USPAP course by an agreed upon date.  
USPAP Violations: Ethics Rule – Record Keeping; SR 1-1(b) substantial errors of omission/commission; SR 1-1(c) carelessness/negligence; SR 1-4(b)(ii) failure to analyze cost data using appropriate methods; SR 1-5(a) failure to analyze listings; SR 2-1(a) failure to clearly and accurately set forth the appraisal

in a manner that will not be misleading; SR 2-2(b)(vii) failure to summarize sufficient information to disclose the scope of work used to develop the appraisal; and SR 2-1(b)(xi) failure to summarize information analyzed and reasoning that supports the analyses, opinions and conclusions.

**Woodburn, Peter T. – L000387 (Case No. 06-1424).** Final Consent Order entered July 3, 2007, assessing a \$2,500 civil penalty, imposing a reprimand, and requiring 15 hours of additional education for 5 violations of OAR 161-025-0060 (USPAP-2005 Edition). Woodburn admitted the violations and agreed to pay a \$1,750 civil penalty and complete an additional education course. The Board agreed to waive the remaining civil penalty of \$750 and the reprimand upon receipt of Woodburn's \$1,750 payment and submission of verification of successful completion of a 15-hour National USPAP course by agreed upon dates.

USPAP Violations: Ethics Rule – Conduct; SR 1-2(a) failure to identify other intended users; SR 1-2(b) failure to correctly identify intended use; SR 1-5(a) failure to analyze listings and agreement of sale; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-2(b)(i) failure to state the identity of all intended users by name or type; SR 2-2(b)(ii) failure to accurately state intended use of the appraisal; SR 2-2(b)(vii) failure to disclose professional real estate appraisal assistance provided; and SR 2-2(b)(ix) failure to summarize the information analyzed, the procedures followed, and the reasoning that supports the analyses, opinions and conclusions.

**Civil Penalty / Suspension / Education / Supervision Restriction / Audit Program**

**Seigal, Pamela L. – L001088 (Case No. 05-1358).** Final Consent Order

entered October 30, 2006, assessing a \$3,750 civil penalty, imposing a 90-day suspension, requiring 30 hours of additional education, imposing a limitation on Seigal's license prohibiting her from supervising real estate appraisal activity in any capacity at any time in the future, and requiring participation in a 3-phase audit program to ensure future compliance. These sanctions were imposed for 1 violation OAR 161-025-0010(1) (Scope of Practice), 1 violation of OAR 161-025-0060(1) (material misrepresentation), 1 violation of OAR 161-006-160(9) (dishonesty and untrustworthiness in dealing with the Board), 1 violation of ORS 674,150 and OAR 161-025-0050(1) and (2) (failure to maintain and produce true and exact copies); and 8 violations of OAR 161-025-0060 (USPAP-2005 Edition). Seigal admitted the violations and agreed to pay a \$2,550 civil penalty, serve a 14-day suspension, complete 30 hours of additional education by an agreed upon date (National USPAP Course and a course in the Residential Market Analysis and Highest and Best Use category), and participate in a 3-phase audit program. The Board agreed to waive \$1,200 of the assessed civil penalty and 76 days of suspension upon verification that all conditions as outlined in the Order were met as agreed.

USPAP Violations: Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(b) substantial errors of omission/commission; SR 1-1(c) negligence/incompetence; SR 1-2(e)(i) failure to summarize sufficient information to identify the physical, legal, and economic characteristics of the real estate relevant to the assignment; SR 1-3(b) failure to accurately develop an opinion of the HBU of the real estate; SR 1-5(a) failure to analyze all listings; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-1(b) insufficient information to enable the intended

## Criminal background checks

The ACLB conducts criminal background checks of all applicants for new and renewal appraiser licenses and certificates and of appraiser assistants.

Applications require that applicants disclose all convictions of misdemeanors and felonies.

Applicants not reporting all convictions of misdemeanors and felonies face a delayed application process and possible disciplinary action or denied application. ■

## Enforcement actions Continued

### ACLB Location and Mailing Address



The Board has moved. To get to our office, take the Market Street exit off the freeway. Go three blocks west to 3000 Market Street.

Our mailing address is:

ACLB  
3000 Market Street NE  
Suite 541  
Salem, OR 97301

users to understand the report properly; SR 2-2(b)(iii) insufficient information to identify the physical, legal, and economic characteristics of the real estate relevant to the assignment; SR 2-2(b)(ix) failure to summarize the information analyzed and reasoning that supports the analyses, opinions and conclusions; SR 2-2(b)(x) failure to state the subject's use as of the date of the appraisal, failure to support opinion of HBU.

#### **Civil Penalty / Suspension / Education / Supervision Restriction**

**Mohaghegh, Ata – L001230 (Case Nos. 04-1288 and 04-1314).** Final Consent Order entered October 13, 2005, assessing a \$4,250 civil penalty, suspending Mohaghegh's license for 90 days, requiring 30 hours of additional education, and imposing a limitation on his license prohibiting him from supervising any appraiser assistants at any time in the future for 14 violations of OAR 161-025-0060 (USPAP-2002 and 2003 Edition), and 1 violation of ORS 674.150 and 161-025-0050 (failure to produce and failure to maintain records). Mohaghegh admitted the violations and agreed to pay a \$2,300 civil penalty, serve a 7-day suspension, and complete 30 hours of additional education, and to the limitation prohibiting him from supervising appraiser assistants beginning December 13, 2005. The Board agreed to waive \$1,950 of assessed civil penalty and 83 days of suspension upon receipt of Mohaghegh's \$2,300 payment, receipt of Certification of Compliance with the suspension order, verification that Mohaghegh is no longer supervising appraiser assistants after December 13, 2005, and verification of successful

completion of a 30-hour course in the Applied Residential/ Residential Case Studies category by an agreed upon date.

**USPAP violations Report No. 1:** Ethics Rule – Conduct; SR 1-1(a) failure to employ recognized methods/techniques; SR 1-1(b) substantial errors of omission/commission; SR 1-1(c) carelessness/negligence; SR 1-2(f) failure to identify the scope of work necessary to complete the assignment; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; SR 2-1(b) insufficient information to enable the intended users to understand the report properly; SR 2-2(b)(vii) failure to accurately disclose the scope of work necessary for the assignment and failure to summarize extent of assistance provided); and SR 2-2(b)(ix) failure to summarize the information analyzed, the procedures followed, and reasoning that supports the analyses, opinions and conclusions.

**USPAP Violations - Report No. 2:** Ethics Rule – Record Keeping; Competency Rule; SR 1-1(a) failure to employ recognized methods/techniques; SR 1-1(b) substantial errors of omission/commission; SR 1-1(c) carelessness/negligence; SR 1-1(e)(i) failure to identify the subject's relevant locational, physical, legal and economic characteristics/attributes; SR 1-3(a) failure to identify and analyze the effect on use and value of existing land uses regulations, the supply and demand for properties such as the subject, and the physical adaptability of the real estate; SR 1-5(a) failure to analyze the current listing and the pending sale; SR 1-6(a) failure to reconcile the quality and quantity of data available and analyzed; SR 2-1(a) failure to set forth the appraisal in a manner that

will not be misleading; SR 2-2(b)(iii) insufficient information to identify the physical, legal, and economic characteristics of the real estate relevant to the assignment; SR 2-2(b)(ix) failure to summarize information analyzed, procedures followed and the reasoning that supports the analyses, opinions and conclusions; and SR 2-2(b)(x) failure to summarize the support and rationale for the HBU opinion.

**Weed, Haze H. L. – C000138 (Case Nos. 05-1398, 05-1406 and 05-1457).** Final Consent Order entered April 27, 2007, assessing a \$3,650 civil penalty, imposing a 7-day suspension, requiring 15 hours of additional education, and imposing a restriction on Weed's license that prohibits her from supervising real estate appraisal activity, in any capacity, other than her son and daughter. These sanctions were imposed for 1 violation of ORS 674.150 and OAR 161-025-0050 (failure to provide true copies), 1 violation of OAR 161-006-0160(9) (failure to cooperate with the Board), and 10 violations of OAR 161-025-0060 (USPAP- 2005 and 2006 Editions). Weed did not dispute the violations and agreed to serve a 7-day suspension, pay a \$1,700 civil penalty, and complete 15 hours of additional education by an agreed upon date. The Board agreed to waive the remaining \$1,950 of the civil penalty upon verification that all conditions as outlined in the Order were met. Board imposition of supervision restriction stands as imposed.

USPAP Violations Report No. 1: Ethics Rule - Record Keeping.

USPAP Violations Report No. 2: Ethics Rule - Record Keeping; SR 1-2(e)(i) failure to identify the physical and economic characteristics of the property relevant to the type and definition of value and intended use of the appraisal; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-1(b)(iii) failure to summarize information sufficient to

identify the real estate involved in the appraisal including the physical and economic property characteristics relevant to the assignment.; and SR 2-2(b)(x) failure to summarize the support and the rationale for the opinion of the HBU of the real estate.

USPAP Violations Report No. 3: Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(b) substantial error of omission/ commission; SR 1-2(h) failure to determine the scope of work necessary to produce credible assignment results in accordance with the Scope of Work Rule; and SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading.

### **Civil Penalty / Suspension / Education**

**Buchmiller, Eugen – L000977 (Case Nos. 04-1313, 04-1326 and 04-1328).** Final Consent Order entered February 13, 2006, suspending Buchmiller's license for 90 days, assessing a \$5,750 civil penalty, and requiring 45 hours of additional education for 19 violations of OAR 161-025-0060 (USPAP-2002 & 2003 Editions), 3 violations of ORS 674.140(6) (failure to produce records) and ORS 674.150 (failure to maintain records), 1 violation of OAR 161-025-0010(1) and (2) (Scope of Practice). Buchmiller admitted the violations and agreed to pay a \$4,800 civil penalty, serve a suspension from March 24-31, 2006, and complete 45 hours of additional education. The Board agreed to waive 83 days of the suspension and the remaining civil penalty of \$900 upon receipt of Buchmiller's \$4,800 payment, verification of compliance with the agreed upon suspension, and submission of verification of successful completion of a 30-hour course in the Applied Residential/ Residential Case Studies category and a 15-hour National USPAP Course by an agreed upon date.

## The danger of ex parte communications

Ex parte communications, which include instances of individual appraisers contacting members of the Board 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 Board members or the presiding officer, whether a hearings officer or an administrative law judge, when all parties are not present.

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

Please address questions regarding applications, audits, and disciplinary matters to the Board staff. The staff will provide information and advice on procedures.

# Enforcement actions Continued

USPAP Violations – Report No. 1 (Adult foster care residence appraised as SFR): Ethics Rule – Conduct; SR 1-1(b) substantial error or omission/commission; SR 1-1(c) carelessness/negligence; SR 1-2(e)(i) failure to identify relevant locational, physical, legal and economic characteristics of the subject; SR 1-5(c) failure to reconcile quality and quantity of data available and analyzed; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; SR 2-2(b)(iii) insufficient information to identify the physical and economic characteristics of the real estate; SR 2-2(b)(vii) failure to summarize sufficient information to disclose the scope of work used to develop the appraisal; and SR 2-2(b)(xi) failure to summarize information analyzed, the procedures followed, and reasoning that supports the analyses, opinions and conclusions.

USPAP Violations – Report No. 2 (Adult foster care residence appraised as SFR): Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(b) substantial errors of omission/commission; SR 1-1(c) negligence/carelessness; SR 1-2(e)(i) failure to identify locational, physical and economic characteristics of the subject property that were relevant to the purpose and intended use of the appraisal; SR 1-6(a) failure to reconcile quality and quantity of data available and analyzed; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; SR 2-2(b)(iii) insufficient information regarding subject's physical and economic characteristics; and SR 2-2(b)(xi) failure to summarize information analyzed, procedures

followed, and the reasoning that supports the conclusions.

USPAP Violations – Report No. 3: Ethics Rule – Record Keeping; SR 1-1(a) failure to employ recognized methods and techniques; SR 1-1(b) substantial error of omission/commission; SR 1-6(b) failure to reconcile applicability/suitability of approaches used; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; and SR 2-2(b)(xi) failure to summarize information analyzed, the procedures followed, and the reasoning that supports the analyses, opinions and conclusions).

**Skelte, Mark R. – C000256 (Case No. 04-1316).** Final Consent Order entered June 19, 2006, assessing a \$2,750 civil penalty, imposing a 90-day suspension, and requiring 15 hours of additional education for 7 violations of OAR 161-025-0060 (USPAP – 2004 Edition) and 1 violation of ORS 674.150 and OAR 161-025-0050 (failure to produce records upon demand/failure to maintain records). Skelte admitted to the violations and agreed to pay a \$1,750 civil penalty, serve a 10-day suspension beginning July 1, 2006, and complete a 15-hour National USPAP course. Board agreed to waive \$1,000 of civil penalty and 80 days of suspension upon receipt of \$1,750 civil penalty, submission of Certificate of Compliance verifying that Skelte conducted no real estate appraisal activity from July 1, 2006 through July 10, 2006, and verification of successful completion of a 15-hr. National USPAP Course by an agreed upon date.

USPAP Violations: Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(c) carelessness/

negligence; SR 1-2(c) conflicting information regarding type and definition of value to be developed; SR 1-2(f) failure to identify the scope of work necessary to complete the assignment; SR 1-2(g) failure to correctly identify extraordinary assumptions; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-1(b) insufficient information to enable the intended users to understand the report properly; SR 2-1(c) failure to clearly and accurately disclose any extraordinary assumptions; SR 2-2 failure to clearly identify report option; SR 2-2(b)(v) failure to correctly and clearly state the type and definition of value and cite the source of the definition; SR 2-2(b)(vii) failure to summarize sufficient information regarding the scope of work for the assignment; and SR 2-3 failure to report professional assistance provided in the certification.

**Wise, H. Adam - CR00217 (Case Nos. 06-1469 and 06-1482).** Final Consent Order entered February 15, 2008, assessing a \$5,250 civil penalty, imposing a 180-day suspension, and requiring 45 hours of additional education for 13 violations of OAR 161-025-0060 (USPAP - 2004 Edition), 2 violations of ORS 674.150 and OAR 161-025-0050 (failure to produce records upon demand/failure to maintain records), and 2 violations of OAR 161-006-160(9) (failure to cooperate with the Board). Wise admitted to the violations and agreed to pay a \$3,850 civil penalty, serve a 90-day suspension beginning February 16, 2008, and complete a 45 hours of additional education by an agreed upon date. Board agreed to waive \$1,400 of civil

penalty and 90 days of suspension upon receipt of a \$3,850 civil penalty, submission of Certificate of Compliance verifying that Wise conducted no real estate appraisal activity from February 16, 2008 through May 15, 2008, and verification of successful completion of three specific 15-hour education courses by an agreed upon date.

USPAP Violations (Case No. 06-1469): Ethics Rule - Conduct; Ethics Rule - Record Keeping; SR 1-1(b) substantial errors of omission; SR 1-1(c) carelessness / negligence; SR 1-2(e)(iv) failure to identify known easements; SR 1-2(h) failure identify proper scope of work for the assignment; SR 1-3(a) failure to identify and analyze effect on use and value of existing land use regulations, reasonable probable modifications to such land use regulations... and the physical adaptability of the real estate; SR 1-5(b) failure to analyze prior sale; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-1(b) insufficient information to enable the intended users to understand the report properly; SR 2-1(c) failure to clearly and accurately disclose any extraordinary assumptions; SR 2-1(c) Failure to clearly and accurately disclose all assumptions / hypothetical conditions; SR 2-2(b)(iii) failure to summarize information sufficient to identify the real estate involved in the appraisal, including the physical and economic property characteristics relevant to the assignment; SR 2-2(b)(vii) failure to summarize sufficient information to disclose to the client and any intended users of the appraisal the scope of work used to develop the appraisal; SR 2-2(b)(viii) failure to summarize information analyzed, the procedures followed and the reasoning that supports the analyses, opinions and conclusion;.

SR 2-2(b)(ix) failure to state the use of the real estate as of the effective date of the appraisal. USPAP Violations (Case No. 06-1482): Ethics Rule - Conduct; Ethics Rule - Record Keeping; SR 1-1(b) substantial errors of omission / commission; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-1(b) insufficient information to enable the intended users to understand the report properly; 2-2(b)(iii) failure to summarize information sufficient to identify the real estate involved in the appraisal, including the physical and economic property characteristics; and SR 2-2(b)(ix). failure to summarize information sufficient to identify the real estate involved in the appraisal, including the physical and economic property characteristics relevant to the assignment.

### ***Civil Penalty / Suspension (waived) / Education (3)***

**Bernhardt, Nathan P. – L001046 (Case No. 04-1297).** Final Consent Order entered April 11, 2006, assessing a \$3,250 civil penalty, imposing a 180-day suspension, and requiring 45 hours of education for 7 violations of OAR 161-025-0060 (USPAP – 2004 Edition), 1 violation of OAR 161-025-0030(9) (failure to provide direct supervision), and 1 violation of ORS 674.150 and OAR 161-025-0050 (failure to maintain records/failure to produce records upon demand). Bernhardt admitted the violations and agreed to pay a \$2,400 civil penalty and complete 45 hours of additional education. Board agreed to stay imposition of the 180-day suspension upon receipt of \$2,400 civil penalty and verification of successful completion of a course in the Applied Residential/Residential Case Studies category and a 15-

hour National USPAP course by an agreed upon date.

**USPAP Violations:** Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(b) substantial errors of omission/commission; SR 1-1(c) carelessness/negligence; SR 1-5(b) failure to analyze prior sales; SR 1-6(a) failure to reconcile the quality and quantity of data available and analyzed; SR 1-6(b) failure to reconcile the applicability/suitability of the approaches used to arrive at the value conclusion; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; SR 2-1(b) insufficient information to enable the intended user to properly understand the report properly; SR 2-2(b)(iii) failure to summarize information sufficient to identify the real estate involved in the appraisal, including the physical and economic property characteristics relevant to the assignment; SR 2-2(b)(vii) failure to summarize sufficient information to disclose to the client and any intended users of the appraisal the scope of work used to develop the appraisal; SR 2-2(b)(ix) failure to summarize information analyzed, the procedures followed and the reasoning that supports the analyses, opinions and conclusions.

**Daline, Traynor L. – CR00168 (Case No. 06-1432).** Final Consent Order entered June 29, 2007, assessing a \$2,750 civil penalty, imposing a 90-day suspension, and requiring 45 hours of additional education for 1 violation of OAR 161-006-0160 (failure to provide complete appraisal records) and 8 violations of OAR 161-025-0060 (USPAP – 2005 Edition). Daline admitted the violations and agreed to pay a \$1,550 civil penalty and complete 45 hours of additional education. The Board agreed to waive \$1,200 of the civil penalty and the 90-day suspension upon receipt of

## Enforcement actions Continued

Daline's \$1,550 payment and verification of successful completion of a 15-hr. course each of the following categories by an agreed upon date: Residential Market Analysis and HBU, Residential Site Valuation and Cost Approach, and Residential Report Writing and Case Studies. USPAP Violations: Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(b) substantial errors of omission/commission; SR 1-2(e)(iii) ~~XXXXX~~; SR 1-3(a) failure to identify and analyze effect on use and value of existing land use regulations, reasonable probable modifications to such land use regulations... and the physical adaptability of the real estate; SR 1-5(a) failure to analyze listing and pending sale; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-1(b) insufficient information to enable intended users of the appraisal to understand the report properly; SR 2-2(b)(iii) failure to summarize information sufficient to identify the real estate including physical and economic property characteristics relevant to the assignment; SR 2-2(b)(vii) failure to summarize sufficient information to disclose to the client and any intended user the scope of work used to develop the report; SR 2-2(b)(ix) failure to summarize information analyzed, the procedures followed, and the reasoning that supports the analyses, opinions and conclusions; and SR 2-2(b)(x).

**Geist, Edwin C. – L000510 (Case No. 06-1433).** Final Consent Order entered July 9, 2007, assessing a \$2,250 civil penalty, imposing a 90-day suspension, and requiring 15

hours of additional education for 1 violation of OAR 161-006-0160(9) (failure to cooperate with Board) and 7 violations of OAR 161-025-0060 (USPAP – 2005 Edition). Geist admitted the violations and agreed to pay the full civil penalty and complete 15 hours of additional education. The Board agreed to waive the suspension upon receipt of Geist's \$2,250 payment and verification of successful completion of a 15-hr. National USPAP course by an agreed upon date.

USPAP Violations: Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(b) substantial errors of omission/commission; SR 1-4(a) failure to analyze available comparable sales data; SR 1-5(a) failure to analyze listing and agreement of sale; SR 1-5(b) failure to analyze prior sale; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-1(b) insufficient information to enable intended users of the appraisal to understand the report properly; SR 2-2(b)(vii) failure to summarize sufficient information to disclose to the client and any intended user the scope of work used to develop the report; and SR 2-2(b)(ix) failure to summarize information analyzed, the procedures followed and the reasoning that supports the analyses, opinions and conclusions.

**Civil Penalty / Suspension (waived) (3)**

**Brown, Jeffrey L. – L000856 (Case. 04-1294).** Final Consent Order entered October 3, 2005, suspending Brown's license for

90 days, and assessing a \$1,250 civil penalty for violations of ORS 674.150, OAR 161-025-0050 and OAR 161-025-0060 (failure to produce and maintain records) and OAR 161-025-0010 (Scope of Practice). Brown admitted the violations and agreed to pay an \$800 civil penalty. The Board agreed to waive imposition of the suspension and the remaining civil penalty of \$450 upon receipt of Brown's \$800 payment.

**Pulley, Bruce A. – L001214 (Case No. 04-1318).** Final Consent Order entered March 22, 2006, assessing a \$5,500 and imposing a 90-day suspension for 10 Record Keeping violations (failure to produce) (ORS 674.150, OAR 161-025-0050 and OAR 161-025-0060). Pulley admitted the violations and agreed to pay a \$1,400 civil penalty. The Board agreed to waive the remaining civil penalty of \$4,100 and the 90-day suspension upon receipt of Pulley's \$1,400 payment based upon the extenuating circumstances of the case.

**Shelamer, Shelley L. Jr. – L001002 (Case No. 04-1322).** Final Consent Order entered March 22, 2006, assessing a \$2,000 civil penalty and imposing a 90-day suspension for 6 violations of OAR 161-025-0060 (USPAP-2002 Edition) and 1 violation of ORS 674.150/OAR 161-025-0050 (failure to produce records with required timeframe). Shelamer admitted the violations and agreed to pay a \$1,100 civil penalty. The Board agreed to waive the remaining civil penalty of \$900 and the 90-day suspension upon receipt of Shelamer's \$1,100 payment. USPAP Violations: Ethics Rule – Record Keeping; SR 1-1(a) failure

to correctly employ recognized methods/techniques; SR 1-1(b) substantial error omission/commission; SR 1-2(f) failure to accurately identify scope of work necessary to complete the assignment; SR 1-3(a) failure to identify and analyze effect on use and value of existing land use regulations, economic supply and demand, and the physical adaptability of the real estate; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-1(b)(iii) failure to summarize legal and economic characteristics of the real estate; SR 2-2(b)(vii) failure to accurately disclose the scope of work used to develop the appraisal; SR 2-2(b)(x) failure to summarize rationale for highest and best use.

### ***Civil Penalty / Education (37)***

**Briggs, Laurence A. – L000668 (Case No. 05-1399).** Final Consent Order entered January 9, 2007, assessing a \$1,250 civil penalty and requiring 15 hours of additional education for 5 violations of OAR 161-025-0060 (USPAP-2004 Edition). Briggs admitted the violations and agreed to pay a \$500 civil penalty and complete a 15-hr. National USPAP course. The Board agreed to waive the remaining civil penalty of \$750 upon receipt of Briggs' \$500 payment and submission of verification of successful completion of the National USPAP course by an agreed upon date.

USPAP Violations: Ethics Rule – Record Keeping; SR 1-1(c) carelessness/negligence; SR 1-5(b) failure to analyze prior sale; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-2(b)(iii) failure to summarize information sufficient to identify the real estate involved in the appraisal, including the physical and economic property

characteristics relevant to the assignment; and SR 2-2(b)(ix) failure to summarize information analyzed, procedures followed and reasoning that supports the analyses, opinions and conclusions.

**Busciglio, Brenda J. – L001258 (Case No. 06-1440).** Final Consent Order entered October 4, 2007, assessing a \$1,000 civil penalty and 45 hours of additional education for 8 violations of OAR 161-025-0060 (USPAP-2006 Edition). Busciglio admitted the violations and agreed to pay a \$1,600 civil penalty and complete 3 additional education courses. The Board agreed to waive the remaining civil penalty of \$400 upon receipt of Busciglio's \$1,600 payment and submission of verification of successful completion of 15-hr courses in the following categories by the agreed upon date: Residential Sales Comparison and Income Approaches, Residential Report Writing and Case Studies, and National USPAP.

USPAP Violations: Ethics Rule - Conduct; Ethics Rule - Record Keeping; SR 1-1(b) substantial errors of omission/commission; SR 1-2(a) failure to accurately identify the client and other intended users; SR 1-2(b) failure to accurately identify the intended use; SR 1-5(a) failure to analyze current listing and agreement of sale; SR 1-6(a) failure to reconcile quality and quantity of data available and analyzed within the approaches used; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-1(b) insufficient information to enable the intended users to understand the report properly; SR 2-2(b)(i) failure to state the identity of any intended users by name or type; SR 2-2(b)(ii) failure to state the intended use; SR 2-2(b)(vi) failure to accurately state the date of the report; and SR 2-2(b)(ix) failure to

summarize the information analyzed, the methods and techniques employed, and the reasoning that supports the analyses, opinions and conclusions.

**Carlson, David J. – CR00074 (Case No. 05-1325).** Final Consent Order entered July 6, 2006, assessing a \$1,750 civil penalty and requiring 15 hours of additional education for 7 violations of OAR 161-025-0060 (USPAP-2002 Edition). Carlson admitted the violations and agreed to pay a \$700 civil penalty and complete an additional education course. The Board agreed to waive the remaining civil penalty of \$1,050 upon receipt of Carlson's \$700 payment and submission of verification of successful completion of the National USPAP Course by an agreed upon date.

USPAP Violations: Ethics Rule – Record Keeping; SR 1-1(a) failure to correctly employ recognized methods and techniques that are necessary to produce a credible report; SR 1-1(b) substantial errors or omission/commission; SR 1-2(e)(ii) failure to identify physical and economic characteristics of the property that are relevant to the purpose and intended use of the appraisal; SR 1-4(a) failure to analyze all comparable sales data available; SR 1-4(b) failure to accurately analyze comparable data to estimate accrued depreciation; SR 1-5(a) failure to completely analyze subject's listing previous to the sale and the terms under which the subject was offered to the market; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-1(b) insufficient information to enable the intended users of the appraisal to understand the report properly; SR 2-2(b)(iii) failure to summarize information sufficient to identify the real estate involved

## Enforcement actions Continued

in the appraisal including the physical and economic characteristics relevant to the assignment; and SR 2-2(b)(ix) failure to summarize the information analyzed, the procedures followed and the reasoning that supports the analyses, opinions and conclusions.

**Dahmer, Theresa Wagner – CR00080 (Case Nos. 05-1330 and 05-1339).** Final Consent Order entered May 26, 2006, assessing a \$2,750 civil penalty and requiring 30 hours of additional education for 11 violations of OAR 161-025-0060 (USPAP- 2001 & 2002 Editions) involving two appraisal reports. Dahmer admitted the violations and agreed to pay a \$1,375 civil penalty and complete an additional education course. The Board agreed to waive the remaining civil penalty of \$1,375 upon receipt of Dahmer's \$1,375 payment and submission of verification of successful completion of a 30-hour course in the Applied Residential/ Residential Case Studies category by an agreed upon date. USPAP Violations (Report No. 1): Ethics Rule – Record Keeping; SR 1-1(b) substantial error of omission/commission; SR 1-1(c) negligence/carelessness; SR 1-4(a) failure to comparable sale data available; SR 1-5(a) failure to analyze listing; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; and SR 2-2(b)(xi) failure to summarize the information analyzed, procedures followed, and the reasoning that supports the analyses, opinions and conclusions.

USPAP Violations (Report No. 2): Ethics Rule – Record Keeping;

SR 1-1(a) failure to employ recognized methods/techniques to produce credible report; SR 1-1(b) substantial errors of omission/commission; SR 1-5(b)(i) failure to analyze prior sales; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; and SR 2-2(b)(xi) failure to summarize the information analyzed, procedures followed, and the reasoning that supports the analyses, opinions and conclusions.

**Dicus, Rosemary – L001165 (Case Nos. 06-1412, 06-1453 and 06-1487).** Final Consent Order entered May 10, 2007, assessing a \$5,000 civil penalty and requiring 45 hours of additional education for 17 violations of OAR 161-025-0060 (USPAP-2003 & 2006 Editions). Dicus admitted the violations and agreed to pay a \$2,225 civil penalty and complete 3 additional education courses. The Board agreed to waive the remaining civil penalty of \$2,775 upon receipt of Dicus' \$2,225 payment and submission of verification of successful completion of courses in the Residential Report Writing and Case Studies, Residential Market Analysis and Highest and Best Use, and National USPAP categories by an agreed upon date.

USPAP Violations (Report No. 1-2003 Report): Ethics Rule – Record Keeping; SR 1-1(b) substantial errors of omission/commission; SR 1-1(c) carelessness/negligence; SR 1-3(a) failure to identify and analyze the effect and use of existing land use regulations; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-2(b)(iii) failure to summarize information sufficient to identify physical and

economic characteristics of the real estate; SR 2-2(b)(ix) failure to summarize the information analyzed, the procedures followed and the reasoning that supports the analyses, opinions and conclusions; and SR 2-2(b)(x) failure to summarize the rationale to support the opinion of HBU.

USPAP Violations (Report No. 2): Ethics Rule – Record Keeping; SR 1-1(c) carelessness/negligence; SR 1-5(a) failure to analyze sales agreement; SR 1-5(b) failure to analyze prior sales; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; 2-2(b)(iii) failure to summarize sufficient information to identify physical and economic characteristics of the subject; and SR 2-2(b)(ix) failure to summarize the information analyzed, the procedures followed, and the reasoning that supports the analyses, opinions and conclusions.

USPAP Violations (Report No. 3): Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(b) significant errors of omission/commission; SR 1-5(a) failure to analyze sale agreement; SR 2-1(a) failure to summarize sufficient information to identify physical and economic characteristics of the real estate; and 2-2(b)(ix) failure to summarize the information analyzed, the procedures followed and the reasoning that supports the analyses, opinions and conclusions.

USPAP Violations (Report No. 4): Ethics Rule – Conduct; SR 1-1(b) significant errors of omission/commission; SR 1-2(h) failure to determine the scope of work necessary in the assignment; and SR 2-1(a) failure to set forth the

appraisal in a manner that will not be misleading.

**Drews, Gregory S. – L000852 (Case No. 04-1309).** Final Consent Order entered January 30, 2006, assessing a \$1,250 civil penalty and requiring 30 hours of additional education for 5 violations of OAR 161-025-0060 (USPAP-2002 Edition). Drews admitted the violations and agreed to pay a \$500 civil penalty and complete an additional education course. The Board agreed to waive the remaining civil penalty of \$750 upon receipt of Drews's \$500 payment and submission of verification of successful completion of a 30-hour course in the Applied Residential/Residential Case Studies category by an agreed upon date.

USPAP Violations: Ethics Rule – Record Keeping; SR 1-1(a) failure to correctly employ recognized methods/techniques; SR 1-1(c) carelessness/negligence; SR 1-2(e)(i) failure to identify physical property characteristics relevant to purpose and intended use; SR 1-5(c) failure to reconcile the quality and quantity of data available and analyzed; SR 2-2(b)(iii) failure to summarize sufficient information to identify the physical and economic characteristics of the real estate; and SR 2-2(b)(xi) failure to summarize information analyzed, appraisal procedures followed, and reasoning that supports the analyses, opinions and conclusions.

**England, Marshall III – L001204 (Case No. 05-1354).** Final Consent Order entered August 17, 2006, assessing a \$1,500 civil penalty and 30 hours of additional education for 6 violations of OAR 161-025-0060 (USPAP-2005 Edition). England admitted the violations and agreed to pay a \$600 civil penalty and complete an additional education course. The Board agreed to waive the remaining civil penalty of \$900 upon receipt of England's \$600

payment and submission of verification of successful completion of a 30-hour course in the Applied Residential/Residential Case Studies category by an agreed upon date.

USPAP Violations: Ethics Rule – Record Keeping; SR 1-1(b) substantial errors of omission/commission; SR 1-1(c) carelessness/negligence; SR 1-5(b) failure to analyze prior sales; SR 1-6(a) failure to reconcile quality and quantity of data available and analyzed; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; and SR 2-1(b)(ix) failure to summarize the information analyzed, the procedures followed, and the reasoning that supports the analyses, opinions and conclusions.

**Fleck, Amber – L001195 (Case No. 05-1356).** Final Consent Order entered September 8, 2006, assessing a \$1,250 civil penalty and requiring 15 hours of additional education for 5 violations of OAR 161-025-0060 (USPAP-2004 Edition). Fleck admitted the violations and agreed to pay a \$500 civil penalty and complete an additional education course. The Board agreed to waive the remaining civil penalty of \$750 upon receipt of Fleck's \$500 payment and submission of verification of successful completion of 15-hour National USPAP Course by an agreed upon date.

USPAP Violations: Ethics Rule – Conduct; SR 1-1(b) substantial error omission/commission; SR 1-5(b) failure to analyze prior sale; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; and 2-2(b)(ix) failure to summarize the information analyzed, the procedures followed and the reasoning that supports the analyses, opinions and conclusions.

**Hardwick, J. Andy - L000652 (Case No. 06-1417).** Final Consent Order entered June 18, 2007, assessing a \$1,250 civil penalty and requiring 15 hours of additional education for 5 violations of OAR 161-025-0060 (USPAP-2005 Edition). Hardwick admitted the violations and agreed to pay an \$800 civil penalty and complete an additional education course. The Board agreed to waive the remaining civil penalty of \$450 upon receipt of Hardwick's \$800 payment and submission of verification of successful completion of 15-hour course in the Residential Appraiser Site Valuation and Cost Approach category by an agreed upon date.

USPAP Violations: Ethics Rule – Record Keeping; SR 1-2(e)(i) failure to identify relevant physical characteristics of the property; SR 1-4(b)(i) failure to develop site value by recognized method/technique; SR 1-5(b) failure to analyze previous sale; SR 2-2(b)(iii) failure to summarize physical characteristics of subject property; and SR 2-2(b)(ix) failure to summarize information analyzed, the procedures followed and the reasoning that supports the analyses, opinions and conclusions.

**Jackson, Mark – C – CR00043 (Case No. 05-1387).** Final Consent Order entered October 30, 2006, assessing a \$2,000 civil penalty and requiring 45 hours of additional education for 4 violations of OAR 161-025-0060 (USPAP-2005 Edition). Jackson admitted the violations and agreed to pay a \$1,000 civil penalty and complete additional education courses. The Board agreed to waive the remaining civil penalty of \$1,000 upon receipt of Jackson's \$1,000 payment and submission of verification of successful completion of a 30-hour course the Applied

## Enforcement actions Continued

Residential/Residential Case Studies category and a 15-hour National USPAP course by an agreed upon date.

USPAP Violations: Ethics Rule – Record Keeping; SR 1-1(b) substantial errors of omission/commission; SR 1-1(c) carelessness/negligence; SR 1-5(a) failure analyze current listing and pending sale; SR 1-5(b) failure to analyze prior sale; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; and SR 2-2(b)(ix) failure to summarize information analyzed, the procedures followed and the reasoning that supports the analyses, opinions and conclusions.

**Jevning, Derek – L001304 (Case No. 05-1353).** Final Consent Order entered September 25, 2006, assessing a \$1,250 civil penalty for 5 violations of OAR 161-025-0060 (USPAP-2004 Edition). Jevning admitted the violations and agreed to pay a \$500 civil penalty and complete an additional education course. The Board agreed to waive the remaining civil penalty of \$750 upon receipt of Jevning's \$500 payment and submission of verification of successful completion of 15-hour course in the Residential Market Analysis and Highest and Best Use category by an agreed upon date. USPAP Violations: SR 1-1(c) carelessness/negligence; SR 1-3(a) failure to identify and analyze current land use regulations and their effect on value; SR 1-5(a) failure to analyze the current listing and the sale agreement; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; SR 2-2(b)(iii) insufficient information regarding

relevant physical characteristics of the real estate; SR 2-2(b)(ix) failure to summarize the information analyzed, the procedures followed and the reasoning that supports the analyses, opinions and conclusions; and SR 2-2(b)(x) failure to summarize the rationale to support the opinion of HBU.

**Karrick, Thurman B – C000642 (Case No. 04-1298).** Final Consent Order entered September 26, 2005, assessing a \$500 civil penalty and 15 hours of additional education for 2 violations of OAR 161-025-0060 (USPAP-2004 Edition). Karrick admitted the violations and agreed to pay a \$200 civil penalty and complete an additional education course. The Board agreed to the remaining civil penalty of \$300 upon receipt of Karrick's \$200 payment and submission of verification of successful completion of a 15-hour course in the Residential Form and Narrative Report Writing category by an agreed upon date.

USPAP Violations: SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; SR 2-2(a)(ix) failure to *describe* the information analyzed, the procedures followed and the reasoning that supports the analyses, opinions and conclusions; and SR 2-2(a)(x) failure to *describe* the support and rationale for the HBU opinion.

**Kiesz, Justin A. – CR00374 (Case No. 06-1447).** Final Consent Order entered October 4, 2007, assessing a \$2,000 civil penalty and requiring 45 hours of additional education for 8 violations of OAR 161-025-0060

(USPAP-2004 Edition). Kiesz admitted the violations and agreed to pay an \$800 civil penalty and complete 2 additional education courses. The Board agreed to waive the remaining civil penalty of \$750 upon receipt of Kiesz' \$800 payment and submission of verification of successful completion of a 30-hour course in the Applied Residential Sales Comparison and Income Approaches category and a 15-hr. National USPAP course by an agreed upon date.

USPAP Violations: Ethics Rule – Record Keeping; SR 1-1(a) failure to employ recognized methods/techniques necessary to produce credible appraisal; SR 1-1(b) substantial errors of omission/commission; SR 1-1(c) carelessness/negligence; SR 1-2(e)(i) failure to identify property characteristics that are relevant to the purpose and intended use of the appraisal; SR 1-4(a) failure to analyze available comparable sale data; SR 1-4(c)(i) failure to analyze available rental data to estimate gross income potential; SR 1-4(c)(iv) failure to base future rent projections/income potential on reasonably clear and appropriate evidence; SR 1-5(a) failure to analyze agreement of sale and listing; SR 1-6(a) failure to reconcile the quality and quantity of data available and analyzed within the approaches used; SR 2-1(a) failure to clearly and accurately set forth the appraisal in manner that will not be misleading; SR 2-2(b)(iii) failure to summarize sufficient information to identify the physical and economic property characteristics of the subject relevant to the assignment; and SR 2-2(b)(ix) failure to summarize the information analyzed, the

procedures followed, and the reasoning that supports the analyses, opinions and conclusions.

**Klassen, Bailey R. – CR00190 (Case No. 06-1448).**

Final Consent Order entered September 26, 2007, assessing a \$1,750 civil penalty and requiring 45 hours of additional education for 7 violations of OAR 161-025-0060 (USPAP-2006 Edition). Klassen admitted the violations and agreed to pay a \$700 civil penalty and complete 2 additional education courses. The Board agreed to waive the remaining civil penalty of \$1,050 upon receipt of Klassen's \$700 payment and submission of verification of successful completion of a 30-hour course in the Advanced Residential applications and Case Studies category and a 15-hr. National USPAP course by an agreed upon date.

USPAP Violations: Ethics Rule – Record Keeping; Competency Rule; SR 1-1(a) failure to employ recognized methods/techniques necessary to produce credible appraisal; SR 1-1(b) substantial errors of omission/commission; SR 1-2(e)(i) failure to identify physical, legal and economic property characteristics that are relevant to the type and definition of value and intended use of the appraisal; SR 1-2(e)(iv) failure to identify any known easements; SR 1-4(a) failure to analyze available comparable sale data; SR 1-4(b)(iii) failure to analyze comparable data to estimate accrued depreciation; SR 1-5(b) failure to analyze prior sale; SR 2-2(b)(iii) failure to summarize sufficient information to identify the physical and economic property characteristics of the subject relevant to the assignment; and SR 2-2(b)(ix) failure to summarize the information analyzed, the procedures followed, and the reasoning that supports the

analyses, opinions and conclusions.

**Krohn-Metcalf, Robyn S. – CR00038 (Case No. 04-1300).**

Final Consent Order entered October 12, 2005, assessing a \$1,250 civil penalty and requiring 30 hours of additional education for 5 violations of OAR 161-025-0060 (USPAP-2004 Edition). Krohn-Metcalf admitted the violations and agreed to pay a \$500 civil penalty and complete an additional education course. The Board agreed to waive the remaining civil penalty of \$750 upon receipt of Krohn-Metcalf's \$500 payment and submission of verification of successful completion of a 30-hour course in the Applied Residential/Residential Case Studies category by an agreed upon date.

USPAP Violations: SR 1-1(b) substantial errors of omission/commission; SR 1-1(c) carelessness/negligence; SR 1-2(e) failure to identify relevant property characteristics regarding location and physical, legal, and economic attributes; SR 1-2(f) failure to identify the scope of work necessary to complete the assignment; SR 1-2(g) failure to identify extraordinary assumptions necessary in the assignment; SR 1-2(h) failure to identify any hypothetical conditions necessary in the assignment; SR 1-3(b) failure to fully develop an HBU opinion; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; SR 2-1(c) failure to clearly and accurately disclose extraordinary assumptions and hypothetical conditions used in the appraisal and failure to indicate the impact on value of the hypothetical condition employed; SR 2-2(b)(iii) failure to summarize sufficient information to identify the real estate involved in the appraisal including the physical and economic property characteristics relevant to the

assignment; SR 2-2(b)(vii) failure to summarize sufficient information to disclose the scope of work used to develop the appraisal; SR 2-2(b)(viii) failure to state all assumptions; SR 2-2(b)(ix) failure to summarize the information analyzed, the procedures followed and the reasoning that supports the analyses, opinions and conclusions; and SR 2-2(b)(x) failure to summarize the rationale to support the opinion of HBU.

**Lafollette, John – L001141 (Case No. 06-1416).**

Final Consent Order entered June 7, 2007, assessing a \$1,750 civil penalty and requiring 30 hours of additional education for 7 violations of OAR 161-025-0060 (USPAP- 2005 Edition). Lafollette admitted the violations and agreed to pay a \$700 civil penalty and complete additional education courses. The Board agreed to waive the remaining civil penalty of \$1,050 upon receipt of Lafollette's \$700 payment and submission of verification of successful completion of a 15-hour courses in the Residential Appraiser Site Valuation and Cost Approach and a 15-hour National USPAP categories by an agreed upon date.

USPAP Violations: Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(a) failure to employ recognized methods/techniques; SR 1-1(c) carelessness/negligence; SR 1-3(b) failure to appropriately develop an opinion of HBU; SR 1-4(b)(i) failure to develop site value by appropriate method/technique; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; SR 2-2(b)(ix) failure to summarize the information analyzed, the procedures followed, and the reasoning that supports the analyses, opinions and conclusions; SR 2-2(b)(x) failure to appropriately summarize support and rationale for opinion of HBU.

## Enforcement actions Continued

**Lorenz, Edward E. – C000380 (Case No. 06-1437).** Final Consent Order entered October 8, 2007, assessing a \$1,250 civil penalty and requiring 15 hours of additional education for 5 violations of OAR 161-025-0060 (USPAP-2005 Edition). Lorenz admitted the violations and agreed to pay a \$500 civil penalty and complete an additional education course. The Board agreed to waive the remaining civil penalty of \$750 upon receipt of McNeill's \$500 payment and submission of verification of successful completion of a 15-hour course in the Residential Report Writing category by an agreed upon date. USPAP Violations: Ethics Rule – Record Keeping; SR 1-1(c) carelessness/negligence; SR 1-4(h)(i) failure to maintain plan, specs and other documentation sufficient to identify the scope and character of proposed improvements; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-2(b)(iii) failure to summarize information sufficient to identify the real estate including physical and economic property characteristics relevant to the assignment; SR 2-2(b)(ix) failure to summarize information analyzed, procedures followed, and the reasoning that supports the analyses, opinions and conclusions.

**McNeill, Daniel J. – L000532 (Case No. 04-1301).** Final Consent Order entered October 14, 2005, assessing a \$2,000 civil penalty and requiring 30 hours of additional education for 8 violations of OAR 161-025-0060 (USPAP-2004 Edition). McNeill admitted the violations and agreed to pay a \$1,400 civil penalty and complete an additional education

course. The Board agreed to waive the remaining civil penalty of \$600 upon receipt of McNeill's \$1,400 payment and submission of verification of successful completion of a 30-hour course in the Applied Residential/Residential Case Studies category by an agreed upon date. USPAP Violations: Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(b) substantial error of omission/commission; SR 1-2(f) failure to properly identify the scope of work necessary to complete the assignment; SR 1-4(a) failure to analyze available comparable sales data; SR 1-6(a) failure to reconcile sales data quantity of data available and analyzed; SR 1-6(b) failure to reconcile applicability/suitability of approaches used; SR 2-1(a) failure to set forth the appraisal in a manner that will not be misleading; SR 2-1(b) insufficient information to enable the intended users of the appraisal to understand the report properly; SR 2-2(b)(vii) failure to summarize sufficient information to disclose to the client and users of the report the scope of work used to develop the appraisal; and SR 2-2(b)(ix) failure to summarize the information analyzed, the procedures followed, and the reasoning that supports the analyses, opinions and conclusions.

**Miller, George D. – C000625 (Case No. 06-1450).** Final Consent Order entered October 3, 2007, assessing a \$1,500 civil penalty and requiring 15 hours of additional education for 5 violations of OAR 161-025-0060 (USPAP-2005 Edition). Miller admitted the violations and agreed to pay a \$500 civil penalty and complete an additional

education course. The Board agreed to waive the remaining civil penalty of \$1,000 upon receipt of Miller's \$500 payment and submission of verification of successful completion of a 15-hour course in the Residential Market Analysis and HBU by an agreed upon date.

USPAP Violations: Ethics Rule – Record Keeping; SR 1-3(b) failure to develop an opinion of highest and best use of the real estate; SR 1-4(b)(i) failure to develop site value opinion by an appropriate method/technique; SR 2-1(c) failure to clearly and accurately disclose any hypothetical condition that directly effects the appraisal and indicate its impact on value; SR 2-2(b)(x) failure to summarize the support and rationale HBU as improved.

**Jay H. Moses – L000465 (Case No. 06-1430).** Final Consent Order entered August 1, 2007, assessing a \$1,750 civil penalty and requiring 30 hours of additional education for 7 violations of OAR 161-025-0060 (USPAP-2005 Edition). Moses admitted the violations and agreed to pay a \$700 civil penalty and complete 2 additional education courses. The Board agreed to waive the remaining civil penalty of \$1,050 upon receipt of Moses' \$700 payment and submission of verification of successful completion of a 15-hour course in the Residential Appraiser Site Valuation and Cost Approach category and a 15-hour National USPAP course by an agreed upon date.

USPAP Violations: Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(a) failure to employ recognized methods/techniques; SR 1-1(b) substantial errors of omission/commission; SR 1-2(e)(i) failure to identify the

physical characteristics of the property that are relevant to the type and definition of value and intended user of the appraisal; SR 1-2(g) failure to identify any extra ordinary assumption necessary in the assignment; SR 1-4(b)(i) failure to develop site value opinion by an appropriate method/technique; SR 1-4(b)(iii) failure to analyze comparable data available to estimate accrued depreciation; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-2(b)(iii) failure to summarize information sufficient to identify the real estate including physical property characteristics relevant to the assignment; SR 2-2(b)(viii) failure to state all assumptions that affected the analyses, opinions, and conclusions; SR 2-2(b)(ix) failure to summarize information analyzed, procedures followed, and the reasoning that supports the analyses, opinions and conclusions.

**Nowak, Edwin – CR00121 (Case No. 05-1407).** Final Consent Order entered June 14, 2007, assessing a \$500 civil penalty and requiring 15 hours of additional education 2 for violations of OAR 161-025-0060 (USPAP-2003 & 2004 Edition). Nowak admitted the violations and agreed to pay a \$500 civil penalty and complete a 15-hour course in the Residential Appraiser Site Valuation and Cost Approach category by an agreed upon date.

USPAP Violations Report No. 1: SR 1-1(a) failure to employ recognized methods/techniques; and SR 1-1(c) substantial errors of omission/commission.

USPAP Violations Report No. 1: SR 1-1(b) substantial errors of omission/commission.

**Parra, Fidel – L000174 (Case No. 05-1341).** Final Consent Order entered July 5, 2006, assessing a \$1,750 civil penalty and requiring

15 hours of additional education for 6 violations of OAR 161-025-0060 (USPAP-2004 Edition) and 1 violation of OAR 161-025-0030(9) (failure to directly supervise Appraiser Assistant). Parra admitted the violations and agreed to pay an \$850 civil penalty and complete an additional education course. The Board agreed to waive the remaining civil penalty of \$900 upon receipt of Parra's \$850 payment and submission of verification of successful completion of a 15-hour National USPAP course by an agreed upon date.

USPAP Violations: SR 1-1(b) substantial errors of omission/commission; SR 1-2(e)(i) failure to identify locational characteristics of the property relevant to the intended use of the appraisal; SR 1-3(a) failure to identify and analyze existing land use regulations and reasonably probable modifications; SR 1-4(f) failure to analyze the effect on value of an anticipated public improvements; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading-failure to clearly and accurately set forth the appraisal; SR 2-1(c) failure to disclose the use of a hypothetical condition and its impact on value; SR 2-2(b)(iii) failure to summarize sufficient information to identify physical, locational and economic characteristics of the real estate relevant to the assignment; SR 2-2(b)(vii) failure to disclose sufficient information to disclose the scope of work used to develop the appraisal; SR 2-2(b)(ix) failure to summarize information analyzed, procedures followed, and reasoning that supports the analyses, opinions and conclusions; and SR 2-2(b)(x) failure to summarize the support and rationale for HBU opinion.

**Ribeiro, Jerelyn – CR00075 (Case No. 05-1362).** Final Consent Order entered February

28, 2007, assessing a \$1,250 civil penalty and requiring 19 hours of additional education for 3 violations of OAR 161-025-0060 (USPAP-2005 Edition) and 1 violation of OAR 161-025-0030(9) (direct supervision of Appraiser Assistant). Ribeiro admitted the violations and agreed to pay a \$400 civil penalty and complete 19 hours of additional education. The Board agreed to waive the remaining civil penalty of \$850 upon receipt of Ribeiro's \$400 payment and submission of verification of successful completion of the 4-hour Supervising Appraiser/ Appraiser Assistant Training Course and a 15-hour National USPAP course by an agreed upon date.

USPAP Violations: SR 1-1(c) carelessness/negligence; SR 1-2(f) failure to properly identify scope of work necessary to complete the assignment; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; and SR 2-1(b) insufficient information to enable the intended user to understand the report properly.

**Schindler, Lana – L000809 (Case No. 04-1323 and 05-1389).** Final Consent Order entered June 30, 2006, assessing a \$3,750 civil penalty and requiring 45 hours of additional education for 15 violations of OAR 161-025-0060 (USPAP-2004 & 2005 Editions). Schindler admitted the violations and agreed to pay a \$1,500 civil penalty and complete 45 hours of additional education. The Board agreed to waive the remaining civil penalty of \$2,250 upon receipt of Schindler's \$1,500 payment and submission of verification of successful completion of a 30-hour course in the Applied Residential/ Residential Case Studies category and a 15-hour National USPAP course by an agreed upon date.

# Enforcement actions Continued

USPAP Violations (Report No. 1): Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(c) carelessness/negligence; SR 1-4(b)(ii) failure to analyze available cost data; SR 1-6(a) failure to reconcile quality and quantity of data available and analyzed; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; and SR 2-2(b)(ix) failure to summarize information analyzed, procedures followed, and reasoning that supports the analyses, opinions and conclusions.

USPAP Violations (Report No. 2): Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(b) substantial errors of omission/commission; SR 1-2(a) failure to accurately identify the client and other intended users; SR 1-2(b) failure to accurately identify the intended use; SR 1-5(a) failure to analyze listing; SR 1-6(a) failure to reconcile quality and quantity of data available and analyzed; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-1(b) insufficient information to enable intended users to understand the report properly; SR 2-2(a)(iii) failure to *describe* the real estate involved in the appraisal; SR 2-2(a)(vii) failure to *describe* the scope of work; SR 2-2(a)(ix) failure to *describe* the information analyzed, the appraisal procedures followed, and the reasoning that supports the analyses, opinions and conclusions, and SR 2-2(a)(x) failure to *describe* the support and rationale for HBU opinion.

**Sloan, Katherine E. – L001296 (Case No. 04-1302).** Final Consent Order entered November 1, 2005, assessing a \$1,250 civil

penalty and requiring 30 hours of additional education for 5 violations of OAR 161-025-0060 (USPAP-2004 Edition). Sloan admitted the violations and agreed to pay a \$500 civil penalty and complete an additional education course. The Board agreed to waive the remaining civil penalty of \$750 upon receipt of Sloan's \$500 payment and submission of verification of successful completion of a 30-hour course in the Applied Residential/ Residential Case Studies category by an agreed upon date.

USPAP Violations: SR 1-1(b) substantial error of omission/commission; SR 1-2(e)(i) failure to identify relevant physical, legal and economic characteristics of the property; SR 1-5(b) failure to analyze prior sales; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-1(b)(iii) failure to summarize sufficient information to identify relevant physical and economic characteristics of the real estate; SR 2-2(b)(vii) failure to summarize sufficient information to disclose the scope of work used to develop the appraisal; and SR 2-2(b)(ix) failure to summarize information analyzed, procedures followed, and reasoning that supports the analyses, opinions and conclusions.

**Sorem, Jeffery N. – L001319 (Case No. 06-1413).** Final Consent Order entered May 10, 2007, assessing a \$750 civil penalty and requiring 15 hours of additional education for 3 violations of OAR 161-025-0060 (USPAP-2005 Edition). Sorem admitted the violations and agreed to pay a \$300 civil penalty and complete an additional education course. The Board

agreed to waive the remaining civil penalty of \$450 upon receipt of Sorem's \$300 payment and submission of verification of successful completion of a 15-hour course in the Residential Market Analysis and Highest and Best Use category by an agreed upon date.

USPAP Violations: SR 1-1(b) substantial errors of omission/commission; SR 1-5(b) failure to analyze prior sales; SR 2-2(b)(iii) insufficient information to identify the real estate; and SR 2-2(b)(ix) failure to sufficiently summarize the information analyzed, the procedures followed, and the reasoning that supports the analyses, opinions and conclusions.

**Stecher, Paul B. – C000563 (Case No. 04-1312).** Final Consent Order entered February 1, 2006, assessing a \$2,750 civil penalty and 30 hours of additional education for 11 violations of OAR 161-025-0060 (USPAP-2002 & 2003 Editions) regarding three appraisals of the same property. Stecher admitted the violations and agreed to pay a \$1,050 civil penalty and complete an additional education course. The Board agreed to waive the remaining civil penalty of \$1,700 upon receipt of Stecher's \$1,050 payment and submission of verification of successful completion of a 30-hour course in the Applied Residential/ Residential Case Studies category by an agreed upon date. USPAP Violations Report No. 1: Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(b) substantial errors of omission/commission; SR 1-1(c) carelessness/negligence; SR 1-2(f) failure to identify scope of work necessary to complete the assignment; SR 2-1(a) failure to

clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-2(b)(vii) failure to summarize sufficient information to disclose the scope of work; and SR 2-2(b)(ix) failure to summarize the information analyzed, the procedures followed, and the reasoning that supports the analyses, opinions and conclusions.

USPAP Violations Report No. 2: Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(b) substantial errors of omission/commission; SR 1-1(c) carelessness/negligence; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-2(b)(vii) failure to summarize sufficient information to disclose the scope of work; and SR 2-2(b)(ix) failure to summarize the information analyzed, the procedures followed, and the reasoning that supports the analyses, opinions and conclusions.

**Sullivan, Carol L. – L001229 (Case No. 04-1291 and 04-1292).** Final Consent Order entered October 3, 2005, assessing a \$2,000 civil penalty and 30 hours of additional education for 8 violations of OAR 161-025-0060 (USPAP-2004 Edition). Sullivan admitted the violations and agreed to pay an \$800 civil penalty and complete additional education courses. The Board agreed to waive the remaining civil penalty of \$1,200 upon receipt of Sullivan's \$800 payment and submission of verification of successful completion of a 30-hour course in the Applied Residential/ Residential Case Studies category by an agreed upon date. USPAP Violations (Report No. 1): Ethics Rule – Record Keeping; SR 1-5(b) failure to analyze prior sales; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-2(b)(ix)

failure to summarize information analyzed, procedures followed, and reasoning that supports the analyses, opinions and conclusions; and SR 2-2(b)(x) failure to summarize rationale for HBU opinion.

USPAP Violations (Report No. 2): Ethics Rule – Record Keeping; SR 1-1(b) substantial error of omission/commission; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-2(b)(iii) failure to summarize relevant physical property characteristics; and SR 2-2(b)(ix) failure to sufficiently summarize the information analyzed, the procedures followed and the reasoning that supports the analyses, opinions and conclusions.

**Taylor, Carolyn A. – CR00145 (Case No. 04-1283).** Final Consent Order entered July 25, 2005, assessing a \$1,750 civil penalty and requiring 30 hours of additional education for 6 violations of OAR 161-025-0060 (USPAP-Edition) involving 2 appraisal reports and 1 violation of OAR 161-025-0010(1) (Scope of Practice). Taylor admitted the violations and agreed to pay a \$700 civil penalty and complete an additional education course. The Board agreed to waive the remaining civil penalty of \$1,050 upon receipt of Taylor's \$700 payment and submission of verification of successful completion of a 30-hour course in the Applied Residential/ Residential Case Studies category by an agreed upon date.

USPAP Violations Report No. 1(Out-of-Scope): Ethics - Record Keeping; SR 1-1(a) failure to employ recognized methods and techniques; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading.

USPAP Violations Report No. 2: Ethics Rule-Record Keeping; SR 1-1(a) failure to employ recognized methods and techniques; SR 2-1(a) failure to clearly and

accurately set forth the appraisal in a manner that will not be misleading.

**Trunk, George – C000396 (Case No. 04-1315).** Final Consent Order entered March 14, 2006, assessing a \$1,250 civil penalty and requiring additional education for 5 violations of OAR 161-025-0060 (USPAP-2003 Edition). Trunk admitted the violations and agreed to pay a \$500 civil penalty and complete an additional education course. The Board agreed to waive the remaining civil penalty of \$750 upon receipt of Trunk's \$500 payment and submission of verification of successful completion of a 30-hour course in the Applied Residential/ Residential Case Studies category by an agreed upon date.

USPAP Violations: SR 1-1(a) failure to employ recognized methods/techniques; SR 1-1(c) carelessness/negligence; SR 1-2(f) failure to identify the scope of work necessary to complete the assignment; SR 1-6(a) failure to reconcile quality and quantity of data available; SR 1-6(b) failure to reconcile applicability and suitability of approaches used; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-2(vii) failure to summarize sufficient information to disclose to the client and intended users scope of work used to develop the appraisal; and SR 2-2(b)(ix) failure to summarize information analyzed, procedures followed, and reasoning that supports the analyses, opinions and conclusions.

**Westfall, David G. – L000288 (Case No. 06-1431).** Final Consent Order entered September 10, 2007, assessing a \$1,500 civil penalty and requiring 15 hours of additional education for 6 violations of OAR 161-025-

## Enforcement actions Continued

0060 (USPAP – 2005 Edition). Westfall agreed to pay a \$600 civil penalty and complete 15 hours of additional education.

USPAP Violations: Ethics Rule – Record Keeping; SR 1-1(a) failure to employ recognized methods/techniques to produce a credible report; SR 1-2(e)(i) failure to identify physical characteristics of the property that are relevant to the type and definition of value and intended use of the appraisal; SR 1-4(b)(iii) failure to analyze comparable data as are available to estimate accrued depreciation; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading.; SR 2-2(b)(iii) failure to summarize information sufficient to identify the real estate involved in the appraisal, including the physical property characteristics relevant to the assignment; and SR 2-2(b)(ix) failure to summarize the information analyzed, the appraisal procedures followed, and the reasoning that supports the analyses, opinions, and conclusions.

**Woodard, Ronald S. – L000264 (Case No. 04-1293).** Final Consent Order entered September 29, 2005, assessing a \$1,000 civil penalty and requiring 30 hours of additional education for 4 violations of OAR 161-025-0060 (USPAP-2004 Edition). Woodard admitted the violations and agreed to pay a \$400 civil penalty and complete additional education courses. The Board agreed to waive the remaining civil penalty of \$600 upon receipt of Woodard's \$400 payment and submission of verification of successful completion of a 15-hour course in the Advanced Residential Form and Narrative Report Writing category and a 15-hour National USPAP course by an agreed upon date.

USPAP Violations: Ethics Rule – Record Keeping; SR 1-1(b) substantial error of omission/commission; SR 1-1(c) carelessness/negligence; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-2(b)(iii) failure to summarize sufficient information to identify physical characteristics of the real estate; and SR 2-2(b)(ix) failure to summarize information analyzed, procedures followed, and reasoning that supports the analyses, opinions and conclusions.

### **Civil Penalty /Amend Reports**

**Dollar, Bill R. – L001243 (Case No. 07-1548).** Final Consent Order entered October 16, 2007, assessing a \$70,750 civil penalty. Dollar allowed Tara Saucy to conduct real estate appraisal activity by co-signing and issuing 283 appraisal reports while registered as an appraiser assistant under his direct supervision which is prohibited by OAR 161-025-0030(5). Dollar admitted the violations and agreed to pay a \$3,000 civil penalty and amend all reports. Board agreed to waive remaining civil penalty of \$67,750 upon receipt of signed order, the \$3,000 civil penalty, and verification that all reports were amended to ensure compliance with ORS 674.100(1)(a) and OAR 161-025-0030.

### **Civil Penalty**

**Callison, Patrick L. – CR00288 (Case No. 05-1342).** Final Consent Order entered April 28, 2006, assessing a \$250 civil penalty for 1 violation of OAR 161-025-0010(1) (Scope of Practice). Callison admitted the violation

and agreed to pay a \$100 civil penalty. The Board agreed to waive the remaining civil penalty of \$150 upon receipt of Callison's \$100 payment.

**Deskin, Jonathan J – C000324(Case No. 04-1299).** Final Consent Order entered September 27, 2005, assessing a \$500 civil penalty for 2 violations of OAR 161-025-0060 (USPAP-2004 Edition). Deskin admitted the violations and agreed to pay a \$200 civil penalty. The Board agreed to waive the remaining civil penalty of \$300 upon receipt of Deskin's \$200 payment.  
USPAP Violations: Ethics Rule; and Ethics Rule – Conduct.

**Hettick, Janice E. – L000482 (Case No. 05-1346).** Final Consent Order entered May 11, 2006, assessing a \$1,250 civil penalty for 5 violations of OAR 161-025-0060 (USPAP-2003 Edition). Hettick admitted the violations and agreed to pay a \$500 civil penalty. The Board agreed to waive the remaining civil penalty of \$750 upon receipt of Hettick's \$500 payment.  
USPAP Violations (All issues are related to the fact that the subject was identified as a stick-built home when it was actually a Palm Harbor MH): SR 1-1(b) substantial error of omission/commission; SR 1-2(e) failure to correctly identify property characteristics; SR 1-4(a) failure to analyze *comparable* sales; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-1(b)(iii) insufficient information to identify the real estate; and SR 2-2(b)(ix) failure to summarize information analyzed, procedures followed, and reasoning that supports the

analyses, opinions and conclusions.

**Holabird, Dennis W. – L000530 (Case No. 05-1379).** Final Consent Order entered October 19, 2005, assessing a \$250 civil penalty for 1 violations of OAR 161-025-0010(1) (Scope of Practice). Holabird admitted the violation and agreed to pay a \$100 civil penalty. The Board agreed to waive the remaining civil penalty of \$150 upon receipt of Holabird's \$100 payment.

**Myers, Norman L. – L000188 (Case No. 04-1290).** Final Consent Order entered October 5, 2005, assessing a \$1,250 civil penalty for 5 violations of OAR 161-025-0060 (USPAP-2003 Edition). Myers admitted the violations and agreed to pay a \$1,000 civil penalty. The Board agreed to waive the remaining civil penalty of \$250 upon receipt of Myers's \$1,000 payment.

USPAP Violations: Ethics Rules – Record Keeping; SR 1-1(b) substantial error of omission/commission; SR 1-2(f) failure to accurately identify scope of work necessary to complete the assignment; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-1(b)(vii) failure to disclose significant real property assistance provided and summarize extent of that assistance; and SR 2-2(b)(xi) failure to state and explain permitted departure.

**Nuss, Mark A. – L000599 (Case No. 05-1335).** Final Consent Order entered June 6, 2006, assessing a \$1,500 for 5 violations of OAR 161-025-0060 (USPAP-2003 Edition) and 1 violation of OAR 161-025-0010(1) (Scope of Practice). Nuss admitted the violations and agreed to pay a \$600 civil penalty. The Board agreed to waive the remaining civil penalty of \$900 upon receipt of Nuss' \$600 payment.

USPAP Violations: Ethics Rule – Record Keeping; SR 1-1(a) failure

to correctly employ recognized methods/techniques; SR 1-1(c) carelessness/negligence; SR 1-6(a) failure to reconcile quality and quantity of data; SR 2-2(b)(iii) insufficient information to identify the physical and economic characteristics of the real estate relevant to the assignment; SR 2-1(b)(ix) failure to summarize information analyzed, procedures followed and reasoning that supports the analyses, opinions and conclusions.

**Nuss, Michael D. – L001240 (Case No. 05-1334).** Final Consent Order entered May 26, 2006, assessing a \$1,500 for 5 violations of OAR 161-025-0060 (USPAP-2003 Edition) and 1 violation of OAR 161-025-0010(1) (Scope of Practice). Nuss admitted the violations and agreed to pay a \$600 civil penalty. The Board agreed to waive the remaining civil penalty of \$900 upon receipt of Nuss' \$600 payment.

USPAP Violations: Ethics Rule – Record Keeping; SR 1-1(a) failure to correctly employ recognized methods/techniques; SR 1-1(c) carelessness/negligence; SR 1-6(a) failure to reconcile quality and quantity of data; SR 2-2(b)(iii) insufficient information to identify the physical and economic characteristics of the real estate relevant to the assignment; SR 2-1(b)(ix) failure to summarize information analyzed, procedures followed and reasoning that supports the analyses, opinions and conclusions.

**Tierney, Suzanne M – L000033 (Expired 10-31-07) (Case No. 06-1426).** Final Consent Order entered June 25, 2007, assessing a \$2,250 civil penalty for 7 violations of OAR 161-025-0060(USPAP – 2002 Edition). Tierney admitted the violations and agreed to pay a \$1,200 civil penalty and return her licensed to the Board in good faith to support statements in the agreement that confirm that she no longer intends

to conduct real estate appraisal activity and with the understanding that submission of her license has no bearing on her good standing as an appraiser in Oregon. The Board agreed to waive the remaining civil penalty of \$1,050 and to not pursue any future complaints that may be brought before the Board conditioned upon Tierney's compliance with the terms of the agreement.

USPAP Violations: Ethics Rule – Conduct; Ethics Rule – Record Keeping; SR 1-1(b) substantial error of omission; Standards Rule 1-4(a) failure to analyze available comparable sales data to indicate a value conclusion; SR 1-5(a) failure to analyze current agreement of sale; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; SR 2-2(b)(ix) failure to summarize the information analyzed, the appraisal procedures followed, and the reasoning that supports the analyses, opinions, and conclusions.

**Wise, Walter E. – L001052 (Case No. 05-1361).** Final Consent Order entered October 30, 2006, assessing a \$2,000 for 5 violations of OAR 161-025-0060 (USPAP-1999 Edition). Wise admitted the violations and agreed to pay a \$1,200 civil penalty. The Board agreed to waive the remaining civil penalty of \$800 upon receipt of Wise's \$1,200 payment.

USPAP Violations: Ethics Rule – Conduct; SR 1-1(b) substantial errors of omission/commission; SR 1-1(c) carelessness/negligence; SR 2-1(a) failure to clearly and accurately set forth the appraisal in a manner that will not be misleading; and SR 2-2(b)(ix) failure to summarize information analyzed, procedures followed and reasoning that supports the analyses, opinions and conclusions.



# Scope of Practice Regarding Acreage Property

by Larry Green

This question came to the Board recently:

"I sometimes receive requests for appraisals for acreage properties from Fannie Mae residential lenders. In most cases, it is clear whether the property is residential and within the scope of my allowable practice as a Certified Residential Appraiser.

"In other cases, it is not so clear, because the property has a larger acreage than most residential properties, large outbuildings, short-term leases on part of the land, etc. I have been declining such assignments when in doubt.

"Would you have any guidance as to where an acreage residential property becomes a commercial agricultural property, and therefore should be only appraised by a Certified General Appraiser?"

The best answer is: "It Depends?"

Several physical and economic attributes need examination when deciding if the subject of the assignment is appropriate for the Fannie Mae 1004, or should be completed as an income-producing agricultural property. First, how does the subject property conform to the neighborhood and market area characteristics? Are prospective

purchasers of these properties focusing on lifestyle, privacy, seclusion, and secondary income associated with the purchase? The focus of many market participants for larger acreage properties, such as from 40 acres to 640 acres is just that – lifestyle, privacy and seclusion. Large outbuildings such as shops, machine sheds, barns, and equestrian facilities represent improvements associated with life-style and hobby farms. Any income produced is secondary in nature, so these property types should be acceptable on the Fannie Mae form, *provided suitable similar comparable sales are available and utilized*.

Secondly, a deciding factor is soil and topographic capability. If the subject property has high quality producing soils with no limiting topographic features, water rights, specialized irrigation features, orchards, or vineyards and is presented to the market for its income-producing capability, it most likely falls into the income-producing agricultural property (we will get more into the economic considerations at the last point.) The decision here must be made to balance the site size with these income capability assessments; in other words, just because there is a small vineyard or orchards on a 20-acre parcel it does not mean the property is a commercial agricultural property.

It also depends so much on the market area in Oregon. One criterion is assessing the subject property under the concept of a "balanced" operation, a.k.a. "production efficiency." For example, a "balanced ranch" would have a good hay and alfalfa base coupled with a cow/calf ranch

operation in central or eastern Oregon might contain 1,500 acres and more, while west of the Cascades the ranch operation could be successful with 500 acres or less, so both properties would be considered an income-producing agricultural property. Grazing permits (and their relative location to the subject) on BLM and Forest land should be considered depending upon the market area. Another example of a subject property with good production efficiency is tillable acreage under crop sequencing. Crop rotation reduces chemical fertilizer needs and helps to maintain soil tilth (physical condition of soil in relation to plant growth). Crop rotations vary by soil associations, climate, and market area, but may include vegetable row crops, rye grass, wheat, potatoes, onions, sugar beets, sweet corn or dry beans. Most likely, if this property was your subject consider it an income-producing agricultural property.

Another issue that comes to mind is availability of wildlife. I know of several 1,500 to 5,000 acre ranches that sold simply because they have several Land Owner Preference (LOP) tags associated with the ranch for elk and deer hunting.

Thirdly, specialized farm related improvements, such as, potato storage sheds, swine breeding or growing facilities, dairy barn and milk house, automated feeding facilities, and granary are only a few specific income-producing related improvements that come to mind, which point to a decision a property falls into the income-producing agricultural category rather than residential property.

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Lastly, the size of a farm required to make a desired living income is one of those economic questions most easily answered by “that depends.” It depends upon such things as the desired family living standard, amount of debt or investment to be paid by enterprise profits, production efficiency, market prices received for the products, and per unit cost of production. It should be noted that net farm income (NOI) or profit will be affected greatly by assumptions made for market prices, production levels, available labor, and input costs. However, it may be best to first step back and look at some general economic principles, as it pertains to all family farm businesses producing commodities for sale.

The growing number of small farms in Oregon has resulted in a decreased average size of farm. Average farm size, when including all farms, is 427 acres. The average for commercial operations (those with annual sales over \$10,000) is 1,170 acres.

The number of small farms (those with less than \$10,000 in total annual sales) has increased over the past decade from 62 percent to nearly 70 percent of all farms. Ironically, the output of these farms as a percentage of total production and sales has decreased from 2.3 percent to 1.9 percent. This has occurred despite an increase in acreage under management, indicating that this group of growers, though large in numbers, consists of primarily lifestyle, hobby, or retirement operations not oriented toward production efficiencies and economic output.

It generally will take at least \$300,000 of gross revenue to

generate \$50,000 family living income. Assume it takes 75% of revenue (operating expense ratio) to cover “out-of-the -pocket” costs. This leaves 25% for debt service, capital replacement, growth and family living costs. The \$300,000 gross revenue example would net \$75,000. After \$50,000 for family living, this would only leave \$25,000 for debt payments and investment. That is not much for all the hard work associated with production, and keep in mind the NOI needs to grow 5-7% per annum to keep up with rising operation costs and general cost of living. Off-farm income typically meets a significant portion of family living expense and a way to provide family health insurance, retirement plans, and other benefits.

To answer your question for guidance, “it depends.” Since most small acreage parcels are typically less than 40 acres, it would be doubtful a primary income source could be derived from that sized site. However, if the site contained highly productive soils and specialized agricultural facilities, then it could fall in the income-producing agricultural arena.

In terms of USPAP, be aware that although the subject of an assignment might be within the scope of practice of a certified residential or certified general appraiser, competency with regards to properly employed methodology, soils, topography, specialized improvements, water rights, and grazing leases, etc. must be attained. In other words, familiarity with the property type and market area is essential to know what questions to ask and where to research all the data necessary to produce a credible appraisal and report. ■

## Unlicensed Out-of-State Reviewers

It has come to our attention that appraisal management companies, and others, are relying on review appraisers who are not licensed or certified by the Oregon Appraiser Certification and Licensure Board to perform review appraisals on property located in Oregon.

ORS 674.100(1)(a) states, “A person may not engage in...real estate appraisal activity within this state without first obtaining a certification, license, or registration as provided in ORS 674.310”.

ORS 674.100(1)(b) states, “Real estate appraisal activity is the preparation, completion and issuance of an opinion as to the value on a given date or at a given time of real property...”. The USPAP definition of “appraisal” indicates that an appraisal can be expressed as a specific point of value, a range of value, or a direction of value relative to a benchmark (e.g. less than or more than an original appraiser’s value opinion).

Furthermore, Standard 3 of USPAP states that “If the assignment includes the reviewer developing his or her own opinion of value about the subject property of the work under review that opinion is an appraisal whether it concurs with the opinion of value in the work under review...or whether it differs from the opinion of value in the work under review...” (2008 USPAP page U-30 lines 942-945).

ORS 674.850 sets forth the penalty for unlicensed appraisal activity which is not less than \$100 and not more than \$500 for the first violation and not less than \$500 and not more than \$1,000 for a subsequent violation. ■

## Welcome Aboard

The Board welcomes its newest member, Rick Herman, from Aurora, Oregon. The Governor appointed Rick as an appraiser member of the Board. The Board is comprised of seven members; five are licensed or certified appraisers, one is a public member, and one is employed by a financial institution or a mortgage banker.

Rick earned a Bachelor of Science degree in Business and in Urban Planning from Portland State University and he holds the MAI designation from the Appraisal Institute and the Certified Commercial Investment (CCIM) designation from the CCIM Institute. Rick started appraising in 1978 and established his own appraisal practice in 1981. His practice focuses primarily on the appraisal of commercial properties, including litigation support and condemnation appraisal assignments, as well as high-end single family residential properties.

Rick is a great addition to the Board and we look forward to his many years of service. Welcome Rick! ■

## Client Altering Appraisal Reports

Recently a number of appraisers have expressed concern to the Appraiser Certification and Licensure Board (Board) that their clients are suspected of “unlocking” the appraiser’s signature, reformatting the data, and in other ways altering the appraisal reports. The question is “what are an appraiser’s responsibilities under USPAP if he or she knows or believes such actions are occurring after a report is transmitted to a client?”

The ASB has addressed this and similar issues involving digital signatures in its September and October 2007 USPAP Q&A. These Q&A’s can be accessed on The Appraisal Foundation’s website at [www.appraisalfoundation.org](http://www.appraisalfoundation.org). Click on the USPAP Q&A tab near the lower left-hand corner of the home page.

The ASB writes in the September 2007 Q&A, “USPAP does not specifically address who “owns” an appraisal report, the research necessary to produce that report or the report’s supporting documentation. Once an appraisal report is delivered to a client, *a client may do a variety of things* (italics added), including redacting or removing the appraiser’s signature, or converting data from the report into a format more functional to the client, etc. Once the appraisal report has been transmitted to the client, USPAP does not place further responsibility on the appraiser for the client’s use of that report.”

In the October 2007 Q&A the ASB clarified a statement in the September 2007 Q&A, “a client *may* (italics added) do a variety of things...” because some thought the ASB was suggesting these actions by clients are permissible.

In response, the ASB stated it is not their role to grant permission to clients and that determining whether such actions are appropriate is not within the purview of the ASB. Furthermore, that once an appraisal report has been transmitted to the client, USPAP does not place further responsibility on the appraiser for the client’s use of the report.

Recent concern has been communicated to the Board about a method of transmitting appraisal reports that uses the AI Ready Data Standard, or similar standards, that may result in altering or reformatting an appraisal report in the appraiser’s computer *before* the report is actually transmitted to the client. The Board has been in communication with the ASB on this matter and the ASB is expected to address this issue very shortly. As soon as guidance from the ASB is published the Board will notify each credential holder via email. ■

## Change of Contact Information

Many people think they must notify the Board of any change in their contact information within 30 days of the change, but this is incorrect. You must notify the Board office within 10 days of a change in your address, telephone number, fax number, or e-mail address. This notification of change is required by Administrative Rule 161-050-0040. It is very important that the Board have the ability to contact you to provide important information such as notices of rulemaking hearings, changes in USPAP, administrative rules, or statutes that affect your appraisal practice. ■

# Collection of Appraisal Fees

The Division of Finance and Corporate Securities - Mortgage Section (Division) has been receiving a number of complaints from appraisers regarding mortgage lenders who are not paying for appraisals. Many of the requests are for the Division to collect the debt for the appraiser and they of course want priority service. While the Division strives to provide all Oregon consumers (appraisers included) with the best service possible; they cannot elevate their concerns over other consumers.

Please be advised that the Division will accept the notification from appraisers over the non-payment of fees due but will handle them as time is available.

The Division's recommendation is to provide notice to all appraisers to seek collection using Small Claims court or other legal avenues. The Division reports that some appraisers are contacting the surety companies and applying pressure from that angle, even though Oregon law does not extend to third parties (e.g. appraisers). Another option is to turn the delinquent and uncollected appraisal fee over to a collection agency.

Appraisers must make prudent business decisions about accepting appraisal assignments from unfamiliar clients. In such instances, an appraiser may consider collecting the appraisal fee before performing or transmitting the appraisal report and/or requiring aged accounts receivable with a client to be brought current before accepting additional assignments.

Appraisers should avoid a compensation arrangement for an assignment that is contingent on a loan funding as this is a violation of the Management section of the Ethics Rule (see 2008 USPAP page U-8 line 249-250).

# BOARD MEMBER VACANCY

The Governor's office is currently accepting applications for an appraiser- member position to serve on the board effective immediately upon confirmation. The member in this position serves a four-year term. If you or someone you know is interested in being considered for this appointment, contact Nancy Goss-Duran, (503) 378-8471, in the office of the Governor, or to obtain an application go to the Board's website at <http://oregonaclb.org/media/boardapp.pdf>. Applications must be received at the Governor's office by May 15, 2008.

# Please, please, please ... Read the Instructions

On a regular basis, the Board receives both new and renewal applications that are incomplete because the appraiser, appraiser assistant, or applicant failed to read and follow the instructions on the application form. Below is a list of some, but not all, of missing or incomplete items:

- No 2"x2" color photo
- Insufficient education
- Insufficient experience hours
- Missing certificates of completion
- No 7-hour USPAP Update course for renewal
- Missing pages of the form
- No applicant signature
- Missing information such as phone numbers or e-mail addresses
- Missing or insufficient application or renewal fees

When submitting applications to the Board, please be sure to read the entire form, follow the instructions, provide copies of all required documents and, if applicable, a 2x2 photo and appropriate fees. Additionally, any check for payment of fees that is returned for insufficient funds will result in the application being considered incomplete.

# Appraiser Courtesy

From time to time we get phone calls from angry property owners who complain about people taking photographs of their property and then "speeding away" in their vehicles. Please take the time to identify yourself and explain why you are photographing the property. This is especially important when you enter private property to gain sufficient proximity to the improvements to photograph them. Often times you will find the property owner to be helpful by providing useful information about the comp.

# Declining Market Designations and Market Forecast Analysis

by Larry Green

To the surprise of many appraisers in the Portland-Vancouver-Beaverton-Oregon-Washington Metropolitan Statistical Area (MSA), Fannie Mae, Freddie Mac and several major lender guarantors identify this MSA, as a “declining market.” This MSA consists of Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon, as well as Clark and Skamania counties in Washington. The declining market designation applies to several other regions in Oregon, such as Douglas, Jackson, and Deschutes counties. Newspaper headlines such as **“Declining Market Designation Stumps Experts”** have been published in several areas around the nation. More and more appraisers are now being asked or required to report market condition as “Declining,” and they feel pressured by their lender/clients and/or appraisal management company (AMC) clients to comply. Well, let me help to explain the current situation by looking at how Fannie Mae, Freddie Mac, and guarantor mortgage insurance companies gather their data and identify “declining markets.”

First, Fannie Mae and Freddie Mac (Government Sponsored Enterprises – GSEs) rely on data gathered by the Office of Federal Housing Enterprise Oversight (OFHEO), <http://www.ofheo.gov>. OFHEO publishes quarterly rankings by MSAs based on House Price Index (HPI). The HPI is a broad measure of the movement of single-family house prices on the national, state, and MSA level. The HPI is a weighted, repeat-sales index, meaning that it measures average price changes in repeat sales and *refinancings* on the same properties. This information is

obtained by reviewing repeat mortgage transactions on single-family properties whose mortgages have been purchased or securitized by GSEs since January 1975. With the release of the fourth quarter HPI, OFHEO made modifications to the way its national HPIs are computed. Most important to appraisers is the separation of the sale-resale purchase-only index from the all-transaction index, which included GSEs refinance transactions of the same property. For a greater understanding of OFHEO's methodology, you should spend some time at their website.

Now let's get back to the “declining” designation. The GSEs identify a declining market when two quarterly statistics decline in the rate of appreciation, not just in a calendar quarter. This method has some good reliability because it provides higher confidence that the data extracted is sufficient to support a valid trend. The point is, a market area may indicate appreciation, but the rate of appreciation is declining when measured by quarter over quarter trends. According to FreddieMac, market declines exceeding one-percent for the most recent two calendar quarters represent a declining market, or when year-over-year statistics indicate overall market declines in the MSA. The exception is when an increase is shown in the two most recent calendar quarters. FannieMae simply states, “a declining market is one in which home prices are currently declining.”

For example, although Portland's MSA shows a fourth quarter 2007 (4Q07) appreciation of 0.30%, the third quarter (3Q07) appreciation is 0.71%. By applying the GSE's criteria for

measuring market trends by calendar quarter over quarter, the calculation indicates the market declined 57.75%. From 2Q07 to 3Q07, again the change from the prior quarter 2007 declined 54.78%.

On an annual basis, Portland's MSA shows 2007 appreciation of 4.24% while 2006 annual appreciation was 13.45%. By applying the GSE's criteria for measuring market trends by calendar year-over-year, the calculation indicates the market declined 68.48%.

Standard & Poor's/Case-Schiller® monthly home price indices for 20 metropolitan areas includes the Portland MSA. According to S&P's index, the Portland MSA peaked July 2007 at 186.51 and declined each month to January 2008 to 178.81. The most significant decline is from December 2007 to January 2008 indicating a 2.01% drop.

The frustration with many Portland MSA appraisers is they point to Residential Multiple Listing Service (RMLS) and National Association of Realtor (NAR) <http://www.realtor.org/Research.nsf/Pages/MetroPrice> data, which indicate appreciation trends. NAR reports the median sales price of an existing single-family home in Portland's MSA as \$290,500 for the fourth quarter 2007. This is up 1.8% above the fourth quarter median sales price of \$285,400 in 2006. On an annual basis, the 2007 median sales price of \$295,200 is 5.13% above the 2006 median sales price of \$280,800. It paints a different picture when you look at the last two quarters of 2007. Third quarter 2007 median sale price of existing homes peaked at \$299,700 and fell to \$290,500 in the

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fourth quarter, experiencing a 3.07% decline. The median sale prices were not seasonally adjusted. All these web sites are available free to appraisers and should be included in the “appraiser’s toolbox” for market trend analysis.

Secondly, the GSEs consider market watch research by several major lender guarantors. To name a few, AIG United Guaranty - <https://www.ugcorp.com/decliningmarkets.html>,

Genworth Financial Inc. - <http://www.gemortgageinsurance.com/>, and Republic Mortgage – <http://www.rmic.com/Pages/default.aspx>. Each of these reports the Portland MSA as a declining market.

Fannie Mae Announcement 07-11 addresses Collateral Valuation Practices and Declining Markets (07/13/07). The announcement advised all lenders of a new message in *Desktop Underwriter® (DU®)*. This message will be generated when it appears that a property is located within a declining market (as defined by the GSEs). In these instances, DU will provide a message back to the submitting lender:

*The subject property has been identified as being located in either an area of declining home prices or in an area where it may be difficult to assess home values. The lender should carefully review the appraisal to ensure that the appraiser has appropriately analyzed property value trends and overall market condition to arrive at the value provided. The lender should request additional support from the appraiser if it determines that the appraisal does not accurately reflect current market conditions (e.g. the declining property values field is*

***not checked when market conditions suggest otherwise.*** {Emphasis Added} Please refer to our Property and Appraisal Guidelines in *Part XI* of the Selling Guide.

Since most loan originations are submitted to the secondary mortgage market for securitization, the submissions must meet the GSE’s guidelines. The bottom line is if you feel pressure from your lender/clients or AMC clients, it is not from them, but originates with the GSEs!

So when your client asks or requires the “declining” market condition be reported, or the appraisal report will be rejected, here are some suggestions:

- Be sure to develop your opinion of market trends by employing recognized techniques for identifying supply and demand.
- Appraisers may check the declining box based upon the GSE’s designation of a declining market.
- Explain the distinction of the GSE’s criteria for designation of a declining market, while data exists indicating stable or appreciating trends.

The issue of a declining market designation is closely tied to employing supply and demand analysis. Identifying and measuring the market is undoubtedly one of the most important procedures for all appraisers to have a clear understanding. The appraiser must know the composition of the market. Some elements of comparison could be the taxing district, school system, government services, park district, library district, location – urban, suburban, and rural, fire and police

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## Measure 37 and 49 Appraisers Sought

Many of you are aware of the recent passage of Measure 37 (M37) and Measure 49 (M49) which provides compensation to certain property owners for value loss resulting from land use (zoning) changes in the past.

The Board has received a number of phone calls from M37 and M49 claimants asking for referrals for an appraiser capable of completing these assignments. The Board does not refer inquirers to an appraiser or appraisers for a specific assignment.

M37 and M49 appraisals are typically complex appraisals and should only be performed by appraisers with the knowledge and expertise required to perform them competently. M37 and M49 have significant differences in their appraisal requirements, therefore competency in one does not automatically mean competency in another. A number of appraisers do possess competency in one or both of these appraisals assignments types, but it can be very difficult for members of the public to locate them simply by searching our on-line database for certified appraisers.

The Board is considering compiling a list of names of appraisers who believe that they have M39 and M49 competency and making that list available on the Board’s website. If you have competency in this assignment type and would like your name added to the list please contact Bob Keith at [bob@oregonaclb.org](mailto:bob@oregonaclb.org).

Being included on this list does not represent a Board endorsement and the Board will *not* perform any qualification process to determine competency for an appraiser who signs up to be on the list. Competency is the responsibility of the appraiser and misrepresentation of competency by an appraiser would be misleading.

# Declining Market Designations and Market Forecast Analysis

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districts, lot/parcel sizes, utilities available, quality of improvements, and all identifiable physical attributes, such as age, condition, vehicle parking, and accessory amenities. Let's look at the supply and demand tool to calculate the absorption rate.

Here is the methodology to calculate the absorption rate:

1. Identify and evaluate the subject's attributes,
2. Define the typical prospective purchaser profile,
3. Assume the subject property is being presented to the market and design a sales search that will count the number of properties in competition with the subject.
4. Count the number of:
  - a) Listings available that compete with the subject's parameters.
  - b) The number of comparable sales that have closed in the past twelve months and divide by twelve (12) for the average sales rate per month.
  - c) Note if there is an unusually high or low number of pending sale transactions because it could be an indication of a market change.

For example, based on your comparable sale search assume there are 75 sales in the prior twelve months, or 6 sales per month. You also searched available inventory using the same search parameters and found there are 145 competitive properties in current inventory. Dividing the 145 properties by 6, you conclude there is approximately 24 months of available inventory.

To identify and evaluate the subject's attributes the criteria may include all or a combination of the following items, the geographic market area, listing and sale price range, and the subject's basic physical characteristics. The subject's physical characteristics may include the year built, number of stories, basement, number of bedrooms and baths, and garage spaces. Recognize there is some crossover of buyer preferences between the number of bedrooms and baths so don't be too specific. When you do this at least once a month and you have completed this process for several consecutive years, you will be able to know what is a high-buyer traffic and good sales year or a low-buyer traffic and not so good sales year. By the way, the number of properties sold from the available inventory is referred to as "the capture rate." Clearly, supply and demand analysis to calculate market absorption is the easiest and best method to forecast market changes.

However, several other tools are available to analyze market trends. These include Days on Market (DOM), List to Sale Price ratio (%SP:LP), Sale-Resale of the same property, Real Estate Owned (REO) activity, and ratio of new construction to existing home sales. Since this article focuses on declining markets, we will omit discussion of new construction, but it is a useful analysis tool in stable and appreciating markets.

The DOM and %SP:LP tools are appropriate for use when a good reliable accounting of continuous and historic data is available typically from a multiple listing service (MLS) provider. The

appraiser in a small market area can also apply this tool as long as they assemble the data regularly and have retrieval capabilities. A sale search is commenced with the MLS system that might begin with the property type (i.e. single family residential, single family residential less than 5 acres, condo/townhome, etc.) and the geographic market area for the number of new listings, average list price, pending sales, closed sales, average sale price, median sale price, %SP:LP, annual DOM, and last 30 days on market. Some of these search parameters will not be available in all MLSs.

What is important here is looking at the relationships over time. Generally speaking, a %SP:LP today of 86% compared to a %SP:LP twelve months ago of 94% would indicate a declining market. When using this tool you should be aware price segmentation within the market can skew the %SP:LP. This happens when either there are an inordinate number of sale transactions that occur on either the upper or lower ends of the price range. Furthermore, some MLSs calculate the %SP:LP from the last adjusted list price and fail to consider the original list price, thereby calculating a higher ratio.

The same is true for analysis of the DOM. If average DOM today is 187 days and a year ago the average DOM was 145 days, a declining market is highly possible. The DOM tool can be adapted to measure the last 30 days compared to the same 30-day period a year ago for a snapshot of the market. The DOM tool can also be problematic because some MLSs calculate from the last list price adjustment

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date and fail to recognize the property's initial presentation to the market, or price changes between brokerages.

The analysis of a sale – resale transaction of the same property can be an extremely reliable evidence of a declining market, as well as, an appreciating market. This tool removes any differences in location, but adjustments are still likely needed for condition, improvements such as remodeling, and transactional differences, such as seller's concessions. This tool is best applied within a spreadsheet grid where the original sale date, resale date are noted, and calculate the difference in years or months.

First, the original sale is adjusted for property rights, financing concessions, condition of sale, and seller expenditures not included in the sale price required to facilitate the sale (such as a new roof, dry-rot repair, etc.) to arrive at an adjusted original sale price. Second, the same line items are applied to the resale price transaction to arrive at the adjusted sale price of the most recent transaction. Next, the difference in sale pricing is calculated *less* any seller's recent improvements (these are improvements that would not be adjusted up for appreciation, such as expansion or remodeling), *plus* any deferred maintenance costs (these are items an owner needed to replace a component or perform some maintenance work but did not) to arrive at an adjusted difference. It is important to consider the contributory value of the improvement or remodeling rather than solely the cost of the project. Finally, the aggregate

percent change and percent change per year is calculated. When this technique is applied to several sale – resale transactions it is a very convincing tool in support of negative and positive time adjustments.

Real estate owned (REO) is a very important consideration particularly in small market areas because it can drive the market. REO refers to properties owned by a financial institution. Typically, they are properties having completed foreclosure proceedings. For a financial institution, this can be a heavy burden because the Federal oversight banking system requires greater loan reserves for those institutions, which lessens their operating revenues. Consequently, these institutional sellers are motivated to sell the REO property quickly and many times at well below market prices. To estimate the number of REO properties in a specific market area, the MLS search criteria might include searching the "marketing comments" or "agent comments" section for bank owned property. Online resources are an excellent portal for REO and foreclosures. Some searches can be completed by zip code. The best method to search for these transactions is by public record ownership. When an owner transfers title to a law firm as trustee or lending institution, it is a good indicator the property is an REO.

In conclusion, the appraiser with these additional tools in their toolbox has the ability to look forward in examining market trends. The tools provide the appraiser with forward thinking ability to forecast changes in the

market, perhaps before many others realize. It is this same forward thinking a smart investor uses to forecast future economic benefits from income growth and reversion. As with any of the above supply and demand tools, it is not an exact science as is the development of your appraisal opinion. Appraisers tend too much to focus on history and forget about forward thinking. In declining markets as well as highly appreciating markets, the appraiser should look both ways.



# Administrator's Report

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## Change of address?

Don't forget that all appraisers, appraiser assistants, and applicants are required to notify the ACLB in writing of changes of address within 10 days of the change. You may send postal-mail, faxes, or e-mail to:

Appraiser Certification and Licensure Board  
3000 Market St NE, Suite 541  
Salem, Oregon 97301  
Phone: (503) 485-2555  
Fax: (503) 485-2559  
E-mail: [jan@oregonaclb.org](mailto:jan@oregonaclb.org)

This newsletter is published by the Oregon Appraiser Certification and Licensure Board for professionals licensed by the Board.

Effective January 1, 2010, State Licensed Appraisers will no longer be permitted to supervise Appraiser Assistants. All Appraiser Assistants supervised by a licensed appraiser must either: 1) become licensed or certified before January 1, 2010, or 2) as of that date be supervised only by a State Certified appraiser holding a Supervising Appraiser Endorsement.

Also effective January 1, 2010, the Appraiser Certification and Licensure Board will no longer accept applications for or issue new (first time) State Licensed Appraiser credentials. Only State Certified Residential or State Certified General Appraiser applications will be accepted for new (first time) applicants. All individuals holding a State Licensed Appraiser credential as of December 31, 2009 will be allowed to maintain and renew their credential beyond that date, but they will not be permitted to supervise Appraiser Assistants.

Since about June 2007 we have been reviewing at least one appraisal report and corresponding work file from the experience log in the applications for all license and certified credentials. Prior to that most of the appraisal reports we had reviewed were reports that were the subject of a complaint. As you might expect, the majority of the work product we have reviewed for many years is less than stellar because it primarily represents complaint files. Since June however, we have seen many examples of exemplary appraisal reports while processing applications and I am proud to say that we have a lot of really good appraisers in Oregon!

Finally, we hear on occasion that appraisers and/or assistants are reluctant to call the Board staff with questions about USPAP or administrative rules. Apparently some people feel like it's a self-indictment to ask a question about these topics when they are "supposed to know" the answer. Please understand that the Board staff is eager and willing to help provide clarity with respect to your understanding of these important topics.

Many of you are no doubt aware of the agreement between New York Attorney General Andrew M. Cuomo and Fannie Mae, Freddie Mac, and their federal regulator, the Office of Federal Housing Enterprise Oversight. This cooperation agreement requires Fannie Mae and Freddie Mac to only buy loans from banks that meet new standards designed to ensure independent and reliable appraisals. The agreement also creates an independent organization, the Independent Valuation Protection Institute (IVPI), to implement and monitor the new appraisal standards.

In addition to establishing a Home Valuation Code of Conduct (HVCC), the agreement proposes sweeping changes to the way appraisals are ordered, including a prohibition on mortgage brokers from ordering appraisals. To read the Cuomo agreement, the HVCC, and to learn about the IVPI please visit the home page of the Board's website.



## ACLB

Appraiser Certification &  
Licensure Board of Oregon