

John Baen, Ph.D.
University of North Texas
College of Business Administration
Department of Finance, Insurance, Real Estate and Law

will present

The Internet and its Impact on the Real Estate Market

at the North Texas Chapter's Monthly Business Meeting

Thursday, March 15, 2001

Lincoln City Club
5440 LBJ Freeway, Third Level

Board of Directors Meeting: 3:30-5:00 p.m.

Cocktails: 5:00-5:45 p.m.

Dinner and Chapter Business: 5:45-6:15 p.m.

Program: 6:15-8:15 p.m.

Meal Cost: \$20.00 per person (No Shows Will Be Billed)

Reservations Required: Call 972/233-2244 (Deadline-Wednesday, March 14)

Approved by the Appraisal Institute for 2 hours continuing education credit

Fraudulent Appraisals— Could You Be A Victim?

by Joe W. Milkes, MAI
Milkes Realty Valuation

Jim Pearson, a local real estate appraiser, was recently contacted by one of his longstanding clients about an appraisal that he had signed. Jim didn't have any record of the assignment. Further investigation confirmed that he had not written the appraisal, and that the client had even more reports containing Jim's signature. The report in question had numerous mistakes in addition to a fraudulent value. Jim assured the client that he had not written the report, and he notified the Texas Appraiser Licensing and Certification Board. The client contacted the FBI and an investigation was initiated. The FBI investigators determined that the report was fraudulent.

How prevalent is this type of fraud? In researching this article, I wasn't able to locate any exact figures. However, Constance Wilson, CFA, CMU, CRA, Executive VP with Appintell, Inc. (appintell.com), explained that most residential lenders only uncover fraud when a loan goes bad. In those instances, typically, the loan is written off and no attempt is made to prosecute or report the potential crime. Many times, it is considered a business cost. Consequently, many instances of fraud aren't detected. Only in cases of one or more properties involving a significant loss is attention focused on investigation and prosecution. In the past year, cases taking place in the northeast have been reported in the media. However, in those cases, the appraiser was actively involved—it wasn't a case of someone's signature being forged. As more loans are underwritten with EDI transferred appraisals, there is the potential for more sophisticated forging of an approved appraiser's electronic signature.

What is done about appraisal fraud? The government can pursue legal remedies when they are aware of a situation. The Texas Appraiser Licensing and Certification Board may pursue remedies available under the Texas Appraiser Licensing and Certification Act.

How can you prevent fraud from happening to you? Ms. Wilson acknowledged that lenders have very little concern about the issue. Due to the pace of business and the competitiveness in the industry, obtaining anyone's attention is quite difficult. She specifically suggested that appraisers periodically send a list of appraisals with corresponding values to the lenders so that a comparison can be made to the reports that had been received. Ideally, it would be desirable to have someone sign off on the comparison. Whether, this exercise would receive anyone's attention can be debated. However, the process does demonstrate your attempt to prevent fraud from happening to you and your clients.

Terry Davenport, Board Certified, Court Qualified Questioned Document Examiner (graphicdetection.com) is a trained, qualified hand writing expert. She is capable of detecting a fraudulent signature, and has testified in a large number of cases involving a variety of matters. She suggested doing the following on a consistent basis to help prevent your signature from being duplicated: 1) sign quickly and fluidly; 2) add a quirk to your signature; 3) put a dot or some other mark somewhere on the document being signed; 4) place your signature on the line or in the signature block in the same place (horizontally and vertically); 5) make your signature unique; 6) maintain consistency in your signature; 7) initial a certain place consistently; and 8) consider using a seal. Ms. Davenport also recommended against using a child-like signature that is easy to copy.

As in appraising, there is a methodology and procedure in handwriting analysis that evaluates the common elements in a person's signature. These elements can be analyzed even when the signature has variances.

Although appraisal fraud statistics are scarce, more detailed information is maintained regarding the scope and amount of consumer fraud. This information can be accessed at consumersentinel.com. This web site serves as a clearinghouse for a large number of federal agencies, to inform consumers, and to provide a source for reporting cases of fraud.

Hopefully, the information contained in this article will create an awareness of the possibility of appraisal fraud, and precautions you can take to prevent it from happening to you. Thank you to Emma Rhodes, MAI and Marc Farmer, MAI for the resources they contributed to the development of this article.

Win \$200!

The Chapter Board of Directors has approved a proposal to fund cash drawings at the Chapter meetings during 2001. All North Texas Chapter designated, associate, and affiliate members are eligible to win. One name will be drawn at the end of each meeting, and that person must be present to win. If the person is not present, the price will increase by \$100 at the next scheduled Chapter meeting.

The first drawing for \$100 was held at the February 15 Chapter meeting. The individual whose name was drawn was not in attendance at that meeting.

So the drawing increases to \$200 at the March 15 meeting. To win, just attend the March 15 North Texas Chapter meeting. If you are a member of the North Texas Chapter, your name is drawn, and you are in attendance at the meeting, you will win \$200!

Alternative to Chapter Dinner Meetings Defeated

*by Jack Poe, MAI
Vice President*

Last month I asked for member input about raising Chapter dues and offering free meals with our dinner meetings (we are currently paying \$20 per meal at meetings). The responses were generally negative, and I appreciate the fact that so many members are reading the last page of the newsletter. Some of the responses I received are quoted as follows:

I personally have no objection to the idea and think it may increase the attendance to the meetings; however, I still wouldn't be able to attend most of the meetings due to family conflicts (unless the meetings occurred during the day or even in the morning).

I suspect that you will have many more negative responses than positive just because the ones that don't attend the meetings will be most vocal and still won't want to attend for whatever reason.

I am opposed to any increase in dues or assessments.

I believe that it is still cost effective to be a member; however, we are at a point where I'm not so sure that I am willing to continue if dues go up any more. I'm sure that the meetings are informative and networking is a plus as well. I am unable to attend the meetings and feel like any increase in dues would not be fair for appraisers with similar circumstances. I would not be able to attend the meetings if they were FREE! I trust that the Chapter leadership will take this into consideration before making any increases in dues.

I saw the proposed plan to raise due to cover dinner meetings and hopefully encourage more attendance. I personally do not agree that this is appropriate. Not every who comes to a meeting desires to eat dinner and to ask all the members to pay more to cover this cost is not right. I have always been a big believer in user taxes, and the cost of a dinner should be absorbed only by those who want to have such a dinner. Further I do not believe that free dinners would necessarily encourage greater attendance. The more exciting the speaker, or presentation, will bring out the people.

Your idea sounds good to me. As the two-hour credits seem to be the most bang for the buck with regard to recertification hours, I'll be attending meetings on a more regular basis.

As you would expect, the positive remarks came from regular meeting attendees, and the negative remarks came from members who cannot regularly attend meetings. Therefore, based on the fact that a relatively small percent of our local chapter members attend meetings it can be said that the majority of our members oppose increasing dues to provide meals for the relatively few members that attend meetings. This makes sense to me, and my recommendation to the Finance Committee now is that we not raise dues in 2002.

This call for input from members has taught me three important lessons. First, the members who are not able to attend meetings, are still interested in the Appraisal Institute and are willing to provide input. Second, members read the newsletter. And last but not least, our members do not want to pay more dues.

Thanks for your timely response to my request for input. Now that I know you care, I promise to write more in the future!

Upcoming Education Programs

A schedule of North Texas Chapter 2001 education programs is enclosed. For more detailed information about each program, refer to the 2001 Educational Programs Catalog that was mailed to you last month. You may use the attached Registration Form to register for the programs. Contact the Chapter Office with questions (972-233-2244).

Legislative Update

*by George N. Naeter, MAI
Chair, Legislative Committee*

FACT is conducting weekly searches of the Texas Legislature's website in an attempt to identify bills that will be of concern to Texas appraisers. Here are two bills that FACT is starting to monitor.

HB1268 – Relates to the appraisal of real property that secures a mortgage loan. The bill provides that a lender commits a Class A misdemeanor offense if, in connection with a mortgage loan transaction, the lender pays or offers to pay a person, including individuals licensed or certified by TALCB or TREC, a fee or other consideration for appraisal services if the payment is contingent on a minimum, maximum or pre-agreed estimate of value for the property securing the loan, i.e. interferes with the person's ability or obligation to provide an independent and impartial opinion of value.

HB905 – Relates to the establishment of an electronic system for occupational licenses for some twenty-two agencies and includes both TREC and TALCB. A schedule for implementing the electronic systems for applying and renewing is included in the legislation.

Mark Your Calendar!

The April meeting will be held on Thursday, April 19 at the Lincoln City Club.

Announcements

Thank you – To the members who volunteered to proctor the Comprehensive Examination that was held in Dallas February 26-27. Their commitment of time on behalf of the Associate Members is appreciated.

- Robert Derse, MAI
- Rusty Hutchison, MAI, SRA
- David Mentasana, MAI
- Stephen Spraberry, MAI

Notice to Prospective Bidders – The Texas A&M University System Real Estate Office is responsible for managing the real estate holdings of the members of The Texas A&M University System. Periodically, the university must contract appraisals of properties for purchase, sale or internal planning. In order to facilitate the bidding process for these appraisals, a file of qualified firms is being built. If you are interested in being considered for these appraisal jobs, submit a statement of qualifications and experience for yourself and your firm. Be sure to indicate whether your firm qualifies as a Historically Underutilized Business or a woman owned business and if it is listed on the Centralized Master Bidders List of the General Services Commission. Also, describe the area of the state in which you would consider accepting an assignment and where your offices are located. Please send responses to: Tom Goen, System Real Estate Office, John B. Connally Building, 301 Tarrow, Room 514, College Station, TX 77840-7896; Telephone: 979-458-6350; Fax: 979-458-6359.

Marketplace

Position Available

Integra Realty Resources seeks experienced analysts in our Dallas and Fort Worth offices. Compensation is salary plus performance based bonus. We provide health insurance, Simple IRA, and state of the art computer and research facilities. Call Charles Bissell, MAI, CRE or Mark Lamb, MAI at 972-960-1222.

Calendar of Events

March

15

Board of Directors Meeting/Chapter Meeting-Lincoln City Club

