



## ***Identity Theft, Forgery & Other “Altered” States***

Identity theft is currently our nation’s fastest growing crime. According to studies conducted in July 2003, approximately 7 million people became victims of identity theft in the prior 12 months; that equals: 19,178 victims per day or 799 victims per hour.

One of the most difficult things an appraiser has to deal with is notification that he is the subject of a lawsuit or state board proceeding. Imagine the shock when he learns that the appraisal on which the lawsuit or state board proceeding is based was not even prepared by him. A few years ago, it was very infrequent that an insured called to advise that someone was forging or altering their appraisal reports. Presently claims involving forged or altered appraisal reports are reported to us on a regular basis.

As a result of the information explosion, aided by technological advances, individuals and businesses find it harder to control who has access to confidential information and find it even more difficult to safeguard this information. As appraisal practices become more technologically proficient, it is likely that appraisers will increasingly be impacted by identity theft and forgery.



### ***Identity Theft and The Appraiser***

Identity theft occurs when another appraiser or some other third party prepares appraisals in your name and with your license number. The perpetrator may select their victim’s name and license number randomly. Every appraiser needs to be aware of the problem and must be protective when it comes to the disclosure of your license number. However, most states now post all professional licenses, so your license number is easily available on your state’s website as well as the Appraisal Standards Committee online National Registry. But unless required by your state’s licensing regulations, do not display your license number on websites, business cards, stationery, etc.

The majority of identity theft claims reported to us arise from instances of forgery committed by someone the appraiser knows – usually a current or former employee. Most commonly forgeries are committed by either a trainee or independent contractor who was tired of splitting fees; or an appraiser who wanted to establish a relationship with a lender but could not find any other way onto their approved list. By signing the name of their “supervisor”, the lender accepted the report and the forger received the entire fee.

Another common situation is where the insured appraiser has agreed to

Robert C. Wiley, President  
Karlene K. Deinhard, Vice President

Administered By  
Liability Insurance Administrators  
P.O. Box 1319, Santa Barbara, CA  
93102-1319  
Telephone (800) 334-0652  
Fax (805) 962-0652  
E-mail [lia@liability.com](mailto:lia@liability.com)

continued on page 2...

review and sign off on the work of a colleague. If the appraiser is too busy or unavailable, the colleague – thinking he will never get caught – signs the supervisory appraiser's name in order to meet the appraisal due date.

Claims against appraisers based on altered appraisals are often the most difficult to defend. Sometimes, the check mark in the "subject to completion" box is erased and replaced with a check mark in the "as is" box. Frequently the change is even more significant and involves an alteration to not only the estimate of value, but to information contained within the comparables grid. In these cases the appraiser's signature is authentic, it is just the data within the report that has been altered. The appraiser has to show that the report in the hands of the claimant is not the same work product that left his or her office.

Besides guarding your license number, appraisers must be extremely protective of their digital signature. The signature must be password protected and should never be shared, no matter what the urgency. Situations will arise where a client is demanding a report on a Friday afternoon after you have left for the weekend. It will be very tempting to authorize someone in your office to affix your digital signature so you can continue with your weekend plans uninterrupted, but we caution you, don't do it.

When someone uses your signature without your knowledge or consent, you have to be able to say that you have never, under any circumstances, given anyone the authority to sign your name. An appraiser will face an uphill battle trying to convince a judge or a state board investigator that although he had given a trainee or employee permission to sign his name on prior occasions, he did not grant his permission with regard to the subject appraisal of the particular lawsuit or complaint.



We are aware that many appraisers provide their password to clients or management companies, but we do not recommend this practice. If you are obligated to give someone else access to your signature, you should have a written agreement which outlines the situations where they may use your signature and those situations where they may change your original work product. If the agreement is

breached, you have evidence that you tried to protect yourself and you might even have a chance to pursue the offending party for damages.

Appraisers must be selective about the people with whom they choose to work, including trainees, employees, lenders and appraisal management companies. Every appraiser knows which clients may not have the best reputation and which clients consistently ask them to "push" the value. An appraiser who refuses to give in to these demands could learn later that the client went ahead and altered a report to reflect what the appraiser refused to do. In this situation, it is imperative that appraisers keep reliable records. When questioned, an appraiser has to be able to produce a copy (preferably signed) of the actual, unaltered appraisal. In some cases law enforcement officials will secure their own copy after they seized your computer.

We've had several instances where an appraiser did not recall a certain property and cried forgery simply because their poor record keeping did not allow them to locate the report. As a result, the appraiser who truly has been a victim of forgery or identity theft is not always taken seriously or believed by authorities.

Consider being consistent in the way in which you prepare all of your appraisals. Some appraisers have begun to use a particular phrase in every report they prepare. Their motivation is, if a report is forged they will be able to prove that point convincingly by showing that the forged report does not contain their "signature" phrase that can be found in every report they prepared over the course of many years.

## ***What to do when you discover you are a victim of identity theft***

If you suspect you may be a victim of identity theft, take it seriously.

- Investigate suspicious calls and do not get discouraged if your messages are not returned or promised documents are never sent.
- Identity theft and forgery are criminal offenses; report incidents to local law enforcement. If you are sued months or years later you will have a police report to submit as part of your defense.
- If you know for a fact that another appraiser has signed your name to an appraisal report without your permission, report him to the appropriate real estate appraiser regulatory board.
- Contact your clients or at least the lender whose name appears on the forged appraisal and advise them that someone may be signing your name to appraisals and discuss a simple way for them to confirm that you prepared a report they receive; confirm these conversations in writing.

Being proactive may go a long way toward convincing a potential plaintiff that the report that caused them harm was truly not prepared by you; taking no action will harm your credibility.

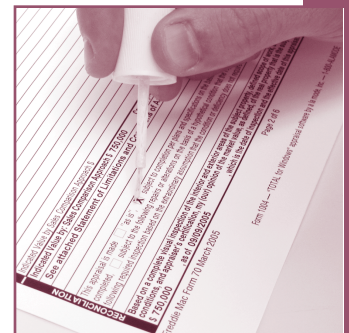
We also suggest that you “follow the money” and determine who received payment for the appraisal. Consider that someone who used your identity to prepare appraisals might have gone further and may have opened a checking account in your name. Taking time to deal with suspicious calls without delay may save your reputation, as well as time and money should a lawsuit or board complaint develop later. In conclusion, identity theft and forgery have become the white-collar crimes of the 21st century, and you should take all necessary steps to protect your identity, reputation and work product.



# **TELL TALE CLAIMS...**

## ***No one to blame but yourself***

An insured appraiser received a claim from his client alleging that he misrepresented the subject property as being complete when work remained to be done. The insured could only recall having completed a “subject to completion” report on this property. When he checked his computer, he found both a “subject to completion” report and an “as is” report. Unbeknownst to the appraiser, someone must have called the office and requested that they change the report to read, “As is”. Everyone in the office had access to the insured’s digital signature password and therefore anyone of them could have made the change. So far, no one in the office has admitted to having made the change. This claim will be difficult to defend.



## ***Consistent File Management Saves the Day***

Another insured appraiser received a lender claim alleging that a particular appraisal overstated value. When the insured did a search of his files, he could not find the appraisal in question. We obtained a copy of the appraisal from the lender and the insured insisted that he did not do the report and that his signature had been forged.

The insured pointed out numerous differences between the “forged” report and his standard

appraisals. He always uses a digital signature whereas the forged report had a manual signature, each report he prepares has the file number in the top right hand corner of every page and his company name in small letters at the bottom of every page; the appraisal in question had no file number and no company name. Lastly, the insured uses software that prepares every sketch and the forged report's sketch was drawn by hand.

The insured has invited a lender representative to come to his office and randomly look at any appraisal file. He maintains that the lender will see that his reports consistently have certain features, which are missing from the forged report. It appears that the lender is convinced and has not pursued this claim further.

### ***Fooled by Mr. Nice Guy***

An insured appraiser had an arrangement with a colleague (just a friendly appraiser he had met at a seminar) that he would from time to time review and sign off on assignments that might be "over the head" of the colleague. The insured received notice of a state board complaint and when he searched for his work file, he found no record of the subject appraisal. The insured discovered that this colleague signed his name to the report without his authorization. The insured managed to convince the board that they should take no action.

Our National Claims Counsel advised the insured to lodge a complaint to the board against this colleague. The insured was hesitant to do so; he told us that this colleague was a "nice guy" and that he probably did not realize that signing someone else's name to an appraisal report was forgery. The insured later discovered that this colleague had his license revoked several years previously and had continued to prepare appraisals without a license.

RECONCILIATION	INDICATED VALUE BY SALES COMPARISON APPROACH		\$ 238,000		
	INDICATED VALUE BY INCOME APPROACH (if Applicable)		Estimated Market Rent \$ N/A /Mo. x Gross Rent Multiplier N/A = \$ N/A		
	This appraisal is made <input type="checkbox"/> "as is" <input checked="" type="checkbox"/> subject to the repairs, alterations, inspections or conditions listed below <input type="checkbox"/> subject to completion per plans & specifications.				
	Conditions of Appraisal: See attached Statement of Limitations and Conditions of Appraisal				
	Final Reconciliation: All three approaches to value were considered. The Income Approach was not used, due to lack of closed comparable sales or rental properties in the area. Most weight is given the estimate of value derived from the use of the Sales Comparison Approach, which is well supported by the Cost Approach.				
	The purpose of this appraisal is to estimate the market value of the real property that is the subject of this report, based on the above conditions and the certification, contingent and limiting conditions, and market value definition that are stated in the attached Freddie Mac Form 439/FINMA form 1004B (Revised 06/93).				
	I (WE) ESTIMATE THE MARKET VALUE, AS DEFINED, OF THE REAL PROPERTY THAT IS THE SUBJECT OF THIS REPORT, AS OF September 8, 2005				
	(WHICH IS THE DATE OF INSPECTION AND THE EFFECTIVE DATE OF THIS REPORT) TO BE				
	APPRaiser: J. Doe Appraisals				
	Signature: Jane Doe	SUPER	Signature: Jane Doe	Did <input checked="" type="checkbox"/> Did Not <input type="checkbox"/>	
Name: Jane Doe	Signature	Name: Jane Doe	Subject Property		
Date Report Signed: 09/09/2005	Name	Date Report Signed: 09/09/2005			
State Certification #	Date Re	State Certification #			
Or State License # T-0000	State Ce	Or State License # T-0000	State		
	State NW	Or State License # A-0000	State NC		
Freddie Mac Form 70 6-93			Freddie Mac Form 1004 6-93		

### ***Just Don't Do It***

An appraisal firm in an adjoining state who wished to form a working relationship contacted our insured appraiser. The appraisal firm had clients who did work in her state, but no appraisers in the firm were licensed in the insured's state. They proposed that the insured would complete assignments in her state and then forward

it to the appraisal firm. The principal would then review the reports and send them to their clients. The insured would share in a portion of the fee. The firm requested the insured's digital signature and password so they could open her reports and make changes, if necessary, and the insured obliged.

Months after entering into this agreement the insured received a call questioning an appraisal she had prepared. She could not find a copy of the appraisal and asked the caller to fax a copy. When she received the report she realized that the appraisal firm was performing appraisals of property in her state and putting her name and signature on the reports. The insured severed the relationship and reported the appraisal firm to both her state board and to their state board. To add insult to injury, the insured received notice of an administrative complaint against her made by her own state board based on her failure to properly protect her digital signature.



It is not the intent of the article to establish an appraiser's standard of due care. Instead, the article makes suggestions about conduct that may be well above the standard of due care. This article is intended for general information purposes. It does not imply or warrant that implementation of suggestions will prevent claims. If you have specific questions after reading the article, you should consult an experienced local attorney to determine how applicable law relates to your specific facts or situation. No material contained herein may be reproduced in any manner without written permission.