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Identity theft, forgery and other "altered" states impact on the appraisal industry

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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 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.Â 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.

Liability Insurance Administrators (LIA) administers the Appraisers Liability Insurance Trust E&O Insurance program. LIA has been offering E&O insurance and Loss Prevention information to the appraisal profession nationally since 1977.

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