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Avoiding appraisal fraud: Appraising your client Part 1

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Mortgage fraud and real estate fraud articles have become regular features in news headlines. There are blogs and stories galore about the latest fraud schemes and those implicated.

Often, it would be noted that a real estate appraiser somehow contributed to the fraudulent enterprise and was forced to pay a high price for his involvement. It cannot be denied that some real estate appraisers are willing participants in fraudulent activity. From our claims experience we find that many appraisers are unwittingly drawn into fraudulent schemes by not noticing red flags and by putting their trust in the wrong people.

It is very easy to get dragged into a fraudulent scheme. Therefore, it is important to remember not to allow yourself to be talked into doing something if you feel uneasy about it, no matter how nice or desperate the person seems. If you feel uncomfortable about a situation or an assignment, there is probably good reason. Trust your own instincts.

How many times have you received a call from a client asking for a "special favor?" The client usually needs the appraisal report ASAP; another appraiser accepted the assignment then backed out at the last minute. By the time they call you they are desperate for the appraisal report and offer to pay extra to "rush" the appraisal!

In some cases this sort of call might come from a client who is truly in a bind and just needs your help. But what if that is not the case? How can you be sure that they are not trying to hide something? Maybe they are counting on you not uncovering a problem with this property in this "rushed" appraisal report.

Have you ever received a call asking you to appraise a property located 4 hours away? The client states that they have no appraiser contact in that area. The report is already late and the loan is about to close; they really need your help and will pay you extra, especially considering the current gas price!

Is it possible that this client was unable to find a qualified appraiser any closer than 4 hours away from the property to be appraised? After you finish patting yourself on the back for being the best appraiser in the state, you have to wonder if there is something going on in this area that local appraisers are fully aware of but that you won't know about. The fact that the report is also a "rush" does not give you time to consult with any local appraisers or real estate agents who might disclose the hidden problem.

Many appraisers have fallen for this sort of ploy. They want to be seen as helpful. They think they have to go out of their way to keep the client happy or to maybe get some new business. It is not until later that the appraisers realize they were duped into walking right into the middle of a fraud scheme. And if that was not bad enough, they also have to explain why they got an "extra" fee for this appraisal. Was it really for the "rush" assignment or to help defray the cost of gas or was it because you gave the client just what they needed to make the fraud successful?

No one ever has enough time to get their work done and if someone comes along offering to help you out, the normal response might be to accept the offer. It might sound cynical, but people rarely do someone else's work for no reason. A few good hearted souls might be truly charitable. Most of the time if someone claims to have done your work for you - there was something in it for them!

Part two will appear in the March 13th edition of the NEREJ in the Appraisal and Consulting section.

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