



July/August 2014

From the Director

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I hope you all are having an enjoyable summer as it sure seems to be going way too fast. The Fall Education Caravan has been scheduled for October and will focus on agency relationships. The locations and dates are in this newsletter with online registration beginning in September. I encourage you to attend this worthwhile educational session.

Governor Daugaard has appointed Ryan Wordeman of Spearfish to the Commission. He replaces Doug Nelson, whose term expired in April. I wish to thank Doug for all of his work during his years of service on the Commission. We've included some information about our newest Commissioner in this newsletter. I look forward to working with Ryan. The Commission elected its officers during the May meeting. Leading the Commission's charge are Matthew Krogman as chair and David Bonde as vice-chair. The two will remain in their leadership positions through the 2015 fiscal year.

Responsible brokers — compliance officers will be reviewing your internal controls during audits. Remember, the trust account is your responsibility and you need to make sure that whoever reconciles your trust account is doing it correctly. Also, be prepared for license renewals — not just your license but those associated with you. It's a good idea to have a meeting with your associates that are up for renewal to see where they are at in this process. Perhaps with your encouragement, they will complete their education prior to the deadline.

The renewal deadline of November 30 will be here before you know it for those holding licenses expiring on December 31, 2014. Please keep in mind that if you have an active license expiring on this date and fail to complete your continuing education and/or fail to have errors and omissions insurance covering you on January 1, 2015, your license will be placed on inactive status. Please pay attention to the renewal materials that will be sent out in early October. We have made it very easy for you to renew your license and E&O Insurance online.

I hope everyone is having a wonderful summer!

Save the Date! Fall Caravan Information

Presenter:	Lynn Madison, Lynn Madison Seminars
Topic:	Real Estate Done Right! (Agency & Fiduciary Duties)
CE Approval	6 hours Required
Postlicensing:	3 hours Postlicensing 1/Agency and 3 hours Postlicensing 1/Fiduciary Duties

Dates/Locations – Class time 9 a.m. to 4 p.m. each day

Mon., October 27 – Sioux Falls Ramkota	Tues., October 28 – S.F. Ramkota
Wed., October 29 – Aberdeen Ramkota	Thurs., October 30 – Pierre Ramkota
Friday, October 31 – Rapid City Rushmore Plaza Civic Center	

Look for registration information and complete course description in the September/October Real Estate VIEW newsletter. Registration information will be mailed via postal service to all real estate offices and the online registration will be available in early September.

Ryan Wordeman Appointed to SD Real Estate Commission



Ryan Wordeman has been licensed in real estate since 2008. He has been actively involved in real estate investments since 2003 which include single family residential, multi-family, commercial real estate and real estate development.

Ryan was formerly the managing partner of a consulting company which provided marketing and administrative services to gaming companies in California, Nevada, South Dakota and Wyoming.

Ryan was born and raised in Rapid City, SD and attended Black Hills State University where he received his Bachelor Degree in Business Administration-Management.

Fannie Mae Ramps Up Short Sale Portal

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Government-sponsored enterprise (GSE) Fannie Mae recently launched enhancements to its online tool that helps real estate professionals to navigate and close notoriously slow, cumbersome and complicated short sale transactions.

Along with its counterpart GSE Freddie Mac, Fannie Mae supports secondary U.S. mortgage markets by acquiring and securitizing mortgage loans. The GSEs own or guarantee about half of all U.S. mortgages and currently back the vast majority of new mortgage loans. Short sales, of course, involve homes that are sold for less than the amount owed on the existing mortgage. For loans owned or guaranteed by Fannie Mae, the GSE must approve the transaction since it will incur any resulting loss.

Fannie Mae's www.homepathforshortsales.com portal is a resource for listing agents who are working with clients considering or pursuing a short sale on a property whose first lien is held by the GSE. Over the last few years, the system has been upgraded several times. A recent enhancement allows real estate professionals to "escalate" short sale problems such as valuation disputes, servicer delays and uncooperative subordinate lien holders. Upon submission of an "inquiry", a Fannie Mae representative responds and gets directly involved in an attempt to resolve the problem. With the latest round of system upgrades, the portal now allows listing agents to determine if Fannie Mae owns the mortgage, understand Fannie Mae homeowner short sale eligibility requirements, request list price guidance, submit an accepted contract offer and take steps to close the transaction. One of the primary new features will soon allow listing brokers to negotiate and receive first lien approval on a short sale directly from Fannie Mae, which allows earlier contact with Fannie Mae representatives and the ability to preempt some of the problems that continue to plague short sale transactions. Fannie Mae says that allowing real estate professionals to directly negotiate short sales is an important step in its continuing efforts to streamline the short sale process.

Check out the [South Dakota Real Estate Commission website](#) for upcoming education courses, Commission meeting information, forms and consumer information!

Disciplinary Actions

The following actions by the Commission have become effective since the last report in the newsletter. A **Consent Agreement** is an admission of violation and voluntary acceptance of the terms determined by the Commission in lieu of a formal hearing. **Findings of Fact, Conclusions of Law, and Order** are the result of a formal hearing. A **suspension held “in abeyance”** is one where the Commission has set aside the suspension provided the licensee comply with all of the other terms of the agreement

Joan Cota, Sioux Falls, Broker. Findings of Fact, Conclusions of Law, and Order. Violation of 36-21A-71(1), 36-21A-79 & 36-21A-80 for failure to supervise the real estate activities conducted by affiliated licensees and for failure to deposit earnest money in trust account on the first legal banking day after acceptance. Administrative fine of \$2500.00, reimbursement of costs for the administrative hearing in the amount of \$3,830.50 joint and several with Johnathan Sweets and completion of the 15-hour Responsible Broker course, six hours of Agency and six hours of Contracts.

Jonathan Sweets, Sioux Falls, Broker Associate, Findings of Fact, Conclusions of Law, and Order. Violation of 36-21A-71(1),(15),(21),(30)&(32), 36-21A-130, 36-21A-140 and 36-21A-136(3). Mr. Sweets' actions constituted unprofessional conduct for not promoting the interests of his clients by failing to put the agreement for representation in writing, failing to notify his client of a limited agency situation, failing to provide his client with signed agency and purchase agreements, failing to provide his client with a current copy of the Seller's Property Condition Disclosure Statement, and for providing the Commission with a buyer's agency agreement with a buyer's signature that was proven to not have been signed by the client. Suspension of license for one year, with one year suspension held in abeyance so long as the conditions of the Order are met. Administrative fine of \$2500, reimbursement of costs for the administrative hearing in the amount of \$3830.50 joint and several with Joan Cota and completion of six hours of education in Agency, six hours in Contracts and six hours in Ethics.

Bo Hauer, Rapid City, Broker, Consent Agreement. Violations of the following: 36-21A-71(1), 36-21A-74 & 36-21A-79 for failing to preserve for four years all listings, offers to purchase, closing statements and other records relating to any real estate transaction and for failing to supervise the real estate activities conducted by affiliated licensees. Administrative fine of \$2500 and completion of the 15-hour Responsible Broker course, six hours of Agency and six hours of Contracts.

Attention Real Estate Educators! 30 Day Notice Required for Course Approval

As a reminder to individuals, Associations, real estate schools and other organizations that sponsor/offer continuing education courses to real estate licensees, administrative rule requires that the application for course approval must be submitted to the SDREC at least 30 days prior to the course date.

The SDREC office handles hundreds of applications for course approval each year and the 30-day period is necessary to allow staff sufficient time to review the course material.

Course providers may email the course application material to the SDREC office, however, the material will not be reviewed until the appropriate application fee has been received.

Contact Karen Callahan, Education Director at Karen.callahan@state.sd.us for questions regarding the course approval process.

Commission Calendar

September 1 – Labor Day – SDREC Office Closed
September 24 – Commission Meeting – Pierre

New Licensees

Broker

Anderson, Clay A – Miller
Hollisen, Bennie L – Sioux Rapids, IA
Bridgman, Casey N – Wessington Springs

Broker Associate

Anthony, Jolene E – Rapid City
Benson, Nikki L – Brandon
Brownell, Robert J – Rapid City
Byer, Marilyn M – Watertown
Ewoldt, Shelley L – Sioux Falls
Garmon, Cheryl S – Alexandria
Gorcoff-Knecht, Mary E – Rapid City
Hays, Kellie A – Sioux Falls
Hoag, James H – Black Hawk
Jondahl, Marissa A – Aberdeen
Kellen, Cheryl A – North Sioux City
Kinder, Jr., William J – Mitchell
Kristensen, Abby M – Sioux Falls
Leman, Cory L – Rock Rapids, IA
Long, John T – Hill City
Nelson, Amy L – Harrisburg
Peterson, Brent A – Wentworth
Rhian, Melanie A – Black Hawk
Rosenbaum, Tamora – Rapid City
Thompson, Tonia L – Brandon
Weber, Kristi “Krissy” L – Mitchell
Wiley, Clarion M - Custer
Battey, Ryan – Sioux Falls
Breen, Mitchel P – Wagner
Buurma, Brent – Rapid City
Caugherty, Janean A – Brookings
Frey, Thomas J – Sioux Falls
Goodsell, Monica – Spearfish
Hausman, Donna J – Brandon
Helms, Alexandra – Rapid City
Holden, Halli E – Pierre
Jones, Dawn, M – Lake Preston
Keltgen, Myron N – Watertown
Klingaman, Tonya – Mitchell
Kurth, Melissa A – Lyons
Linneman, Robert A – Watertown
Mujcin, Tarik – Sioux Falls
Olson, Jessica N – Rapid City
Relf, Holly A – Sioux Falls
Rich, Jeffrey M – Aberdeen
Schuetzle, Melissa S – Pierre
Van Duyn, Seth A – Sioux Falls
Weston, Shasta A – Sioux Falls

Property Manager

Annett, Laura E – Sioux Falls
Robinson, Lynnette L – Farmington, MN

Registered Home Inspector

Christenson, Jeffrey A – Renner
Ten Eyck, Thomas B – Egan
Lanser, Mark E – Volga
Weber, Don – Rapid City

Salesperson

Blomgren, Heather R – Maple Grove, MN
Moon, Shari L – Sioux City, IA

Residential Rental Agent

Benning, Marcia – Hill City
Harrington, Lacey N – Brandon
McKinney, Jamie L – Madison
Stickrod, Tammie L – Sioux Falls
Groves, Brady L – Hill City
Larson, Mariah E – Vermillion
Ramirez, Courtney – Spearfish
Watters, Breanna D – Sioux Falls

Timeshare Agent

Albasi, Alyson – Rapid City
Roth, Peter A – Rapid City
Curington, Indigo – Rapid City
Stephens, Amber C – Rapid City

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Appraiser Update

New Licensees – May - July 2014

William M. Steigerwaldt, State-Certified General – Minocqua, WI
Ellen D. Sullivan, State-Certified General – Natick, MA
Curtis L. Frazier, State-Certified General – Lenexa, KS
John P. Heeren, State-Certified Residential – Granbury, TX
Jeral W. Gross, State-Registered – Mitchell, SD
Joshua J. Whetham, State-Registered – Rapid City, SD
Kimberly K. Larson, State-Registered – Pierre, SD

Upgrades Issued – May-July 2014

Alissa Cavanaugh, State-Certified Residential – Aberdeen, SD

Review of Cases – Jan. 1, 2014 - July 23, 2014

For the period January 1, 2014 through July 23, 2014, the Department has initiated six complaint investigations, seven upgrade cases and two new applicants claiming experience cases.

Complaints – three closed, three pending.

Upgrades – two closed, five pending.

New With Experience – two closed.

Continuing Education Requirements

7-Hour National USPAP Update Course

In order to renew a state-registered, state-licensed, state-certified residential or state-certified general certificate in 2015 the applicant for renewal must successfully complete the most current edition of the 7-hour National USPAP Update Course by June 30, 2014. [ARSD 20:14:13:01]

Continuing Education Not Required

Continuing education is not required if an appraiser's certificate was issued on or after March 30, 2015. This applies to new applicants only and not to applicants that have been issued an upgrade of a license or certificate. [ARSD 2014:13:01.01(1)]

Partial Continuing Education Requirement

An appraiser is only required to complete fourteen (14) hours of continuing education if the appraiser's certificate was issued on or after October 1, 2014 and prior to March 30, 2015. This applies to new applicants only and not to applicants that have been issued an upgrade of a license or certificate. [ARSD 20:14:13:02.02]

If your license was issued:

On or after 10/01/2013 (odd numbered year): 28 hours (7 USPAP-Penalty Applies)

On or after 07/01/2014 (even numbered year): 28 hours (7 USPAP-No Penalty)

On or after 10/01/2014 (even numbered year) but prior to 03/30/2015 (odd numbered year): 14 hours (no USPAP)

On or after 03/30/2015 (odd numbered year): No CE hours

Appraiser Qualifications Board Q&A

Vol. 6, No. 1 – June 2014 [For the answers to the AQB Q&A's, please visit The Appraisal Foundation website (www.appraisalfoundation.org).]

EXPERIENCE

Question: I am a practicing real estate appraiser and my jurisdiction allows me to perform appraisals as an unregistered appraiser. If my appraisals are prepared in conformance with USPAP, will I be able to obtain experience credit?

EDUCATION

Question: I have a degree from a university that was conferred prior to the university becoming accredited. Will I be able to use that degree to satisfy the college degree requirement in the Real Property Appraiser Qualification Criteria?

2015 REAL PROPERTY APPRAISER QUALIFICATION CRITERIA-RELATED ISSUES

SUPERVISORY APPRAISER ELIGIBILITY

Question1: I am a supervisory Appraiser who has recently upgraded from Certified Residential to Certified General. Am I allowed to continue to supervise my Trainee Appraisers or do I need to wait until I have held the Certified General credential for three years?

Question 2: I am a Supervisory Appraiser who has recently upgrade from Certified Residential to Certified General and plan on employing Trainee Appraisers after January 1, 2015. Do I have to take the Supervisor/Trainee course or am I grandfathered because I had trainees prior to January 1, 2015?

Question 3: I am a certified appraiser who has recently obtained a reciprocal license in another state. I have taken the required course for Supervisory Appraisers/Trainee Appraisers and have been certified for more than three years. Can I supervisor Trainee Appraisers in the state where I recently obtained my reciprocal license?

Training Days

[Permission to reprint the following article from "Valuation – First Quarter 2014" granted by the Appraisal Institute] By Joseph L. Torzewski, MAI & Creighton R. Cross, Candidate for Designation

Two AI professionals discuss why they make it a priority to hire appraiser trainees – and why you should, too

The number of valuation professionals is declining and so efforts to recruit the next generation of appraisers should be in high gear. Unfortunately, that's not the case. The hiring of appraiser trainees is expected to remain weak for at least the next two years, according to the Appraisal Institute's forward-looking Real Estate Appraisal Outlook, which was released July 2013.

The survey revealed that only 49 percent of commercial appraisers currently employ at least one appraiser trainee while 29 percent of residential appraisers said they do. Further, only 21 percent of commercial appraisers said they would add full-time trainees and only 9 percent of residential appraisers said they would. Some commercial and residential appraisers even suggested that their trainee hiring would decrease.

For the valuation profession to thrive, recruiting appraiser trainees needs to become a priority. Two valuation professionals who advocate for hiring trainees and have made a commitment to do so share their experiences being a trainee, how the process worked for them and how they're making it work for others.

Extend a Hand to College and University Students - By Joseph L. Torzewski, MAI

I had the bad luck of graduating from college with a degree in IT just as the tech bubble burst. Well-paying jobs that had been plentiful were no longer available. After bouncing around for a while, I was temporarily hired by an appraiser to upgrade his computer operating systems and streamline his comp database. When I finished the assignment, the firm's owner recognized that I was a hard worker and a quick learner and asked me to stay on to assist with research duties; within a year, I was appraising properties. I moved on from that firm and am now a director of valuation and financial opinions at Stout Risius Ross, a global financial advisory firm based in Southfield, Mich.

In the past, SRR had grown through the acquisition of smaller appraisal firms or by hiring very experienced appraisers. This strategy is the same one that many valuation firms use – the thinking being that hiring experienced individuals can eliminate the learning curve and get an immediate return, a strategy that typically requires firms to pay higher salaries or utilize a fee split to start. Some firms – and we've all witnessed this – hire family members or reassign current employees and hope they work out. It's been my experience that these methods almost always lead to more headaches.

SRR now strives to grow organically and makes it a priority to recruit college graduates and hire at least two trainees per year. We attend college and university job fairs, advertise at schools with quality finance programs and post notices on our website (www.srr.com). We also instituted an internship program that gives college seniors exposure to the valuation profession. Ideally, the internship will transition to a full-time position after graduation.

Our trainee recruiting usually draws 20 to 50 résumés. We narrow down the list based on the usual hiring practices of internal discussions, phone interviews and formal, in-person interviews for the finalists (typically three to five individuals). Each candidate is graded on a variety of factors to determine which ones, if any, will be extended formal offers.

We typically consider the timeline to move from a trainee to an analyst at about two years. The procedure for trainees at SRR is to have them spend the first year learning the valuation profession. During this time their primary duties include general property and comparable research, and writing regional reports and neighborhood descriptions. We sponsor their first three Appraisal Institute education classes and help them obtain their trainee's license. Trainees also accompany senior-level staff into the field so they can develop a sense of what to look for and what items or conditions can affect property values. By the end of their first year, trainees will begin to work on analyses and become more involved in report preparation.

During the second year, trainees split their time between training new trainees (typically the first half of the year) and working on projects on their own (typically the second half). By the end of year two, they should be ready to work and given a billing goal.

By making the effort to hire two new trainees per year, SRR is able to groom them to train the newest two, which frees up senior-level staff to work on projects without having to provide day-to-day trainee oversight.

Overall, our rate of attrition for trainees has been about 50 percent – for every two trainees we hire, one will stay with us for the long-term. Some don't work out for reasons related to their work while others have been recruited and hired away by other firms. This is all part of the risk involved. However, the risk is generally less than when hiring experienced appraisers at a higher rate and they don't work out or choose to leave.

In the past three years, SRR has had five trainees come up through the ranks, and each one passed the four modules of AI's General Comprehensive Exam on the path to MAI designation on their first attempt. There are a lot of bright, hardworking people out there who have never heard of the valuation profession, but given the opportunity to excel and prosper, they can become tremendous additions to any team. I strongly encourage you to look to those students and extend a hand. You never know who you'll discover!

Create an Atmosphere Where Trainees Can Grow, Learn and Earn - By Creighton R. Cross, Candidate for Designation

I was hired as a trainee at Braun & Associates in Knoxville, Tenn., when I graduated from the University of Tennessee in 2005 – and I had no idea what I was getting into. During my senior year I was working in motorcycle sales and one day appraiser (and motorcycle aficionado) David Braun, MAI, SRA, started chatting with me about the valuation profession. When I learned what was involved, I was hooked. I interviewed and was hired to help grow the firm's commercial business.

At the time, Braun & Associates utilized a commission-based system where trainees were employees but had to pay for most things themselves. They also utilized non-compete agreements. As a struggling recent graduate, it was hard to make a living this way – and that is one of the biggest challenges that appraiser trainees face, and I believe one of the biggest reasons why they leave the profession.

We all have experienced the commission-based lifestyle and it's not easy. I had college debt, credit cards and living expenses, so it was very scary and difficult to make a living and pay bills and continue to take appraisal classes and pay for travel. I was fortunate to have a girlfriend (now my wife) who was working as a residential mortgage broker and making good money straight out of college. (Don't worry, there was no conflict of interest.) That's the only way I was able to scrape by on a starting commission of 20-25 percent.

When I attended appraiser education classes around the county, I asked other trainees about how their firms were organized, how they got paid and how their benefits were handled. I discovered that most were struggling like I was with mostly commission-based work and no benefits.

I knew there had to be something better, so I asked for a change in my pay structure – I requested an hourly rate with no overtime pay and a small commission (that started at 5 percent and gradually increased according to productivity). The guaranteed income helped me breathe easier, and it encouraged me to stay late, come in early and go after extra work to increase my commission income. Throughout my trainee career, I continued on a commission/salary combination, which freed me from the feast-famine cycle inherent to a commission-based system.

This model does not work for everyone or for all business models. As a matter of fact, I probably could have made more money if I remained strictly commission-based, due to the ridiculously hard work ethic that's common among appraisers, myself included.

I worked through my 30-month trainee period, passed my state exam, continued with the advanced courses and in 2010, I purchased Braun & Associates. As the firm's new owner and president, I committed to hiring more trainees and additional staff (I refer to us as a "training firm"), and I instituted the commission/salary combination that worked so well for me as a way to help other young professionals – I know how discouraging it is to work your tail off without getting paid for a month or two.

Knowing that the valuation profession competes for talent with accounting firms, financial firms and law firms, I interviewed those firms to see how they pay their employees and what things they do to encourage retention. I learned that they offer some type of base salary plus bonus or base salary plus commission. As a result, I tweaked the system at Braun & Associates so trainees earn a lower base salary and a bracketed rather than fixed commission system that increases each year. I also offered incentives where the firm pays for a class or two each year. I also dropped the non-compete agreements. My philosophy is that if you treat others the way you want to be treated, employees will stay because they want to and not because they are contractually obligated. Besides, the agreements can be difficult to defend legally. This system has proven very successful in attracting recent college graduates who otherwise might have chosen a different field.

We have an opportunity to grow the valuation profession into something that college students recognize and value as much as accounting, finance and law, so it's critical we make trainee hiring a priority and create an atmosphere where trainees can grow, learn and earn.