



# APPRAISING THE PLAINS of Kansas



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Outgoing President David Thornton hands off the gavel to Elysa.

## New Year, New Prez

New KCAA Board members Della Rowley, Mark Hixon and Greg McHenry are sworn in.



Elysa Lovelady is sworn in to take over duties as KCAA President.

Happy New Year! KCAA is pleased to introduce incoming President Elysa Lovelady and new board members Della Rowley, Mark Hixon and Greg McHenry, who were sworn in at the KCAA/KAC meeting in November. Read more about the meeting on page 3.

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## Ramblings of an “Elder”

Elysa K. Lovelady  
Butler County Appraiser  
KCAA President

Wow! It is hard to wrap my mind around that title! I truly am an “elder,” even though I have not hit the big five-0! This thought came to me when attending a KCAA Executive Board meeting recently in Topeka. Then my mind went into overdrive when I realized over half of the people in the room will retire or can retire at the end of June, and many of the rest of us of in another term or two. Where did the time go?

Please indulge me while I take a stroll down memory lane. Did you ever hand calculate a ratio on the old green ratio cards? Figure out how much they paid by the stamps? How many remember anyone from CLT who worked in the counties during reappraisal? Who was CKB (Jimmy Kite where are you)? Who with CKB stayed after they left? Does anyone remember “The One Armed Mapper” or who were the three Musketeers?

Does “BOUF” mean anything to you (truly, it is an endearing term)? Or how about BOUF & BOUF? The staff at the Holiday Inn City Centre could not tell them apart, could you? How old is Vic’s son, who used to join us with his dad after work at the Holiday Inn City Centre? Anyone tell you that if we could just make it through 1989 there would be smooth sailing ahead? The good old days when after a long day at BOTA, we all (including the BOTA members and attorneys) went out to dinner together. Director Dave’s “full body suit”! Who can name all the Directors since reappraisal and how, for a few years in there, we were more likely to see Ron Swisher than the Director. Gosh, how I wanted to be a county appraiser and how naive I was to believe them when they told me if we could just survive 1989 then things would be smooth sailing ahead. I think I lost my dinghy before I set sail!

Along the way, we have lost too many of the good people. Gone are Tim and Brad, who were the “masters” for many of us with questions on oil. Brad was always patient and never treated me like I should know the answers. How I miss that connection. And also gone is Shull, my best bud, who I could call and vent if I had a bad day and who always understood (but let me know point blank when I was being a ---- -----!). There are times I start to dial then reality sets in. Now Alan has retired, and others are soon to follow. Many more have retired and are enjoying the good things in life! We miss the friendships but also mourn the loss of the vast knowledge that went with them.

What direction does this send us, KCAA, as an organization? How many of you mentor someone in this business? How many still have a mentor or two you can call upon? Della and I had a long talk on this on the way to the meeting in Topeka. Then to walk in and see all of us “elders” and realize the reality of the situation really hit home.

At the NCRAAO Conference in Grand Forks, ND, in June of 2006, then-IAAO President Wayne Trout invited us to take minute and look around the room. When you truly look and think about our “aging” workforce, it puts things in a different perspective. While we all cherish the friendship of these colleagues we have had for many years and look forward to the annual conference to renew our friendships, there are few new faces in the room. He challenged us that day to mentor someone in the business in order for our organizations to survive.

This thought has been with me since, and is now in the forefront as I serve as president of KCAA. Take out all of the background noise and what is left is us: the movers and shakers, the

doers and followers, the head bees and all the worker bees, the bare bones of the organization. Thankfully, we have had a great history of movers and shakers that have given numerous hours to assure KCAA continued to be strong and had a voice. Now I feel we are at a crossroads. Again, looking at those who have served and continued to serve, we see the same faces. It is time to get some new blood involved and “grow” our organization. Too quickly, many of our movers and shakers will be moving on to bigger and better things.

My New Year’s resolution for KCAA is to reach out and open the lines of communication. For those of you who have been around for a while, I ask each of you to make an effort to mentor someone. Just make a phone call to a neighboring county, let them know you care and are always available if they need to talk. Encourage someone to work towards an IAAO designation or RMA. Volunteer to tutor, if that is your passion. Alternatively, simply send an e-mail to brighten someone’s day. Bob Lott said it and I agree, “This is the best group of people I could ever associate myself with”.

In addition, for you “newbies,” we have a rigorous initiation process before we allow you to truly belong to the “group” (that requires you to sign up to bowl at the next KCAA Conference!). Seriously, please do not be afraid to pick up the phone and call on one of us. As I stated, I have had numerous mentors throughout the years. I cannot begin to say I have all the answers, but I have a network of colleagues to call upon in which to find an answer. You need to build those bridges. In doing so, you are assuring your success and helping build a network that KCAA will need to remain strong.

My New Year’s wish for you and your families is peace, happiness, love and contentment. Please keep in your thoughts and prayers our men and women in the military who willingly serve so that we can enjoy our daily freedoms!

### Remember:

Life is what happens to you while you are busy making other plans.

*John Lennon*

## Board Meeting Highlights

### ■ KCAA Executive Board Meeting Aug. 18, 2008, Wichita

**Attendees:** Truette McQueen, Gayla Godfrey, Elysa Lovelady, Della Rowley, Dean Denning, Marvin Clements, Rod Broberg, Leroy Burk, Cindy Magill, Mark Low, John Reeder, Mark Hixon, David Thornton, Bobby Miller, Cindy Brenner.

The meeting was called to order by President Thornton. The previous meeting minutes were approved as written.

The financial report was given by Cindy Brenner. Account balances: \$10,779.06 CD; \$44,520.51 checking; and \$55,166.42 money market.

**Standardized Listings for Orion:** Mark Low discussed the idea of having standardized listings for Orion. It will help with sharing information amongst counties. Rod questioned who would decide what to call things. Elysa said Paul (education committee) would like to do Marshall Swift for Orion classes and possibly cover this. Rod and Mark H. agreed it would need to be a user group-type of meeting. Mark H. will work on this and report back to the board.

**Oil & Gas:** John Reeder spoke regarding gathering information on low production wells. Della is currently gathering information. John stated the exemption for low producing wells is a legislative issue. Della indicated she had 46 counties reporting information as of today. Board members are encouraged to make sure everyone in their regions get figures to Della in Sumner County. The total was already at \$181,000,000 assessed value. Various options for changing were discussed. It was asked if there was an index the price could be tied to similar to commodities. Lifting costs and how they vary was also discussed. Mark Low heard that someone had filed to

make all oil & gas equipment exempt? He will look into that claim further. John will be requesting that the sales comparison methodology be added to the guide when he attends the oil and gas meeting tomorrow.

KAC meets Friday and the legislative committee is looking for guidance on what to do. It was agreed that the association's job is to provide the information to KAC and let them take it from there. Truette suggested that if it is possible, a column be added to the report showing the total barrels that are being taxed to the report that shows the barrels/amounts that are exempt. Rod will take the information to KAC.

**16-20M Trucks:** Paul Welcome is on the agenda for the KAC meeting on Friday to discuss this issue.

**KAC Board:** Rod Broberg is replacing Leroy Burk on the KAC board.

**Sec. 42 Housing:** No additional information is available at this time.

**NCRAAO:** NCRAAO board meeting was held last week. Della went in Dean's place. Two bylaw changes were made. The first change extends the term of NCRAAO board members from 3 to 5 years. The other bylaw change made it possible for the treasurer to be from the state hosting the conference. The NCRAAO conference will be in Iowa in 2009 from 6/14 to 6/17. The conference will be in Minnesota in 2010 from 6/20 to 6/23. Kansas hosts in 2011, and Della is planning to have the conference at the new casino in Mulvane or Wellington. Della suggested KCAA give away a trip to NCRAAO because Sumner County will pay for her trip.

**'08 Conference Recap:** Cindy provided a recap of the profit/loss from the annual business conference. Profit on the conference was approximately \$22,385.02.

**IAAO:** The Timothy Hagemann Trust was discussed. Only the interest

from the trust is used. Elysa mentioned they might try to change the policy so that the trust would pay one-half of two year's membership vs. the whole first year. This is an attempt to retain the members for more than the initial year that is paid currently. Elysa will provide something for the newsletter promoting the trust. (See page 8.)

**2009 Conference:** The KCAA conference will be held in Wichita in 2009 from June 7-10 at the Wichita Airport Hilton.

**KAC Legislation:** Mark Low was contacted regarding ag. values. Mark is providing information to KAC for their meeting on Friday. Mark Low discussed a report regarding oil/gas valuation that was provided to COTA regarding a case with them. Board members were directed to contact Mark if they would like a copy of the report.

**Cindy Magill, Marion County:** Marion County is on the agenda for the KAC meeting on Friday to discuss two issues. The first issue to be addressed is changing to an 8-year cycle from 6 years. The second issue is moving oil & gas deadline from 4/1 to 3/15. Board members are to poll their region members and be prepared to discuss at the September meeting.

**Newsletter:** Rick Stuart requested the board's feedback on publishing articles on Leroy Burk and the situation in Labette County. After discussion, the board felt it should be Rick's decision as newsletter editor. It was noted that the articles are merely being reprinted similar to other articles the KCAA has run in the newsletter. Additionally, no editorializing is being done. Leroy Burk also spoke to the board regarding his situation.

**Next Board Meeting:** It was suggested the next board meeting be held in Topeka so that a meeting could take place with Joan Wagnon and Tony Folsom to discuss PVD staff serving as acting county appraisers and also plans for the next reappointments. President Thornton adjourned the meeting.

**continued on next page**

**Board Meeting, continued****■ KCAA Board Meeting Minutes  
Oct. 17, 2008, Topeka**

**Attendees:** David Stithem, Randy Sangster, Jami Clark, Elysa Lovelady, Della Rowley, Gary Post, Truette McQueen, Gayla Godfrey, Leroy Burk, Rick Batchellor, Rod Broberg, Bobby Miller, Dean Denning, David Thornton, Mark Hixon, Cindy Brenner, Mark Beck, Tony Folsom, Melissa Wangemann (KAC general counsel).

Meeting was called to order by President Thornton. The previous meeting minutes were approved as written.

Cindy provided the account balances as of the end of September, 2008:

Checking	\$ 65,351.12
Money Mkt	\$ 55,333.18
CD	\$ 10,914.91
	\$131,599.21

The results of the Oil & Gas survey are in the newsletter. Rod discussed Oil & Gas at recent KAC meeting. KAC had a meeting with Secretary Wagnon. She is supportive of something being done. Due to the dollar amount of money being lost, Jami thought school district officials would be interested in the figures. Per Rod, no one has really stepped up to address this issue. KAC will get more definitive idea of what the Secretary meant about being supportive of "something being done."

Mark Beck and Tony Folsom joined the meeting at this time. The fee structure PVD charges counties to act as county appraiser was discussed. Is it cheaper for PVD to come in and run the office vs. hiring a county appraiser? Mark indicated their intent is only to serve in an interim capacity. Kiowa County fee structure was discussed. It was stated that the situation in Kiowa County was unique because of the tornado. Kiowa County is now being charged for PVD acting as appraiser. Mark indicated a variety of statutory options have been discussed but nothing that is attractive.

A suggestion was to put a time-frame on PVD's amount of time to

serve as interim appraiser. Truette asked what we as an association could do? Rick B. stated PVD needs to make it less attractive to commissioners for PVD to serve as interim county appraiser. PVD's inconsistencies between counties was brought up. Mark indicated he was unaware of the situation. He requested further documentation.

A survey will be sent to all counties in regard to 2009 education needs.

Rick B. reported on a recent Oil & Gas meeting. It was discussed that the Oil & Gas Guide methodology is outdated and archaic. For about \$10,000 to \$15,000, an expert could be retained to find a case and formulate a methodology. It was moved, seconded and motion passed to table this discussion.

Rick B. also asked if there was somewhere to go to find reports already created/modified by counties using ORION that other counties could use. Rod suggested he speak with Charlie.

KAC discussed Ag Value cap rates with Secretary Wagnon. Rod will meet with KAC reps to find out more information. 16-20M truck change will be on the KAC Platform.

Tax Policy book is available from IAAO for \$160.

Gary Post reported that IAAO wants to combine Hagemann Trust with scholarship committee. It was felt that information needs to be published to refocus on what the trust was for. Gary will be writing an article for IAAO magazine about Tim Hagemann.

Meeting was adjourned.



## Minutes: 2009 KCAA/KAC Meeting Monday, Nov. 18, 2008

Approximately 65-70 people were in attendance for the KCAA meeting held in conjunction with the Kansas Association of Counties conference in Wichita. David Thornton, KCAA president, brought the meeting to order.

Cindy Brenner, KCAA secretary, provided financial information, and reported the association to be in good financial standing.

Kathy Wagner, Audit Committee chair, reported on the findings of the audit committee. After review of the books of the KCAA, no discrepancies were found. All accounts reconciled and all expenses were reviewed and accounted for.

Lisa Ree requested everyone try to contribute to the KCAA newsletter.

New officers for the KCAA Executive board were sworn in, and Elysa Lovelady took over the helm as president of the association.

The 2009 budget that had been approved by the board was distributed (see page 24 in this newsletter). A list of all committees and members was also handed out (see page 23). The committees can also be found on the KCAA website.

Rebecca Crotty and Trevor Wohlford from the Court of Tax Appeals spoke to the group. Primarily, the discussion was about the change from BOTA to COTA. The website for COTA should be totally live by the end of 2008. Included in the future will be a database of all court cases. The type of education hearing officers are required to have was addressed.

Marilyn Cathey and Tony Folsom from PVD were present to provide the group with updates about ORION and to hand out the latest RMA designations.

Mark Low, KAC representative, addressed the group concerning legislative issues. Boats and Oil & Gas are topics of discussion. The KAC platform committee meets today at 4 p.m. Ag Use and low-production wells will be discussed at the legislative policy meeting. Paul Welcome stated that KCAA and the treasurers are working to move 16-20 M to VIPS. This is also on KAC platform. Paul suggested viewing it as a "modernization" process.

The meeting was adjourned by President Elysa.

## KCAA Professional Designation Meeting

Darla Frank, RMA, CAE, Johnson County

The 2009 KCAA Professional Designation's Committee met at the recent KAC November meeting in Wichita. The new members of the committee are:

- Darla Frank, chair, Johnson County
- Marion Johnson, Douglas County
- Kim Lauffer, Comanche County
- Jeanie Gee Fraser, Kearney County
- Robert Miller, Wabaunsee County
- Gene Bryan, Unified Government of Wyandotte County

All members were present for the meeting except Jeanie. Darla gave a report at the KCAA meeting that we currently have 202 RMA's (eight new for 2008). We have 44 IAAO designees; however, only 40 are current with their dues. The current list consists of:

- 4 AAS
- 18 CAE
- 3 CMS
- 1 PPS
- 14 RES

Marilyn Cathey at PVD currently tracks only the county the appraiser was in at their time of receiving their RMA designation. The committee would like to determine by county where all the active and eligible RMA's are within the state.

**County Appraisers:** If you would kindly e-mail [Darla.frank@jocogov.org](mailto:Darla.frank@jocogov.org) and let her know how many RMA's are in your county and their names, this would assist the committee in tracking this information. When we initially collected this information a few years ago, David Stithem put it out on the KCAA website. If any appraisers are IAAO designated, please include that information in your e-mail to Darla as well.

The other topic of interest brought forth by the committee was attempting to lower the continuing education hours to mirror the IAAO. Due to increasing RMA's, costs of continuing education,

and limited county resources when staff is away attending classes, the committee is looking at requesting a review of Kansas requirements of continuing education. Recently, the IAAO voted to increase their continuing education hours from 50 to 70 for a five-year period.

This is still far below what the continuing education requirement is to maintain an RMA status in Kansas. Also, the IAAO does not require any tested hours.

The committee would love to hear from the counties regarding the number of RMA's and their opinions on the continuing education requirements. Upon receiving feedback, the committee hopes to request that the KCAA board write a letter to the Property Valuation Director requesting the continuing hours to be reviewed and lobbying them to possibly adopt the IAAO Professional Designation education requirements.

And in conclusion, if anyone has any questions, needs assistance with a professional designation, or would like to address any additional issues with the committee, please know we are here working to best serve your needs.

Darla Frank chairs KCAA's Professional Designations Committee and can be reached by phone at 913-715-0041.

## KAC Board Update

By Mark Low, RMA, Finney County Appraiser

Well, 2008 has been an eventful year on the KAC Board. We had about everything that could go wrong, go wrong. The bank we use went under (luckily we got all of our money back); half of the commissioners on the board were not reelected so we will have new ones next year; and Judy Moler retired (however, she was replaced by a very competent Melissa Wangemann).

The 2008 Legislature was so engrossed with the power plants that they didn't screw too much stuff up, but they also didn't help much either. I hope that this year's session will be more helpful. As you all have been reading, we are in a budget crunch and we will be trying to keep everything we have now, but that might be easier said than done.

KAC had a meeting with the Secretary of Revenue on the issues of ag land, low-production oil wells and, of course, ORION. They will support us in the issues of low-production wells and ag land, but we need to get some commissioners involved in this process if we are going to get anywhere, so we need to enlighten some of them and get them to carry the ball. As far as ORION, she gave us the same runaround as we get from PVD: everything is running *SMOOTH*.

I will try to have an update more often in the future, but if you have concerns, please let me know and I will pass them on and press for action.



**Congratulations!** Eugene Roop, David Meyer and Kenton Lyon are the most recent recipients for the Registered Mass Appraiser designation.



## KAC Pre-Conference Workshop: Managing the Future County Workforce

Presenter: Jim Einhaus, Learning Consultant, Chesterfield University

Submitted by Lisa Ree, RMA

Most organizations will have departments and work teams with at least four distinct generations working side by side. Today these generations are defined as:

- Matures – age of 63-88
- Boomers – age of 44-62
- Generation X – age of 26-43
- Millennials (Gen Y) – age of 25 or less

The generation of Matures, consisting of 5% of the workforce population, was strongly influenced by growing up during the Great Depression and experiencing WWII. These two significant events define the Matures as being strongly influenced by family and religion. They viewed education as a dream, not an entitlement. Leisure time was seen as a reward for their hard work. Their core values are summarized as: Dedication, Hard Work, Patience, Sacrifice, and Respect for Authority.

The Boomers consist of 43% of the workforce population. Some events that shaped the Boomers include the introduction of television, the Civil Rights movement and Vietnam. Boomers are classified as being self-absorbed, desiring self-gratification, optimistic

about life and the future. They believe that hard work and loyalty will get them ahead in their job. Their core values are summarized as: Optimism, Personal Growth, Company Loyalty, Health and Wellness.

The economic events of this year may delay the retirement plans of many early-Boomers. This may cause employers to rethink current strategies to re-engage older employees. Also, strategies may need to be reviewed to discover ways to keep high-performance Boomers instead of losing them to other organizations.

Generation X makes up 38% of the workforce population. The Gen X group comes from more divorced families than the preceding generations; hence the nickname assigned to them, “latch-key kids.”

This generation entered the workforce after the first wave of corporation downsizing, which affected their opinion of company loyalty and sparked their entrepreneurial spirit. Their parents lived to work; Gen Xers work to live. They tend to grant respect based on integrity, not upon a title. Generation X core values are summarized as self-reliant, flexibility, technology literate, informal. The Gen X has given us “casual Fridays,” resent micromanagement,

Understanding what is similar and different to each generation will help managers to not only motivate employees but to respond to workplace need.

crave feedback, and are conscious of the use of their time. Where the Boomers can count on one hand how many careers they have had, the Gen Xers may have had three to four careers already and dedicate about three years per job.

The Millennials, or Gen Y, consisting of 14% of the current workforce, have been greatly affected by 9/11. Technology is this group’s defining characteristic; they learned to “click” before learning to read. The Millennials accept and value diversity more than the Gen Xers. They connect strongly with the Matures and Boomers and have an unprecedented worldly awareness from exposure the reality television/media, such as FaceBook, You Tube.

Gen Y’s core values are defined as volunteerism, civic duty, narcissism, technology, teamwork. They expect to have challenging work, a diverse work environment, and access to the latest technology, be recognized for the talents and capabilities, and require performance feedback.

Understanding what is similar and different to each generation will help managers to not only motivate employees but to respond to workplace need. Promoting awareness of the generational differences and conflicts and clear communication are also important. With values, behaviors and productivity being different between generations, conflict can arise, which may lead to lowered productivity and morale. Willingness to take on a conflict, resolve it and move forward is a key skill for a manager. It is essential to find a common ground where all employees can work together.

### 20 09



### Legislative Reception

The KCAA will host a Legislative Reception on Monday, February 2, from 5:30 p.m.–7:30 p.m. at the Governor’s Row House, 811 SW Buchanan, in Topeka. All legislators will be invited via email; however, it would be great if you could contact your legislators and extend a personal invitation.

The Legislative Reception is a wonderful opportunity for you to spend some time with your legislators to discuss important issues. If you are unable to attend, it is suggested that you make arrangements with an appraiser you know will be in attendance so that he or she can visit with your legislators in your absence. If you need information about legislators and the areas they cover, go to: [www.kslegislature.org/legsrv-legisportal/index.do](http://www.kslegislature.org/legsrv-legisportal/index.do) and access the House and Senate rosters.

# Memorandum: \$750 Exemption for “Other” Personal Property

**Editor’s note:** The following is a Nov. 14, 2008, memorandum from Roger Hamm, personal property supervisor, PVD.

Effective January 1, 2009, a new law exempts any property with a purchase price of \$750 or less that is in sub-class (6), class 2 of Article 11, § 1 of the Kansas Constitution, which is more commonly referred to as “other personal property.” This new law was in Senate Substitute for House Bill 2434, New Section 6.

– The exemption applies to any purchase whether new or used and there are no limitations on when the purchase was made.

– It should also be noted that the purchase price does NOT include sales tax or any add-on costs that are charged separately and are readily discernible from the actual purchase price. These may include shipping, handling or set-up charges.

– Key point to remember – the purchase price to qualify for the exemption and how the county has or will value the property are two separate issues. The “other” class of property is to be valued at fair market value.

Most of the questions from the counties have hinged on proof of the purchase price. The best guidance is this: if the purchase price presented by the owner seems unreasonable based on experience and/or reputable sources, continue to list the property and assist the property owner with an application for exemption with COTA. Remember that the burden of proof is on the property owner and if the county appraiser is in doubt as to whether the property qualifies for the exemption, the appraiser must construe in favor of taxation. See Directive 92-025.

Documentation showing the buyer’s and seller’s names, addresses and signatures with purchase price(s) and date would certainly be acceptable. It seems unrealistic that this much information will be available for most of the property in question. Perhaps an affidavit can be signed when nothing else is available. Common sense and good judgment will need to be applied in appropriate measure for many of the cases the county encounters.

Watercraft may require some unique treatment. A boat and/or motor and/or trailer that have a purchase price of \$750 or less would qualify for the exemption. It is quite possible that any or all of the parts listed above may qualify for the exemption.

Winnings, gifts and inherited property will take some special treatment and should not automatically receive the exemption.

a) Winnings may qualify for the exemption if a purchase price of \$750 or less can be determined by contacting the donating organization or from retail sources.

b) Family gifts and inherited property are even trickier. Consider working with the property owner to determine a reasonable purchase price that would convey the property to the new owner. This is another case where good judgment will need to be applied.

If you have questions on this or other issues, please contact the personal property section at (785) 296-2365.

**Editor’s Note:** See our new Public Relations page (p. 16) to find out how Jefferson County is notifying property owners about the new exemption.

## So, How We Doing?

By Rick Stuart, CAE

In the October newsletter were two articles I wrote titled, “Okay – We Have a Housing Bill” and “New Housing Regulator.” Some of the key elements in the housing act were:

1. First-time homebuyers get a \$7,500 tax credit repayable over 15 years.
2. Up to \$300 billion to help an estimated 400,000 homeowners to avoid foreclosure.
3. A larger credit line to Freddie Mac and Fannie Mae.
4. Higher loan limits for high-cost areas.
5. An independent regulator for better oversight.
6. Some property tax deduction no matter what federal tax forms a homeowner files.
7. Limit fees on reverse mortgages to 2% up to \$200,000 and 1% after that.

The new housing regulator is James B. Lockhart, III. This writer was somewhat cynical in believing that all this was going to be implemented, regulated as proposed and would really work. On Nov. 25, 2008, the Federal Reserve made a move to pledge \$800 billion into ailing credit markets for home and car loans and credit card debt. I am upset that they have proven me correct in my cynicism.

Some of the complaints from Congress and others is that the bailouts were supposed to do what the housing act is designed for. Instead, some of the large banks used bailout money to buy other institutions, and the government kept changing who they were distributing the monies to.

The bad news: What was \$300 billion is now apparently \$800 billion, the money was not being used for the intended purpose, and have any of you heard anything about James B. Lockhart, III? The good news: Mortgage rates fell by half a percentage point upon the announcement and people have flooded financial institutions about refinancing their home loans. Let us hope this one really does what is intended.

## What is the Timothy N. Hagemann Trust?

This trust is designed to help assessing officers from smaller rural jurisdictions become members of IAAO, maintain their membership in IAAO or take an IAAO educational course. The trust committee will give priority to assessing officials who work full-time in jurisdictions having fewer than 7,500 parcels of real estate. The committee will take into consideration the jurisdiction's budgetary constraints and the applicant's level of commitment. The trust also is designed to support improved assessments in rural areas through direct grants for research projects, rewards for publications of technical articles on rural issues, and support of the activities of IAAO's Rural And Small Jurisdictions Issues Section. Awards for articles on rural issues are made after review of articles in IAAO publications with the granting of the award based on the appropriateness of the article, the perceived importance of the topic, and the availability of funds.

### Who was Timothy N. Hagemann?

Timothy N. Hagemann, of Kansas, was a longtime supporter of professionalism of assessors, especially through membership in professional organizations such as the Kansas County Appraisers Association and the IAAO. This trust was established after Tim's death in 1993.

### Who can apply for this grant?

Any deserving individual who works for the public sector and needs financial assistance in becoming an IAAO member, renewing IAAO membership or taking an IAAO educational course can apply for the grant. The position may be full-time or part-time. Individuals who work in the private sector are not eligible for this grant.

An individual or group planning research of issues important to rural appraisers may apply for a grant. Projects must be approved in advance, and actual payment of the award will not be made before a complete report of the results of the research.

Request for financial support of activities of the Rural and Small Jurisdictions Issues Section will also be considered.

### How can one donate?

Donations are always appreciated. The IAAO and Kansas County Appraisers Association appreciate the gifts that are received to build up the fund's equity. Donations are accepted throughout the year. Contributions can be sent to: Timothy N. Hagemann Memorial Membership Trust, 314 W. 10th St, Kansas City, Mo 64105

### How does one apply for a grant?

Application forms are available from:

Angela Blazevic, Director of Administration  
International Association of Assessing Officers  
314 W. 10th St  
Kansas City, MO 64105  
Phone: 816/701-8123  
Fax: 816/701-8149  
Email: blazevic@iaao.org  
www.iaao.org <http://www.iaao.org>



## IAAO Member News

Thanks to all for your participation in IAAO!

**5-year member:** Kent Hileman, Property Valuation Services

**10-year member:** Cheryl Carter, Montgomery County

**15-year members:** David Thornton, Mitchell/Neosho Counties; Brad Wright, Barber County

**20-year member:** Mark Beck, PVD

**30-year member:** Randy Strassburg, Strassburg & Company

**New members:** Allen Todd, Riley County; Craig Rastorfer, Overland Park

## NCRAAO 2009

By Rick Stuart, CAE

This annual good time and educational conference is set for Coralville, Iowa, on June 15–17. All the details can be found at: <http://web.mac.com/ncraao2009/NCRAAO/Welcome.html>

Some of the educational topics include: Renewing Iowa—After the Disaster; Construction Techniques—Wind Energy; Renewable Wind—Valuing Wind Towers; Geo Thermal; Appraisal of Commercial Properties in a Declining Market; When is Grade not the Grade; Land is not always worth “less”; Ag Land—Is the CSR method accurate?; Use of Crops—Bio Fuel, Animal Feed and Human Foods; Excel class; Restructuring Income and Expense Statements; Black Mold; and Bio Fuels—Effects on the Economy.

When making your reservations at the Coralville Marriott, make sure you tell them the room block is under “Assessor's Office.” Room rates are \$99 plus tax for king or double.

If you have more questions, you can contact the NCRAAO Board members from Kansas: Della Rowley, Dean Denning or Leon Reimer.



# “Don’t Overlook Overbrook!”

By Gary Post, Lyon County Appraiser

The Northeast Kansas County Officials Association meeting was held Oct. 10, 2008. Osage County was the host this fall; however, because their courthouse in the county seat of Lyndon is undergoing renovation, officials met at the Grace Community Church on the east edge of Overbrook.

Commission Chair Carl Meyer welcomed everyone and introduced the speaker, Air Force Major Dave Young, from the Eisenhower Center for Homeland Security Research, Evaluation and Education. His talk about possible threats was sobering and eye-opening but paled in comparison to problems we are bringing on ourselves in the form of government entitlements. He had charts and graphs with fixable numbers in relation to Social Security and Medicare, but according to the Major, the new Medicare prescription drug benefit will cost more than \$1.2 trillion in the coming decade.

For the group session, new Osage County Appraiser Stacy Berry escorted the county appraisers to Osage City for a great tour of the Kan Build homes facility. Below is a short history of this great local company from their website. We were about 45 minutes late returning for lunch. The caterer, Brech’s Green Acres, saved it for us, and it was great. Plus, we did not miss out on the all-important door prizes.



### About Kan Build

For nearly two decades, Kan Build has been building uniquely custom, quality built structures. Located in Osage City, Kansas, is our 112,000 sq. ft. manufacturing facility where we build single-family homes, educational facilities, multifamily projects, and commercial structures. Independent Kan Build Builders strive to design a home that meets your needs.

One of the best qualities of Kan Build is our guaranteed pricing. Kan Build will guarantee your price from the day you place the order. Every

## County appraisers toured the Kan Build homes facility in Osage City.

home design is examined by numerous people, including you and your builder, to ensure that all details are just the way you want them.



### History

In the 1980s J.C. Nichols and the Marley Co. started building modular homes in Osage City, Kansas, to meet the demands of the growing Kansas City housing market. John Samples was hired as the production manager in 1984.

After being in operation for a few short years, the Nichols/Marley venture decided to close the plant. It was at this time that John Samples stepped in to purchase the company, saving the business and many jobs in the small eastern Kansas town.

The first few years were very difficult. Mr. Samples was attempting a start up in a very tough housing market. However, Kan Build not only survived but thrived, building the company into a three-plant operation servicing the entire Midwest.

This success did not go unnoticed. In 2001 the company was sold to a national systems builder by the name of All American Homes, a subsidiary of Coachman Industries Inc. As fate would have it, All American Homes, who had operated the Osage facility for just a few years, had the Kansas facility slated for closure at the end of 2005. Once again, John Samples stepped in and purchased the Osage City plant and saved 125 jobs. Kan Build, Inc. was re-born.



Paul Welcome

## County Appraiser to Assume Helm of Professional Group

Johnson County Appraiser Paul Welcome will assume the role of Chairman of the Board of Trustees of The Appraisal Foundation, beginning Jan. 1, 2009, for a one-year term. The Appraisal Foundation Board of Trustees is responsible for appointing members to the Appraiser Qualifications Board (AQB) and the Appraisal Standards Board (ASB). In addition, the Board of Trustees also secures funding and oversees the activities of both boards.

The AQB is responsible for setting the minimum education, experience and continuing education criteria for real property appraisers in the United States. The ASB is responsible for writing, amending and interpreting the Uniform Standards of Professional Appraisal Practice (USPAP), which are the generally accepted standards of the appraisal profession.

Welcome has served as the Johnson County appraiser since December of 1991. He is a certified assessment evaluator from the International Association of Assessing Officers (IAAO), an accredited senior appraiser by the American Society of Appraisers, and a registered mass appraiser for the state of Kansas. In addition he is a past president of the IAAO (2002-2003) and has served on various committees since 1995.



### Thank You Notes...

The family of Bill Schive sent a note thanking the KCAA for the memorial contribution in

Bill’s memory.

Mike Montgomery also sent a note of thanks for the flowers in memory of his father and for “all the kind support you have shown me.”

## Our House, a Very Round House

By Lisa Sandmeyer, The Topeka Capital-Journal  
Published Weds., May 28, 2008. Reprinted with permission.

Ruth and Henry Blake III were ready to downsize when they saw a round house on one of the home-improvement shows on television. "We just knew this is what we wanted," Ruth Blake said. So they are trading in their conventional two-story, 2,400-square-foot house at 4300 S.E. Michigan for a one-story 1,600-square-foot circular house. It arrived Tuesday. Most of it, anyway.

The house from Deltec Homes is prefabricated. The walls—with windows and doors already in place—roof and floor fit in two semitrailer loads. "In a perfect world, it should be all up in five days," Ruth Blake said. In that perfect world, both trucks with the house parts on them would have arrived at 7 a.m. Tuesday. As it was, one truck arrived Tuesday afternoon, with the second one scheduled to arrive sometime today. The first truck contained floor joists and wall panels, so the framing crew could get started putting up panels today, if the weather cooperates.

Fayth and Chantse Boucher, 7-year-old twins who live in the neighborhood, were ready first thing Tuesday with their polka-dot lawn chairs to watch the unloading. By afternoon, they were counting the minutes to the scheduled 2:30 p.m. delivery, calling the time and temperature line every couple of minutes, said their grandmother, Norma Juhnke. Juhnke is fine with a round house across the street. "It will be interesting more than anything to see the inner part," she said.



Ruth Blake has an arts and crafts-style interior planned. Floors will be hardwood in the living areas and carpeted in the two bedrooms. About half of the space will be open, with the kitchen in the middle and the living room and dining room on the front. While the house is technically round, it is made of flat panels, so inside there will be 8 feet of straight wall before a connecting corner that changes the angle.

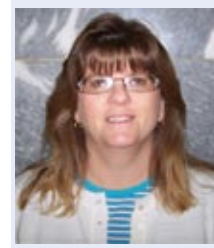
Though the Blake's knew they wanted the round house, they didn't have a building site at first. They tried RockFire at the Lake because they wanted to stay in the Shawnee Heights area, but the developers there turned down the round house idea. So the Blake's decided to stay right where they were. When they built their current house, they purchased the adjacent land as a buffer, Henry Blake said, as the subdivision to the south didn't yet exist. Their extra lot has ample room for the circular house and a lot less yard to mow.

Mark Ediger built the Blakes' current home, so they called him to handle the construction, from excavation to finishing work. This is his first prefab home. "It's definitely going to be quicker than conventional," Ediger said. All the framing contractor needs to do is follow the directions in the Deltec manual, he said. The rest of the job is like any other house: Insulation and drywall goes on the inside of the panels, Centurion Stone siding goes on the exterior. The expected completion date is mid-September. Ruth Blake is already packing.



## Welcome New County Appraisers

We have some new county appraisers, and hopefully, the information they provided will make us more familiar with them. Please make sure and welcome them to the easy, hassle-free, no-politics and taxpayer-happy position of county appraiser.



**Paula Jones, RMA  
Brown County**

### Why and how did you get started in the appraisal profession?

The appraiser at the time called me and told me there was a temporary position open to set-up the filing system. She asked if I was interested, and the rest is history. Mother-in-law worked at the County Clerk's Office.

### What did you want or intend to be when you grew-up?

Housewife/Mom.

### If you could change one thing associated with appraisal, what would it be?

Hearings.

### What person(s) has had the most effect upon your personal and professional life?

My husband. He supports me in any decision that I make.

### What personal and/or professional goals do you have for yourself?

To be a county appraiser—Done!!

### What are your hobbies or ways you like to spend your spare time? (Okay, pretend you have spare time!)

Time with family and friends, boating, motorcycling and enjoying the home that we recently purchased in the county!!

# Sex, Lies, and Subprime Mortgages

The sexual favors, whistleblower intimidation, and routine fraud behind the fiasco that has triggered the global financial crisis

By Maria Der Hovanesian, banking editor, *BusinessWeek*. Reprinted from BusinessWeek online, published Nov. 13, 2008.

It may seem like ancient history now, but not long ago the mortgage industry was turning ordinary people into millionaires. One of them was Sharmen Lane, a high school dropout who, like many other young women during the boom, found her way into an obscure banking job with the clunky title “mortgage wholesaler.” Her experience—and the experiences of other wholesalers like her—offers a glimpse into the recklessness and indulgence that drove the industry to ruin.

The rise of mortgage wholesalers from grunts to rainmakers is one of the more curious developments of the housing bubble. Wholesalers work for banks and other lenders. The wholesaler’s job is to buy loan applications from independent mortgage brokers so that lenders can turn them into loans. Wholesalers are paid on commission: the more loans they generate, the more money they make. During the housing boom, lenders typically approved the loans and then packaged them into securities. That path—from mortgage brokers to wholesalers to lenders to securities—turned out to be a road to disaster.

But as the housing bubble inflated, wholesalers—though hidden from public view—became high-earning superstars. Lane, a manicurist before joining now-defunct subprime lender New Century Mortgage in 1997, says she brought home \$1 million in 2002 and \$1.2 million in 2003.

Eventually the deal-making turned frenetic. Multiple wholesalers began inundating mortgage brokers with offers for the same applications. Some brokers chose to exercise their power by asking for something extra in exchange for their business: sex.

Dozens of former brokers and wholesalers say the trading of sexual favors was so common that it came to be expected. Lane recalls one visit to a mortgage brokerage near San Jose

(Calif.) in which the manager lewdly propositioned her in his office. She says she declined the advance, and he didn’t sell her any applications. But other female wholesalers didn’t have the same qualms about crossing the line. “Women who had sex for loans were known very quickly,” says Lane, who left New Century before it failed in 2007 and now works as a \$200-an-hour life coach and motivational speaker in New York. “I didn’t want to be a mortgage slut.”

## Wholesale Corruption

Investment bubbles always spawn excesses, and housing was no exception. The abuses went far beyond sexual dalliances. Court documents and interviews with scores of industry players suggest that wholesalers also offered bribes to fellow employees, fabricated documents, and coached brokers on how to break the rules. And they weren’t alone. Brokers, who work directly with borrowers, altered and shredded documents. Underwriters, the bank employees who actually approve mortgage loans, also skirted boundaries, demanding secret payments from wholesalers to green-light loans they knew to be fraudulent. Some employees who reported misdeeds were harassed or fired. Federal and state prosecutors are picking through the industry’s wreckage in search of criminal activity.

Now wholesalers, who for a brief moment rose to prominence, are an endangered species. The failures of large subprime lenders like New Century, BNC (a unit of Lehman Brothers), and GreenPoint Mortgage, owned by Capital One, threw thousands out of work. Some lenders still in business have curtailed or shuttered their wholesale operations.

In the end, the wholesalers were undone by the same people who allowed for their rise: their Wall Street

overlords. During the boom, investment banks bought as many loans as they could to pool together and turn into securities. In 2006 the top 10 investment banks, which included Merrill Lynch (MER), Bear Stearns (BSC), and Lehman Brothers, sold mortgage-backed securities worth \$1.5 trillion, up from \$245 billion in 2000. To keep the supply of loans coming, the investment banks increasingly took control of the industry’s frontline players as well.

First they started buying small, independent wholesaling firms. Next they extended billions in credit to subprime lenders. Then they took stakes in some, and bought others outright. At the height of the frenzy in 2006, six top investment banks shelled out a total of \$2.2 billion to buy subprime shops.

That gave Wall Street the power to demand more subprime loans, which carried the highest interest rates and were the most profitable. As a national account director for Deutsche Bank (DB), Mark D. Toomey bought loans from mortgage lenders to turn into securities. Sometimes, he says, he “twisted arms” to get more loans. “Nobody had the [guts] to say no,” says Toomey, who left the bank in 2007. Deutsche Bank declined to comment.

But mostly, brokers and wholesalers were happy to comply. The more loans they made, after all, the more they got paid. One former wholesaler in Northern California who requested anonymity joined subprime lender GreenPoint Mortgage in 1997, right out of college. By 2004, she says, she was pulling in several hundred thousand dollars a year. She kept a chauffeur on call to shuttle her and her friends to “exclusive clubs, restaurants, and parties,” and treated friends to shopping sprees at Neiman Marcus, Gucci, and Louis Vuitton. “It was the time of our lives,” says the woman, who now works as an account executive for another lender in

**continued on next page**

### **Sex, Lies continued** the area.

Brokers say some female wholesalers weren't up on the finer points of finance—but exploited other assets in their quest for more loans. “You had boiler rooms of younger, predominantly male brokerage operations and in would walk a gorgeous, fit [wholesaler] who would go desk to desk,” says Rick Arvielo, president of New American Funding, a mortgage brokerage in Irvine, Calif. “Most of them didn't know the product.”

Of course, it's accepted practice in many industries for companies to hire attractive saleswomen. What's more, on Wall Street, lurid tales of erotic dancers livening up after-hours events are common.

### **“Indecent Proposals”**

But in the mortgage business, it went further: The women allegedly offering sexual favors were bank employees. Evan Stone, president of Walnut Creek (Calif.) mortgage brokerage Pacific Union Financial, says “minimally trained and minimally dressed” wholesalers often wooed brokers. He says he regularly got visits in his suburban office from representatives wearing unusually short skirts to entice him and his team of brokers to party at the local Ruth's Chris Steak House. Stone says one New Century wholesaler offered to fly him to Chicago to “have a good time.” He says he declined all offers of sexual favors. “There were some indecent proposals made,” he says. “That was part of building the relationship.”

Wholesalers also offered sexual favors to co-workers. To drive up their commissions, some enticed loan underwriters at their companies to approve questionable applications. A vice-president at Washington Mutual who once wielded \$500 million to make loans recalls an incident in which a female wholesaler wanted him to approve a loan that didn't fit guidelines. The manager, who requested anonymity, says the co-worker, wearing a low-cut shirt, knelt down at his desk and said: “I really need this. What do I have to do?”

Some wholesalers turned a blind

eye to broker fraud, too. “I'd walk into mortgage shops and see brokers openly cutting and pasting income documents and pay stubs, getting out the Wite-Out and changing Social Security numbers,” says Melissa Hernandez, a former wholesaler for Argent Mortgage, a unit of now-defunct Ameriquest Mortgage, who says she never knowingly bought bogus applications. “There was no ambiguity.”

Other wholesalers took matters into their own hands, doctoring documents to qualify borrowers for loans. A former Wells Fargo (WFC) wholesaler says he regularly used the copiers at a nearby Kinko's to alter borrowers' pay stubs and bank account statements.

He would embellish job titles—turning a gardener, for instance, into the owner of a landscaping company—and inflate salaries. “I knew how to work the system,” the former wholesaler says. Wells Fargo spokesman Kevin M. Waetke says the bank “does not condone any misrepresentations in the loan-underwriting process. We thoroughly investigate any incident that comes to our attention. Where necessary, we will take the appropriate disciplinary action.”

Employees who resisted making bad loans ran the risk of being penalized. Shortly after Rachel Steinmetz joined GreenPoint's Manhattan branch as a senior underwriter in September 2005, wholesalers at the bank started asking her to approve loans “under terms that the borrower did not qualify for,” according to a wrongful termination suit filed in June by Steinmetz in New York federal court. She says she told her superiors that the applications contained suspect details and that the loan files didn't have enough paperwork to back up borrowers' claims. “Notwithstanding [her] concerns, management overrode her decisions” and approved the loans anyway, the complaint says.

In April 2006, Steinmetz claims, she rejected a loan application that inflated the borrower's income and the home's appraisal value. While Steinmetz was out of the office celebrating Passover, she says in the complaint, her superiors signed off on the loan. A month later, Steinmetz says, her boss

asked her to compile the paperwork on the same loan in preparation for closing. “Although she protested,” the complaint notes, “the loan was funded in her name.”

Steinmetz says through her attorney that there was retribution for her reluctance to make bad loans. Even though her bosses knew she was devoutly religious, the complaint says, they often would inundate her with “additional work and unnecessary meetings” on the eve of the Sabbath and religious holidays. In May 2006, she says, her superiors nixed her bonus even though she made her loan quota. Steinmetz is now suing Capital One (COF), which bought GreenPoint Mortgage in 2006 and shut it down less than a year later, for \$10 million in damages. “We believe these claims are without merit, and we are confident that we will prevail in this litigation,” says Capital One spokeswoman Diana Don.

### **Demanding “Spiffs”**

Whistleblowers at other firms complain of similar treatment. Coleen Colombo joined the Concord (Calif.) branch of BNC in 2003. The small office, next to a Mercedes-Benz dealership and a run-down Kmart (SHLD), was part of a regional group that funded some \$1.2 billion of loans a month. Colombo initially thrived in her job as a senior underwriter. In a performance review, she received a top rating of “exceeds expectations,” according to a wrongful termination and harassment suit filed in California Superior Court on behalf of Colombo and five other female employees.

The environment turned hostile in 2005, the suit says. One fellow employee, a male wholesaler, began bringing Colombo questionable loans with incorrect salaries, occupations, and home values, she says. In one instance, she claims in the suit, the wholesaler “tried to bribe [Colombo] to allow a loan with fraudulent information to go through.”

The bribes, known as spiffs, were common at the BNC branch, says Sylvia Vega-Sutfin, a former wholesaler who left the firm in 2005. The mother of four, who says she made \$16,000 a month during the boom, says that

some underwriters demanded spiffs of \$1,000 for the first 10 loans and \$2,500 for the next 20 loans, whether they approved the mortgages or not. When she refused to pay them, Vega-Sutfin says, her loan files started to go missing and the size of her commission checks plummeted. Her bosses “said they would make an example of me to others: ‘If you complain, this is what will happen,’” she says.

Colombo says in the suit that she e-mailed the regional vice-president for operations to report the wholesaler who tried to bribe her. She claims the vice-president brushed off her complaints in a meeting. Colombo “left the office in tears,” the suit says. After she returned from a short leave of absence, the branch manager told her a co-worker “wanted her terminated for making the complaints,” Colombo claims.

Meanwhile, the wholesaler who tried to bribe Colombo started sexually harassing her, according to the suit. The male colleague made her feel “uncomfortable and fearful” by “intentionally rubbing his body against hers.” Colombo resigned from BNC in 2005. “You would have thought he was the pimp and we were his prostitutes,” says Linda Weekes, another underwriter who is part of the suit. “It felt like a dirty, sleazy place to work.” The case has been on hold since its owner, Lehman Brothers, filed for bankruptcy on Sept. 15. “We dispute the allegations made by these former employees and will be contesting them on the merits in the pending litigation,” says a Lehman spokesman.

The world came crashing down for wholesalers in late 2006, when subprime loans started going bad. Wall Street quickly reined in its mortgage factories, tightening lending standards, pulling credit lines, and forcing lenders to buy back the same risky loans it once voraciously consumed. For the thousands of wholesalers swept up in the excitement and excess of a manic market, it was time to find a new job.

Reprinted from BusinessWeek: [http://www.businessweek.com/magazine/content/08\\_47/b4109070638235.htm](http://www.businessweek.com/magazine/content/08_47/b4109070638235.htm)



## Kansas According to Jeff Foxworthy

Submitted by Barry Couch, CAE – Omaha, NE via Oklahoma

If you're proud that your region makes the national news at least 96 times each year because it's the hottest or the coldest spot in the nation, you might live in Wichita, Kansas.

If your dad's suntan stops at a line curving around the middle of his forehead, you might live in Pratt, Kansas.

If you have worn shorts and a parka at the same time, you might live in Colby, Kansas.

If your town has an equal number of bars and churches, you might live in Hutchinson, Kansas.

If you have had a lengthy telephone conversation with someone who dialed a wrong number, you might live in Kansas.

You know you are a true Kansan when “Vacation” means going east or west on I-70 for the weekend.

If you measure distance in hours, you might live in Kansas.

If you know several people who have hit a deer more than once, you might live in Medicine Lodge, Kansas.

If you often switch from “Heat” to “A/C” in the same day and back again, you might live in Satanta, Kansas.

If you can drive 65 mph through 2 feet of snow during a raging blizzard, without flinching, you might live in Sublette, Kansas.

If you see people wearing camouflage at social events (including weddings), you might live in Great Bend, Kansas.

If you install security lights on your house and garage and leave both unlocked, you might live in Copeland, Kansas.

If you carry jumper cables in your car and your girlfriend knows how to use them, you might live in Manhattan, Kansas.

If you design your kid's Halloween costume to fit over a snowsuit, you might live in Marysville, Kansas.

If driving is better in the winter because the potholes are filled with snow, you might live in Wichita, Kansas.

If you know all four seasons: almost winter, winter, still winter and road construction, you might live in Bison, Kansas.

If your idea of creative landscaping is a statue of a deer next to your blue spruce, you might live in Derby, Kansas.

If you were unaware that there is a legal drinking age, you might live in Winfield, Kansas.

If Going Down South means Oklahoma, you might live in Wellington, Kansas.

If a brat is something you eat, you might live in Argonia, Kansas.

If your neighbor throws a party to celebrate his new pole shed, you might live in Arkansas City, Kansas.

If your idea of going out to eat is a tailgate party every Friday, you might live in Cimarron, Kansas.

If you have more miles on your snow blower than your car, you might live in Goodland, Kansas.

If you find 0 degrees to be “a little chilly,” you might live in Concordia, Kansas.

If you actually understand these jokes, and you forward them to all your Kansas friends—you might live in Kansas.



This home could be yours for \$100!

## Raffle Away That Home!

Submitted by Lisa Ree, RMA

How many times have you heard or said that \$1 just doesn't buy what it used to? What about \$100? Well, in Michigan \$100 just might buy you a house.

Joe and Penelope VanDevelder, a Waterford Twp, Michigan couple, had tried to sell their home for two years. With no reasonable offers coming in, Joe came up with the idea of having a raffle to sell their house. Twenty-five hundred raffle tickets were offered at \$100 each, giving the holder a chance to win a 1500 square foot house with 2 bedrooms up, 2 bedrooms down and 800 square feet of basement finished. You would also get all new windows, doors and roof, new furnace, water softener and water heater. Also included is a 1200 square foot brick patio, brick paver driveway, outdoor speakers, in-ground sprinkler system and "stunning perennial gardens."

The detached garage is heated and has attic storage. The house is situated on a half-acre lot plus an adjoining half-acre lot is included. Also the home has private lake access with paved roads and street lights.

After only having their Raffle Joe's House website running for just a few hours, they were notified by state officials that the raffle was considered gambling; therefore, illegal. Since they were not representing a charity and did not have a gambling license, they were forced to stop the raffle. The website stated that the raffle was on hold. For the over-100 people who purchased raffle tickets, a full refund



the house will be required to write in 20 words or less "Why I Want Joe's

option was given.

But the VanDevelders were given a way around the Michigan laws and were still able to raffle their house. Anyone willing to still pay \$100 for a chance to win

House." Taking chance out of the game and not making it a blind drawing, makes the raffle legal. An unbiased ticket-picker will randomly decide who will win the raffle based upon the essay. The winner will receive the house free-and-clear, with the sellers even paying closing costs.

At press time, no information was available concerning the results of the raffle.

## KCAA Education Offerings for 2009

Course	Date	Location	Cost
Course 101 Instructor: Rick Stuart	July 6-10	Wichita	\$410
Course 102 Instructor: Marion Johnson	Aug. 24-28	Topeka Shawnee Co. Annex	\$410
Course 500 Instructor: Marion Johnson	Aug. 31-4	Hutchinson or Salina	\$410
Course 311	Fall	Topeka	\$410
Course 201 Instructor: Marion Johnson	Oct. 12-16	Topeka	\$410
Course 112 Instructor: Rick Stuart	Dec. 7-11	Salina	\$410
Course 400 Instructor: Rick Stuart	Aug. 17-21	Hutchinson Reno Co. Courthouse	\$410
162-163 M. Swift Instructor: Paul Welcome	July-Aug	Topeka	
Public Relations & Basic Assessment Instructor: Rick Stuart	Sept. 8-9	Topeka Shawnee Co. Annex	
IAAO 917-How to Critique an Appraisal	Sept. 10	Topeka Shawnee Co. Annex	\$120
Elevator Guide & Rock Quarry	TBA		
RMA Reviews: Instructor: Marion Johnson	May 13-15	Topeka	\$300
Instructor: Marion Johnson	June 17-19	Topeka Shawnee Co. Annex	\$300
Instructor: Rick Stuart	Oct. 5-17	Topeka	\$300
Instructor: Rick Stuart	Nov. 2-4	Topeka	\$300

Please go to the Kansas County Appraisers website at: [www.accesskansas.org/kcaa](http://www.accesskansas.org/kcaa) to download a registration form for these classes. Email [kcaa@sbcglobal.net](mailto:kcaa@sbcglobal.net) if you have any questions.



# Salute the Endurers!

*Paying Homage to Longtime County Appraisers*




## Judy Orton Bourbon County Appraiser

### Why and how did you get started in the appraisal profession?

During the agricultural economic turndown of the '80s, I took a seasonal (January through June) job in the appraiser's office, while running a dairy operation, so we could continue to milk cows. (Do you remember 18% interest on cattle loans? I do!) Milking around 60 head every morning before going into the office, I felt very comfortable listing livestock and valuing farm machinery when the farmers would come in. Wish our tax base still included some of those items!

### What did you want or intend to be when you grew up?

I am still trying to decide. You mean that one of these days I am actually going to have to grow up? If I have to, then maybe a veterinarian.

### If you could change one thing associated with your career, what would it be?

I would have paid for that first year into KPERS when it was a lot cheaper. No, seriously...I wish that when I was first starting out that I had not taken some of the comments made during hearings or out in public so personally.

### What person(s) has had the greatest effect upon your personal and professional life?

My mother was one of the hardest working people I ever knew, and I have her to thank for my work ethic and Maxine Drake, who was the deputy appraiser when I first started. She encouraged me to become the county appraiser, and worked as my deputy until I finally convinced her to retire at the age of 72. Soon after that, she told me that she was so busy that she did not know how she ever had the time to work before.

### How long have you been a county appraiser and where?

In 1985, we got up to milking about 80 cows, and I had not intended to work in the appraiser's office anymore. However, I found that I missed working with people, and when they called and asked me to fill in while one of the workers was in the hospital, I took her place at her desk. She recovered but never came back to work. Reappraisal happened! I was appointed Bourbon County appraiser July 1, 1989, just in time to hold all the payment under protest hearings stemming from reappraisal that first fall. In addition, to this day, I still sit behind that same desk (okay, I did buy a new desk) on the firing line of the Bourbon County Appraiser's office and sold the milk cows.

### What words of advice do you have for your fellow appraisers or any future appraisers?

Do not take things personally, always do the best job you can, and remember to smile and have fun!



Cindy Boone and Mark Poe were presented Spotlight Awards by the Butler County commissioners.

## Butler County Appraisers Receive Spotlight Award

Cindy Boone and Mark Poe, Butler County field appraisers, were heading to the field on Dec. 22 when a truck in front of them began driving erratically. They notified 911 and eventually decided they could go around the truck. Looking back, they saw the driver had stopped but did not really pull off the road. Sensing something was wrong, they went back, and Mark approached the driver.

The driver told Mark where he lived and that he was lost. Mark indicated that he had missed his turn and was north of town and to follow them back to town and they would show him where to turn. They then notified 911 again of the situation. Once they reached the corner where he should turn, the man stopped in the middle of the street, and then police and EMS intercepted him.

Apparently, the man was diabetic and having a medical emergency. If Cindy and Mark had not stopped to check on him and notified emergency services, the outcome could have been very different.

On Tuesday, Jan. 6, the Butler County commissioners presented Cindy and Mark with a Spotlight Award, and each received a gift certificate.

Job well done, Cindy and Mark. We are very proud of you!



# Public Relations



If you have PR ideas or suggestions, please submit them to Dianna Carter, KCAA Public Relations Committee Chair at [dcarter@mcpersoncountyks.us](mailto:dcarter@mcpersoncountyks.us)



## Tax Talks...

The Lyon County appraiser explains the importance of local property tax to civic groups such as the Lions and Rotary Club as well as taxpayers by stating the following:

1. The money is used to pay the local teachers and policeman.
2. It pays for the local roads and streets.
3. You can see whether or not the local dollars are spent wisely.
4. You see the commissioners in the grocery store or the local coffee shop or around town.
5. You can show up at the local county, city or school board meeting. They all have a way for the public to address the particular board or commission.

## PR Note From Jefferson County...

We are putting an insert in with our individual renditions only concerning the new \$750 exemption law effective January 1, 2009. These will be put on colored paper. Then we will post a notice on our website as well as make larger laminated signs and post on the counters in our office. We took a lot of the wording that Roger Hamm's memorandum had in it, so this is more or less a condensed version.

### Attention All Personal Property Owners

Effective January 1, 2009, a new law exempts any property with a purchase price of \$750 or less that is in sub-class (6), class 2 or Article 11, § 1 of the Kansas Constitution, which is more commonly referred to as "other personal property." This new law was in Senate Substitute for the House Bill 2434, New Section 6.

**The Exemption only includes items such as boats, boat motors, boat trailers, golf carts, ATV's, campers, mopeds, aircraft, misc. trailers, machinery and equipment no longer being "used" for the production of income, and snowmobiles.**

- The exemption applies to any purchase whether new or used and there are no limitations on when the purchase was made.
- The purchase price does not include sales tax or any add-on costs that are charged separately and are readily discernible from actual purchase price (i.e. shipping and handling, set-up charges, etc.).
- Documentation showing the buyer and seller's name, addresses, signatures, date, and purchase price(s) will need to be submitted for consideration (i.e. Bill of Sale, Affidavit, etc.).
- Winnings, gifts, and inherited property may not automatically receive an exemption.



**Why do you need email etiquette?** A company needs to implement etiquette rules for the following reasons: Professionalism—by using proper email language your company will convey a professional image. Efficiency—emails that get to the point are much more effective than poorly worded emails. (<http://www.emailreplies.com/>)



## Keep It Simple...

Using your website to get the word out is a great PR move. Sure, it's nice to fill the home

page for your office with the duties of the appraiser, but make it short and simple. Then use the space to update what the office is actually doing. Posting 17% reinspection areas, explaining final review and appeals is helpful information for real estate. Personal property can be explained and as well. Here is an example:

The Appraiser's Office is responsible for the appraisal of all residential and commercial real estate, personal property, and oil and gas in the county. The office also provides GIS mapping services for the public as well as county, city, state and federal offices. *Disclaimer: The data contained in this site is for informational purposes only. If there is a question as to the validity of the data, further research with the Appraiser's office is necessary. Information is updated annually at the time of certification to the County Clerk. Sales are updated quarterly. Any taxpayer may request sales information within their classification if they are considering appealing property.*

## Final Review

Final review is underway in ... You may call it a drive-by, but actually the appraisers are taking a final look at the property while selecting a value from a comparable sheet. Every house in the county is looked at one final time before the value is selected. The vehicles are clearly marked on the door panels with the county emblem and field staff have identification badges. If you have questions ...



King Juan Carlos hired a public relations firm to find out how the Spanish people felt about him. They informed him that he had 75% approval in the mountainous areas but only 50% approval elsewhere. The conclusion was that **the reign in Spain was shaky on the plain.**





## Real Estate Notes of Interest

**Editor's Note:** Real Estate Notes considered taking a brief vacation as all the news was on elections and the financial crisis and meltdown. Those news stories have greatly taken the spotlight from what had been daily bombardments related to real estate. But the real estate news does continue to trickle in. You will notice that in this edition there is more news related to commercial property. Normally commercial property ups and downs trail what is occurring in the residential market. As the editor lived through previous downturns, unfortunately I believe there is more bad commercial news on the horizon.

■ Jeff Bater, *The Wall Street Journal*, Sept. 25, 2008. Well, according to the National Association of Realtors, the number of homes for sale is down, but unfortunately the number of homes sold and the median sale price is also down. Sales of existing homes fell 2.2% in August, and the median sale price was down 9.5% from a year ago.

■ *Money Magazine*, October 2008. Some potentially good websites for selling residential properties were listed in this issue:

Nahb.org/hoi. This ranking of U.S. cities by affordability will tell you where your area stands and how much prices went up during the boom (and have fallen since).

Realtytrac.com. This website records foreclosures in your area. If many are near you, you'll be competing with them for buyers.

Cnnmoney.com/realestate. You can check on interest rates and use the calculator to figure what a prospective buyer's mortgage payment would be.

Rentometer.com. Plug in the mortgage payment one would need to buy your home. If it's higher than local rents, you may have difficulty selling.

Esri.com/data. Click on Community Data and enter your ZIP code for your neighborhood's median income and the median price of a home.

■ *Money Magazine*, October 2008. Zillow.com conducted a survey of 1,600 homeowners and found that 62% believed that the value of their house had increased or stayed the same in the past year. Zillow's data showed that 77% of homes had dropped in value. They created a misperception index that showed by regions the number of people who "have their head buried in the sand":

West: 23%	Midwest: 31%
Northeast: 29%	South: 36%

■ Anton Troianovski, *The Wall Street Journal*, Oct. 1, 2008. Amazingly, an index of stocks tracked by the National Association of Real Estate Investment Trusts (REIT's) are up 5.6% this quarter and 1.8% for the year as compared to the stock market that is down 9% for the quarter and 21% for the year. The strongest performers were Health Care (+21.69%), Self Storage (+19.3%) and Specialty (+13.36%). However, it was noted that the future looks rocky for the REIT's. You can see more at their website: [www.nareit.com](http://www.nareit.com).

■ Alex Frangos, *The Wall Street Journal*, Oct. 3, 2008. The office market has been very good but has started to change. Businesses are dumping office space at the fastest pace since the September 11 attacks. Nationwide, rents on office properties—including landlord concessions and discounts—were flat in the third quarter and the worst since late 2004. Of the 79 markets Reis, Inc. (a real-estate research firm) tracks, vacancy rates have increased in 66 and rents declined or were flat in 40.

■ Alison Rice, *Builderonline.com*, Oct. 7, 2008. According to the 2007 American Housing Survey, 12.5 percent of the more than 4.5 million owner-occupied households living in "new construction" did not have a down payment. (The American Housing Survey defines "new construction" as housing constructed within the past four years of the survey year). That figure jumped even higher for those 5.2 million householders who purchased their residence (either new or existing) within the previous year, to 16.9 percent.

■ Alan Cullison, *The Wall Street Journal*, Oct. 7, 2008. California state officials are concerned that the federal plan to buy up troubled assets from lending institutions will create the same problems that the Resolution Trust Fund (RTC) did 20 years ago. The RTC generally had fire-sales to dispose of a large amount of occupied homes. Government representatives in the area are now scrambling to master support for a federal bill that would allow local businesses and governments to buy up some of the real estate to make sure it doesn't fall into the hands of speculators who have no stake in the community.

■ James Hagerty and Ruth Simon, *The Wall Street Journal*, Oct. 8, 2008. As home prices have continued to slide, more and more people are "under water" on their homes, which means the mortgage is greater than the market value. With more people "under water" there could be more foreclosures, which just make the problems worse. About 75.5 million U.S. households own the homes they live in. Roughly 12 million households, or 16%, are "under water," according to Moody's Economy.com.

■ Ruth Simon, *The Wall Street Journal*, Oct. 8, 2008. Bank of America is taking the lead in dealing with bad subprime loans on their books. In an agreement with state attorneys general, Bank of America agreed to modify the terms of as many as 390,000 subprime mortgages and option adjustable-rate mortgages that were serviced by Coun-

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trywide Financial, which it acquired July 1. The program aims to initially reduce borrower's mortgages to no more than 34% of the borrower's monthly income. The state attorneys general are hoping that the other financial institutions will follow this action.

■ Anton Troianovski, *The Wall Street Journal*, Oct. 8, 2008. Stocks in hotel REIT's are taking a beating currently. Total return for hotel REIT's for the year has dropped over 42% versus a 14% decline in the overall Dow Jones Equity REIT index. FelCor Lodging Trust based in Irving, Texas, and owns 85 mostly upscale hotels, including many that carry the Embassy Suites flag, last week cut its dividend 57%.

■ Michael Corkery, *The Wall Street Journal*, Oct. 8, 2008. Some investors are forming joint ventures to purchase vacant residential zoned land at discount prices. They are now also purchasing incomplete homes and condos and then auctioning them off to individual home buyers.

■ Alex Frangos, *The Wall Street Journal*, Oct. 8, 2008. As has been reported previously in this newsletter, apartment owners anticipated that the home foreclosures and tightening of credit would force people into apartments. That has not been the case as fewer jobs and less credit are forcing families to double-up with relatives. The latest figures from Reis Inc. show that the apartment vacancy rate nationwide in the third quarter was up to 6.1%, an increase for the third straight quarter.

■ Eric Nordwall, *The Associated Press*, Oct. 16, 2008. Federal prosecutors continue to file criminal mortgage fraud charges. During the first 10 months of this year, 151 charges have been filed. Florida has the largest amount followed by Pennsylvania and New York.

■ Boyce Thompson, *Builder Online*, Oct. 15, 2008. The housing crisis has finally hit the multi-family market. Financing is becoming more difficult and

the number of units projected to be built is falling fast. New buildings of five or more units are off by 25% through August as compared to a year ago, and experts are predicting it may even become a larger percentage in 2009.

■ Madlen Read, *The Associated Press*, Oct. 16, 2008. As a further sign of tightening credit, the amount of commercial paper selling in the financial markets is down. The Federal Reserve said the amount of commercial paper outstanding fell for the fifth straight week in the week ended Wednesday, shrinking by \$40.3 billion to a seasonally adjusted \$1.51 trillion. That's down from \$1.81 trillion in late September, and down from the peak of \$2.2 trillion reached in the summer of 2007. As this financing is becoming more difficult, the federal government is considering becoming involved in this market also.

According to Investopedia, commercial paper is defined as follows. An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. Maturities on commercial paper rarely range any longer than 270 days. The debt is usually issued at a discount, reflecting prevailing market interest rates. Commercial paper is not usually backed by any form of collateral, so only firms with high-quality debt ratings will easily find buyers without having to offer a substantial discount (higher cost) for the debt issue.

A major benefit of commercial paper is that it does not need to be registered with the Securities and Exchange Commission (SEC) as long as it matures before nine months (270 days), making it a very cost-effective means of financing. The proceeds from this type of financing can only be used on current assets (inventories) and are not allowed to be used on fixed assets, such as a new plant, without SEC involvement.

■ Kenneth Harney, *Realtytimes.com*, Oct. 18, 2008. Even the National Association of Realtors is stating the economy is in a recession. Their economist, Lawrence Yun, has made

the following statement: "The U.S. has entered a recession," said Yun in his latest forecast, "and (the economy) will contract for the next three quarters."

■ Alex Veiga, *The Associated Press*, Oct. 21, 2008. A whopping 51% of home sales in California last month were foreclosures. Sales volume is actually up as people are buying up the lower-priced homes. The median sale price statewide fell to \$283,000 from \$430,000 in one year.

■ Kansas Real Estate Appraisal Board, *Summer Newsletter*, August 2008. **Editor's Note:** My thought is that if this is happening in Kansas, other states are also seeing the same thing. The following was pulled from an article discussing possible adjustments to a sale price.

"There has been an increase in this state of sales that are using down payment assistance programs. In this program, the seller gives a "gift" to a charity (which is usually an entity set up solely to funnel these gifts), which in turns gives the "gift" to the buyer. The buyer then uses the "gift" to make a down payment on the property. The amount of the "gift" is usually added to the sales price. In essence, the buyer is not putting any money down on the transaction. The lender believes that with the down payment, there is an 80% – 95% loan to value ratio."

■ Stephanie Armour, *USA Today*, Oct. 22, 2008. With the economy moving into a recession, more and more homes are avoiding foreclosure as lending institutions are rewriting the loans to more affordable terms and payments. Over 3 million are expected to have loans rewritten in the last 15 months with designated programs, but even more are being redone voluntarily by the lending institutions. "There's really no reluctance anymore. Lenders lose \$40,000 to \$50,000 on every loan that goes into foreclosure." This is according to David Kittle, chairman elect of the Mortgage Bankers Association.

■ *The Associated Press*, Oct. 23,

2008. Nationwide, nearly 766,000 homes received at least one foreclosure-related notice from July through September, up 71% from a year earlier, said foreclosure listing service RealtyTrac Inc. By the end of the year, RealtyTrac expects more than a million bank-owned properties to have piled up on the market, representing around a third of all properties for sale in the U.S.

■ Lynn Adler, Reuters, Oct. 23, 2008. The Mortgage Bankers Association's seasonally adjusted index of mortgage applications, which includes both purchase and refinance loans, slid 16.6% to 408.1 last week, the lowest reading since December 2000.

■ Commercial Real Estate Direct, October 22, 2008. Austin office space saw a 152% increase in subleases in the third quarter of this year, which is the fourth greatest increase among 38 markets reviewed by Grubb & Ellis. The company also reported that a total of 127,553 square feet of industrial space was absorbed in the San Antonio market during the third quarter, creating a down from a vacancy rate of 8.4% to 8%.

■ *The Wall Street Journal*, Oct. 22, 2008. One good way of measuring real estate markets is by the American Institute of Architects. This association has an Architecture Billings Index that is designed to forecast actual construction spending nine to 12 months in the future. The September index was at 41.4, which was down from the August number of 47.6. The index recognizes increases when the index is greater than 50.

■ Miriam Jordan, *The Wall Street Journal*, Oct. 22, 2008. With the housing crisis and the financial market chaos, home loans to undocumented workers has stopped. Previously, they could use their ITIN (Individual Taxpayer Identification Number) in place of a Social Security number to secure a home loan. **Editor's Note:** I never understood why this could happen to begin with.

■ Lingling Wei, Alex Frangos, Anton Troianovski, *The Wall Street Journal*, Oct. 22, 2008. Commercial landlords are starting to see some competition for tenants and the competition is coming from within. There are an increasing number of tenants who are sub-leasing their space.

■ Tamara Audi, *The Wall Street Journal*, Oct. 24, 2008. Starwood Hotels, which include brand names of Sheraton and Westin, reported a 12% third quarter drop in profit. Starwood owns 110,000 rooms worldwide.

■ Walter Molony, Realtors.org, Oct. 24, 2008. September home sales rose 5.5% from August and are 1.4% higher than September 2007. Lawrence Yun, NAR chief economist, said more markets are seeing year-over-year gains. "The sales turnaround which began in California several months ago is broadening now to Colorado, Kansas, Minnesota, Missouri and Rhode Island," he said.

■ Robin Sidel, *The Wall Street Journal*, Nov. 1, 2008. J.P. Morgan Chase Co. has started a process to restructure up to 400,000 home loans that could total as much as \$70 million, with \$54 million of those bad loans from the takeover of Washington Mutual.

■ Michael Phillips and Ruth Simon, *The Wall Street Journal*, Nov. 1, 2008. The FDIC has been using their takeover of IndyMac Bancorp as a testing ground for loan renegotiation. IndyMac serviced over 650,000 of their and their investor's loans with as many as 65,000 of those being 60 days or more delinquent. The FDIC to date has adjusted 3,500 loans at an average monthly savings to the borrower of \$380, or 23%. It is projected that 47,000 of the 65,000 will be eligible for negotiation. **Editor's Note:** Probably by the time this goes to publication, a large number of stories about this experiment will have made the news. I think this is something to watch very closely.

■ *The Associated Press*, Nov. 3, 2008. The Federal Reserve reported

that for the first two weeks in October 95% of the banks were using tighter lending standards with the biggest effect on business and credit card lending.

■ Vivian Marino, *The New York Times*, Nov. 2, 2008. Medical office buildings are considered a safe investment, as the population continues to increase and people will always need medical assistance. The only problem is in securing financing.

■ Judy Keen, *USA Today*, Nov. 5, 2008. Okay, just one more item appraisers may someday have to consider in establishing market value. Now some property owners are stating that wind turbines are being located too close to their homes and causing health problems and loss of property value.

**Editor's Note:** Kind of an interesting website is HUD (the address is shown below). This shows the annual surveys they conduct for fair market rents in communities throughout the United States. [http://www.huduser.org/datasets/fmr/fmrs/fy2009\\_code/select\\_Geography.odb](http://www.huduser.org/datasets/fmr/fmrs/fy2009_code/select_Geography.odb)

■ Kris Hudson, *The Wall Street Journal*, Nov. 5, 2008. Seller financing has always been around with small transactions, but now larger transactions are also using this as capital from traditional sources is not as readily available. Marcus & Millichap, a commercial real-estate brokerage firm, estimates that as much as 6% of all deals are seller financed as compared to 2% a year ago. They are also estimating that as much as 15% of transactions will be seller financed in 2009. Sellers need to be aware if they are the secondary lender and not the primary lender and have more risk in case of foreclosure. Appraisers need to be aware in case finance adjustments become necessary to reflect the sale price as cash or its equivalency.

■ Ruth Simon, *The Wall Street Journal*, Nov. 11, 2008. Citigroup, Inc. has announced their plan for residential mortgage relief. They anticipate it could reduce monthly mortgage payments on

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as many as 130,000 borrowers with reductions up to 40%. Their concern is the same as other finance companies: Borrowers that can make their payments will become delinquent on purpose and then request mortgage relief.

■ Janet Adamy, *The Wall Street Journal*, Nov. 11, 2008. More concern in the business of owning malls. General Growth Properties, Inc. has warned that they need to refinance a large amount of debt in order to continue operations. This company owns more than 200 U.S. malls with \$900 million in debt coming due in November. This is a portion of the more than \$3 billion in total debt for a company that saw stock decline 97% in the past year.

■ James Hagerty, *The Wall Street Journal*, Nov. 11, 2008. The inventory of homes was down 1.6% in October, according to ZipRealty, Inc., a real-estate brokerage firm. Typically home inventories rise in October. At the current sales rate, there is a 10-month supply, and the market is considered in balance when at a six-month supply.

■ Donna Rosato, *Money Magazine*, December 2008. Now may be the time to do some home repairs. In a large number of areas in the U.S. there is a construction slowdown that extends into the remodeling business. This article states that you may be able to get those home repairs done with cheaper labor, and in some cases material costs are going down. Remember, though, that there is not a dollar-for-dollar return on your investment. Each year *Remodeling Magazine* does a comparison of cost versus return. You can check out the information at the following website: <http://www.remodeling.hw.net/costvs-value/index.html>

■ John Spence, *The Wall Street Journal*, Nov. 13, 2008. As a quick follow-up to the story above concerning malls (Janet Adamy, *The Wall Street Journal*, Nov. 11, 2008). General Growth Properties, Inc. was dropped from the S&P 500 Index after the stock lost virtually

all its value.

■ James Hagerty & Aparajita Saha-Burna, *The Wall Street Journal*, Nov. 15, 2008. Freddie Mac stated it needs another \$13.8 billion injection of cash to counter worse-than-expected losses from home mortgage defaults. Fannie Mae reported a \$29 billion loss but still has cash—but may need additional assistance in the near future.

■ Robert Frank, *The Wall Street Journal*, Nov. 15, 2008. The Case-Schiller Index is a measure of home activity, and now there is one for luxury homes created by the Luxury Home Marketing titled Luxury Housing Report. This report states the average days on market have increased to 145, up from 130 in September and from 110 in May. The prices have remained stable, with the median sale price of \$1.154 million, or \$336 per square foot.

■ Coleen Bailor, *Commercial Property News*, Nov. 11, 2008. At midyear, 10,781 lodging projects and 1.8 million guest rooms were being developed worldwide. That is a record high and a 28 percent year-over-year jump for each metric, according to Lodging Econometrics' inaugural "Global Construction Pipeline Report." The United States has the largest share of these, but current projects are being delayed and cancelled with the current downturn in the economy and tightening of credit.

■ Ruth Simon, *The Wall Street Journal*, Nov. 20, 2008. Most mortgage companies have been reducing interest rates or extending the loan terms in order to help people who are defaulting on their home loans. Ocwen Financial Corp. is reducing the principal. They view this as the last resort but may pay off better than foreclosing on a large number of properties. On average, some borrowers saw their loan payments drop by 20% to 40%.

■ Chad Terhune & Robert Burner, *Business Week*, Nov. 19, 2008. This story will make you very angry. The web address is shown below and should be read. In a nutshell, some of the largest

companies that created the subprime mortgage mess are now doing the same thing but using FHA-guaranteed loans. Ultimately, this means that unqualified borrowers will default in a few years and then the government will be responsible for the loans.

[http://www.businessweek.com/magazine/content/08\\_48/b4110036448352.htm](http://www.businessweek.com/magazine/content/08_48/b4110036448352.htm)

■ *Forbes Magazine*, Nov. 20, 2008. Some are predicting that manufactured housing will see an increase as stick-built homes will continue to decline. Warren Buffett and his Berkshire Hathaway Company acquired Clayton Homes in 2003, a company that currently accounts for about a third of the manufactured home market. In April, FHA will increase loan limits from \$46,000 to \$70,000 for the manufactured home only, not including the land beneath it. If the buyer purchases the land, then the loan limit is the same as everything else, up to \$729,500 in high-cost areas with a 5% down payment.

■ Jeff Bater and Brenda Cronin, *The Wall Street Journal*, Nov. 25, 2008. Home sales declined in October by 3.1%, according to the National Association of Realtors. Median home prices are 11.5% below October of 2007.

**Editor's Note:** WOW! Here is a title for you: Sex, Lies and Subprime Mortgages. This article by Maria Der Hovanesian in Business Week is unbelievable. What people would do to close a mortgage is shocking. We've reprinted the story beginning on page 11. Or read it online at [http://www.businessweek.com/magazine/content/08\\_47/b4109070638235.htm](http://www.businessweek.com/magazine/content/08_47/b4109070638235.htm)

■ Amy Hoak, *The Wall Street Journal*, Nov. 28, 2008. Thirty-year fixed rate mortgages fell below 6% for a seven-week low. This was the fourth consecutive week that the rate fell.

■ Matt Apuzzo, *The Wall Street Journal*, Nov. 28, 2008. Discussion and speculation continues that commercial mortgages will soon become another part of the financial meltdown. Most

commercial loans are of less duration than residential with most commercial loans in the five- to ten-year range with the balance due and payable at that time. The banks that issued the loans are generally still not the holder of the note as they bundled the loans and sold them to investors such as pension funds, insurance companies and hedge funds. Default on mortgages will lead to further tightening of credit.

**Editor's Note:** Della Rowley, RMA, submitted the web address below. <http://www.theplancollection.com/help/home-building-terms/>. This is an interesting web site. It has a large amount of definitions, house plans and style information.

Pretty good article on how the property tax is the most stable class. It also points out that several of the states that have value limitations such as California, Florida, Arizona and Nevada are seeing large property tax increases in states that have shown the largest decrease in property values. This, of course, will be the situation when the appraisals are not market value based and current.

■ Stephanie Armour and Anna Bahney, *USA Today*, Dec. 5, 2008. Federal Reserve Chairman Ben Bernanke is urging the government to take more action to stem home foreclosures. He warned that foreclosure actions could reach 2.25 million in 2008 as compared to an average of 1 million per year prior to the housing crisis. His proposals consist of (1) the government purchase delinquent loans and refinance them through the Hope for Homeowners program and (2) reduce the interest rates and amount of payment with the government sharing in the cost.

■ Kelly Greene and Jennifer Levitz, *The Wall Street Journal*, Dec. 1, 2008. Selling homes is tough in all markets. Condo and subdivisions designed for the 55-and-over market are struggling to sell already-built homes. Some developers are now selling to younger individuals and often with small children. This is creating some turmoil between developers, current owners and the

new, previously un-qualified purchasers.

■ Nick Timiraos and Ruth Simon, *The Wall Street Journal*, Dec. 2, 2008. If you are self-employed, you may not be able to get a home loan. Previously, you could just state what your income was, without verification, and get a loan. These are now referred to as "liar loans." Now the credit has become overly stringent. This article talked about an individual that was going to place 40% down, had five times the assets of the amount to be borrowed and had a credit score of 800 but could not get a home loan.

■ Nick Timiraos and Ruth Simon, *The Wall Street Journal*, Dec. 2, 2008. The eight largest mortgage lenders reported declines in originations from a year ago. In the third quarter, total mortgage originations fell to \$300 billion, down 72%. In the last few years, larger banks elbowed out the mid-sized lenders. Now many mid-sized lenders are well positioned for the current environment because they securitized their loans by selling to government agencies versus the sub-prime market.

■ James Hagerty, *The Wall Street Journal*, Dec. 2, 2008. Excellent article titled "The Future For Home Prices." Over the next 10 to 20 years, home prices are expected to increase but at a slower rate than in the last several. Karl Case of the S&P Case-Shiller home price index predicts the inflation-adjusted rate of increase for homes will be 2.5% to 3.5% per year. William Wheaton of the Massachusetts Institute of Technology expects the increases to be roughly 1% annually over the rate of inflation. This somewhat counters a survey of 2,000 people by Zillow.com that showed 61% believed the value of their home would either remain level or rise over the next six months. In a survey of 1,000 people by Realogy Corp., 91% thought that owning a home was the best long-term investment. An online survey by CitiGroup of 5,000 people showed that 32% surveyed stated they believed this is a good time to buy stocks, and 51% indicated this

is a good time to buy a house.

■ James Hagerty, *The Wall Street Journal*, Dec. 3, 2008. Some of the larger lenders are considering the sale of foreclosed homes in bulk to investors. The investors want large discounts, and lenders believe the investors would quickly flip the homes, become a middle man and earn proceeds that the lender should receive. Wells Fargo is experimenting with bulk sales on a limited basis. In most cases it involves properties that are difficult to sell or need lots of repair work.

■ Alistair MacDonald and Sara Schaefer Munoz, *The Wall Street Journal*, Dec. 4, 2008. Parliament in the United Kingdom has struck an agreement with the eight largest mortgage lenders to allow homeowners who have lost their jobs or face a significant loss of income to defer a portion of their monthly payments. The deferred payments will be added to the mortgage balance with the government guaranteeing repayment.

■ Dennis Cauchon, *USA Today*, Dec. 12, 2008. A growing number of analysts are stating the fall in housing prices is not over. These same experts are saying home prices really do not historically create wealth. "Nationally, the typical existing home was worth roughly the same in 2000 as it was in 1950, after adjusting for inflation," according to Yale University economist Robert Shiller. There are several historical perspectives of interest.

1. Home values floated at about three times the average household income from 1950 to 2000. But in 2006 it was closer to five times.

2. Homes traditionally sold for 20 times the annual rent, but in 2006 it was at 32.

3. After adjusting for inflation, homes increased in value by 0.5% per year from 1950 to 2000, but from 2000 to 2005 it was 8.2%.

4. A real estate bubble preceded the Great Depression. Just before the Great Depression, loans were being made for as little as 10% down versus

the standard 50% down and a five-year loan. The risky loans failed first and spread to the other loans and froze credit, and millions lost their homes to foreclosure. **Editor's Note:** Sound familiar? History is a wonderful teacher if only we were better students.

■ Jeffrey McCracken and Alex Frangos, *The Wall Street Journal*, Dec. 8, 2008. As a result of the weakened economy, Extended Stay Hotels is considering turning their hotel chain over to its lenders. The hotel chain is currently meeting their debt payments but anticipate that will change in 60 days as the revenue per available room, RevPar, will be down by 10% this year as a result of less business travels. See table above.

■ Ruth Simon, *The Wall Street Journal*, Dec. 9, 2008. This was not the plan, but maybe the economy is not helping. More than half the homeowners fell behind on mortgage payments in the first six months after their loans were modified.

■ Amy Hoak and Ruth Simon, *The Wall Street Journal*, Dec. 12, 2008. The mortgage rate for fixed-rate loans fell to 5.47%, the lowest in four years. Some institutions were offering 30-year fixed loans at 5.125% with no points or origination fee if the borrower has a credit score of at least 740 and at least 20% down.

■ Stephanie Armour, *USA Today*, Dec. 15, 2008. During the first half of the year, about 46% of the 90-day delinquencies on conventional, conforming home loans were because of a loss of income versus 36% in 2006, according to mortgage lender Freddie Mac.

■ *The Associated Press*, Dec. 16, 2008. Fannie Mae is trying to develop a plan that would allow renters in foreclosed homes to sign new leases with Fannie Mae while the property is up for sale or they could get cash to help move into a different home.

■ Allison Rice, *Builderonline.com*, Dec. 16, 2008. According to data re-

Property Name	# of Hotels	# of Rooms
Extended StayAmerica	363	41,000
Homestead Studio Suites	132	17,000
Extended Stay Deluxe	109	11,200
StudioPlus	46	3,600
Crossland	34	4,400

The WSJ reported that Extended Stay Hotels is considering turning their hotel chain over to its lenders.

leased today by the U.S. Census, the level of housing starts fell 18.9 percent in November, compared to the previous month, to a seasonally adjusted annual pace of 625,000. Single-family starts took a similar dive, sliding 16.9 percent last month to a seasonally adjusted annual pace of 441,000. But it is the yearly comparisons that provide a stark picture of how much housing has contracted in the last year. Compared to Nov. 2007, overall housing starts have plummeted 47 percent. Single-family starts have plunged 46 percent.

■ Sandra Block, *USA Today*, Dec. 17, 2008. Homeowners often have difficulty selling or refinancing their homes because of liens placed on the property by the IRS. The IRS announced they will make it easier for financially distressed homeowners to be able to refinance. They issue more than 600,000 tax liens per year.

■ Lingling Wei & Jon Hilsenrath, *The Wall Street Journal*, Dec. 22, 2008. Would the next contestant for federal bailout please step forward? That next contestant is the country's commercial property developers. They are warning the government that the next crisis will be commercial loans. According to the research firm of Foresight Analytics LCC, \$530 billion of commercial mortgages will be coming due for refinancing in the next three years—with about \$160 billion maturing in the next year. With credit tight, rental income declining, and the fact that commercial loans are typically three-, five- or seven-year loans all point to potential loan problems.

■ Dan Fitzpatrick, *The Wall Street Journal*, Dec. 22, 2008. With the lowest

interest rates in about 40 years, it is no surprise that mortgage applications for refinancing are up substantially. Additionally, with real estate prices down in some areas, potential new borrowers are also becoming interested in residential properties.

■ Walter Molony, National Association of Realtors (NAR), Dec. 17, 2008. NAR Chief Economist, Lawrence Yun, predicts there are serious problems coming for commercial properties related to credit. Although commercial default rates are historically low, that is predicted to change. Some of his predictions are: Office rent is likely to contract next year as erosion in the job market curtails demand for space. Vacancy rates are projected to increase to 16.4 percent in the third quarter of 2009 from 13.4 percent in the third quarter of this year.

Vacancy rates in the industrial sector are forecast to rise to 12.1 percent in the third quarter of 2009 from 10.7 percent in the third quarter of this year.

Declines in consumer spending are impacting the retail sector. The retail vacancy rate will probably be 12.7 percent in the third quarter of 2009, up from 9.8 percent in the third quarter of this year.

Multifamily vacancy rates are forecast at 5.8 percent in the third quarter of 2009, unchanged from the third quarter of this year. This is the only sector where rent is expected to increase, and that is projected at around 2.8%.

■ Lauren Young, *Business Week*, Dec. 22, 2008. If you are thinking about refinancing, some of the key items that most lenders are looking for are: Having at least 20 percent equity in a home is important. A credit score of at least

720, and a debt ratio that is less than 43 percent are both essential.

■ Multiple contributors, *The Wall Street Journal*, Dec. 17, 2008. OOPS! Just at the peak, Calpers (California Public Employees' Retirement System) decided to invest heavily into the real estate market. Today it is one of the biggest owners of undeveloped residential land in America with a loss of almost a quarter of the retirement funds value since July 1. Of course, not all investments displayed good judgment. Although the fund is down by 25%, they are expected to report paper losses of 103% on the inventory as they now start to sell off at the lowest point in the real estate market.

■ Nick Timiraos, *The Wall Street Journal*, Dec. 16, 2008. Looking for a new source to finance that home purchase? How about the USDA (U.S. Department of Agriculture)? This program was created in 1991 as a way to boost homeownership in rural areas but is not limited to rural areas. It is attractive to potential buyers who have no money for a down payment and has very little closing costs. In fiscal year 2008, there were loans totaling \$7 billion, up from \$3.6 billion the previous year. In October and November of this year alone the loans totaled \$1.7 billion.

■ Sudeep Reddy, *The Wall Street Journal*, Dec. 24, 2008. According to the NAR, sales of existing homes fell by 8.6% in November from the previous month and new-home sales declined by 2.9%. Now, the worsening recession is further damaging the housing market as some consumers have or may lose their jobs, forcing even more defaults and foreclosures.

■ Sudeep Reddy, *The Wall Street Journal*, Dec. 31, 2008. Residential real estate does not seem to be improving nationwide. The Case-Shiller Index fell over 2% from September to October and is down over 18% from a year ago.

Happy New Year!

## 2009 KCAA Committee Members

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# 2009 KCAA Budget

ACCT #	ACCOUNT DESCRIPTION	2009 BUDGET	ACCT #	ACCOUNT DESCRIPTION	2009 BUDGET
01	<b>■ APPRAISER REVENUE</b>		01-03	<b>CONF &amp; MEETINGS</b>	
01-01	<b>APPRAISER OTHER</b>	\$500.00	01-03-01	Symposium	\$28,000.00
01-02	Appraiser KCAA Revenue	\$15,500.00	01-03-02	KAC	
	<b>TOTAL APPRAISER</b>	\$16,000.00	01-03-03	Directors Update	
01-03	<b>APPRAISER DUES</b>		01-03-04	IAAO	\$4,000.00
01-03-01	County Dues	\$16,000.00	01-03-05	NCRAAO	\$5,000.00
01-03-02	Non-county Dues	\$400.00		<b>TOTAL CONF &amp; MEETINGS</b>	\$37,000.00
01-03-03	CKA Dues	\$500.00	01-04	<b>TAXES</b>	
	<b>TOTAL APPRAISER DUES</b>	\$16,900.00	01-04-01	Personal Property	\$150.00
01-04	<b>CONF &amp; MEETINGS</b>		01-04-02	Other	
01-04-01	Symposium	\$38,000.00		<b>TOTAL TAXES</b>	\$150.00
	Technology Seminar	\$7,000.00	01-06	<b>CONTRIBUTIONS</b>	
	<b>TOTAL CONF &amp; MEETINGS</b>	\$45,000.00	01-06-01	Hagemann Trust	\$500.00
01-05	<b>INTEREST</b>		01-06-02	IAAO 2012 Conference Commitment	\$3,350.00
01-05-01	Bank Interest	\$900.00	01-06-04	Other Contributions	\$1,000.00
	<b>TOTAL APPRAISER REVENUE</b>	\$78,800.00	01-06-05	Scholarships	\$1,500.00
02	<b>EDUCATION REVENUE</b>			<b>TOTAL CONTRIBUTIONS</b>	\$6,350.00
02-01	Education Other		01-07	<b>PROFESSIONAL</b>	
02-03	Education Classes	\$80,000.00	01-07-01	Accounting	\$300.00
	<b>TOTAL EDUCATION REVENUE</b>	\$80,000.00	01-07-02	Legal	
	<b>TOTAL REVENUES</b>	\$158,800.00	01-07-03	Newsletter	\$4,000.00
01	<b>■ APPRAISER EXPENSES</b>			<b>TOTAL PROFESSIONAL</b>	\$4,300.00
01-01	<b>OFFICE &amp; SUPPLIES</b>		01-08	<b>CONTRACTS</b>	
01-01-01	Telephone	\$1,000.00	01-08-01	Executive Secretary	\$31,600.00
01-01-03	Postage	\$500.00	01-08-02	Executive Secr. Travel	\$3,000.00
01-01-04	Supplies	\$700.00		<b>TOTAL CONTRACTS</b>	\$34,600.00
01-01-05	Miscellaneous Other Exp.	\$500.00	01-09	<b>DUES</b>	
	<b>TOTAL OFFICE &amp; SUPPLIES</b>	\$2,700.00	01-09-01	KAC Dues	\$2,000.00
01-02	<b>LEGISLATIVE</b>		01-09-02	IAAO Affiliate Dues	\$200.00
01-02-01	Legislative Expenses	\$1,200.00		<b>TOTAL DUES</b>	\$2,200.00
	<b>TOTAL LEGISLATIVE EXPENSES</b>	\$1,200.00	01-10	<b>FEES &amp; REGISTRATIONS</b>	
			01-10-01	FEES & REGISTRATIONS	\$50.00

Budget continued on page 25



ACCT #	ACCOUNT DESCRIPTION	2009 BUDGET
01-11	<b>BANK SERVICE CHG.</b>	
01-11-01	Bank Serv. Chg.	\$50.00
01-12	<b>SPECIAL PROJECTS</b>	
01-12-01	Shirts	\$3,000.00
01-12-05	Computer Purchases & Maintenance	\$750.00
01-12-07	Handbook	\$250.00
01-12-08	IAAO Trip	\$2,000.00
01-12-09	NCRAAO Trip	\$750.00
01-12-11	Tech Seminar	\$1,000.00
01-12-12	Retirement Gifts	\$500.00
	<b>TOTAL SPECIAL PROJECTS</b>	<b>\$8,250.00</b>
	<b>APPRAISER OTHER</b>	
01-13-01	KREAB	\$400.00
01-13-02	Appraiser Other: RMA and Non-PVD	\$20,000.00
01-13-03	PVD Split	\$24,000.00
	<b>TOTAL APPRAISER OTHER</b>	<b>\$44,400.00</b>
	<b>TOTAL APPRAISAL EXPENSES</b>	<b>\$141,250.00</b>
02	<b>EDUCATION EXPENSES</b>	
02-02	Instructor Fees	\$5,300.00
02-04	Meeting Rooms	\$250.00
02-05	Classes Other	\$12,000.00
	<b>TOTAL EDUCATION EXPENSES</b>	<b>\$17,550.00</b>
	<b>TOTAL EXPENSES</b>	<b>\$158,800.00</b>
	<b>TOTAL REVENUES</b>	<b>\$158,800.00</b>
	<b>OPERATING BALANCE</b>	<b>\$0.00</b>

## Just Another Day

If there is any group of people who see the wild, wacky and funny, it is us. Keep submitting these types of items with a brief narrative.

### Fill 'er up!

Submitted by Truette McQueen, Ottawa County appraiser.

Maybe this was the first convenience store; get your coffee and your gas in one stop.



## Upside Down in Your House?

Submitted by Kevin Bradshaw, CAE, RMA

An upside down house is seen in Trassenheide, Germany, Thursday, Sept. 4, 2008. The house was built to enable an alternative view on everyday life for visitors.



IAAO celebrates its 75th anniversary in 2009.  
Learn more about IAAO at [www.iaao.org](http://www.iaao.org).