



**REAL ESTATE APPRAISER COMMISSION
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243
615-741-3600**

**Board Meeting Minutes for February 8, 2016
First Floor Conference Room 1-B
Davy Crockett Tower**

The Tennessee Real Estate Appraiser Commission met on February 8, 2016 in Nashville, Tennessee, in the first floor conference room of Davy Crockett Tower. Timothy Walton, chairman, called the meeting to order at 10:02 a.m. and the following business was transacted.

BOARD MEMBERS PRESENT: Nancy Point, Mark Johnstone, Fred Mackara, Timothy Walton, Randall Thomas, Eric Collinsworth.

BOARD MEMBERS ABSENT: Rosemarie Johnson, Norman Hall.

STAFF MEMBERS PRESENT: Nikole Avers, Keeling Baird, Brian McCormack.

ROLL CALL/NOTICE OF MEETING

Mr. Walton took roll and read notice of the meeting into the record, as follows:

“Notice of the February 8, 2016 meeting of the Tennessee Real Estate Appraiser Commission was posted to the TREAC website on December 17, 2015.”

AGENDA

Mr. Thomas motioned to adopt the agenda as written. This was seconded by Mr. Johnstone. The motion carried unanimously by roll call vote.

MINUTES

Director Avers asked that the review of the minutes be postponed until the end of the meeting. At the end of the meeting the minutes were reviewed. Mr. Johnstone made an amendment, adding his name to the list of members absent. Ms. Point motioned for the adoption of the minutes, and Mr. Collinsworth seconded. The minutes (with Mr. Johnstone’s amendment) were thus adopted unanimously.

EXPERIENCE INTERVIEWS

Mr. Thomas, Ms. Point, and Mr. Collinsworth each interviewed a trainee seeking upgrade, in all three cases it was the recommendation of these commissioners that the candidates be approved for exam. Those recommendations were approved by the board unanimously.

EDUCATION REVIEW

Dr. Mackara presented the board with his recommendations for new course approvals. Mr. Johnstone and Mr. Thomas made the commission aware that they each had one course on the list so as not to create a conflict of interest. The other members approved Dr. Mackara’s recommendations unanimously.

DIRECTORS REPORT

Director Avers began with the legislative update. She briefly reviewed the new Right to Work Act and the board had a discussion of proposed bills that could lead to the adoption of alternate appraisal standards in Tennessee.

Director Avers then welcomed Assistant Commissioner Brian McCormack to assess the board's budget and expenditures for the previous year as well as offering a summary of financial goals for the new year. Assistant Commissioner McCormack praised the recent efforts of the board and its staff and then excused himself from further business.

Randy Button appeared on behalf of the Appraisal Institute, informing the board of two bills (HB-260 and SB-2108) which that organization had been working on with state legislators. The board continued its discussion of exemptions and alternate standards. Ultimately, Mr. Walton tabled the discussion to await the decisions of the legislature.

LEGAL REPORT

1. 2015017491

Licensing History: Certified Residential Appraiser

12/03/2007—12/31/2015

Disciplinary History: 201200260 Letter of Caution

This matter is being re-presented from the December 2015 meeting, due to misinformation provided in the summary.

This complaint was filed by a consumer who alleged that the Respondent under-valued a residential property by using inappropriate comparables and not considering the improvements made in the subject property. Respondent sent a response to the complaint stating that after the report was submitted, Complainant (the client) requested that Respondent review certain properties for comparables. Respondent stated that one of the properties was not listed on the MLS, and although the property records indicate that the home sold in December, 2014 there was a lack of interior information and could not be used. Respondent maintains that the comparables utilized are considered to be in similar condition and quality as the subject property. Respondent further maintains that the improvements made were noted in the report.

The complaint, response, and appraisal report were forwarded to an expert reviewer to analyze for compliance of USPAP.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

Cost Approach:

- Cost Approach relied on the Marshall & Swift Residential Cost Handbook and estimated replacement costs for the above grade area at \$80 per square foot. The basement finished was estimated at \$25 per square foot and the other items to include decks, porches, patios, pool, fireplace, etc., were estimated at \$28,000 in gross. The garage/carport was estimated at \$20 per square foot to yield a replacement cost estimate of \$377,010. Depreciation was applied at 5% yielding a depreciated cost for improvements at \$358,159. The contribution of site improvements

was estimated at \$8,500 and lawn and landscape at \$3,000 for a conclusion of the cost approach at \$409,700.

- Site value was implied at \$40,000 and the appraisal stated that no appraisal was conducted to estimate land value. References made to Marshall & Swift, however, no specific category, page, etc. is referenced. Quality rating from cost services is labeled a C-3, which does not align with the labeling within the cost services. C-3 is a dataset label for condition.
- Therefore, a review to determine the applicability of the rates used for construction and other items is not possible.
- Specifically, basements are typically listed unfinished at a rate of around \$16 to \$18 per square foot with an addition for finish from about \$6 to \$25 per square foot. This would yield a price for the basement at about \$23 with minimal finish and about \$40 for petitioned finish. Using the mid-range finish (recreation room) at about \$11 per square foot plus approximately \$18 for finished, would indicate a replacement cost for finished basement of approximately \$30 as opposed to the rate used in the appraisal of \$25.
- The garage space of 1,278 square feet is estimated at \$20 per square foot in the appraisal, which appears to align with the cost.
- No information is presented within the appraisal work file as to the details for developing the Cost Approach, such as dimensions for decks, swimming pool, etc.
- Inasmuch, as there is no support for the land value allowance and information is limited regarding the ability to verify the unit prices used within the cost approach, the application or derivation of the value presented by the Cost Approach is not considered credible.
- The appraiser notes that the Cost Approach is not given any weight in the final value estimate.

Sales Comparison Approach

- The appraisal presents three closed sales and one listing for comparison. The closed transactions are nearby and sold from \$335,000 to \$365,000 and ranged in above-grade area from 3,036 square feet to 3,554 square feet. After adjustments, the indicated value for the subject ranged from \$360,808 to \$402,988.
- The subject is different from the comparables in that it offers a swimming pool and finished basement. The primary basement size is adjusted at \$18 per square foot per statement within the appraisal. The derivation of the adjustment is not indicated. Additionally, an adjustment of \$15,000 is made to each comparable to allow for the basement finish. Again, this is not supported.
- A positive adjustment of \$10,000 is made to each comparable to account for the subject's inground pool. There is no discussion or derivation of this adjustment allowance.
- The three comparables sold at an average of \$110 per square foot above grade area. Applying \$110 per square foot to the subject's 3,630 square feet would indicate \$399,300 prior to any allowance for the pool or basement finish.
- The difference between this number and the value conclusion causes some concern as to the credibility of the adjustments.
- As part of the Sales Comparison Approach, it is required that the appraiser report a three year sales history. It is noted that the subject sold in May of 2013 at \$370,000. This information was not reported in the appraisal. The appraisal indicated that the research revealed no prior sales within the three year reporting period.

Standards Issues

- USPAP standards includes the requirement that the appraiser must properly identify the problem to be solved in order to determine the appropriate scope of work. Specifically, within the scope of work rule is the requirement of the extent to which the property is identified. [U-13, 2014-2015]
- The appraisal does not report within the document nor within the work file the details of the swimming pool, decks, etc. as to sizes etc.

- No employment of a land comparison was made to derive the value of the site in the Cost Approach.
- Information was not presented as to the details for decks, porches, pools, etc. in order to document the application of Cost Approach. **[SR 1-1(a)]**
- USPAP Standards require the appraisers to develop an opinion of site value by an appropriate appraisal method or technique. **[SR 1-4(b)(i)]**
- This rule requires the analysis of all sales of the subject property that occurred within 3 years prior to the effective date of the appraisal. **[SR 1-5(b)]**
- USPAP Standards require that the appraisal contains sufficient information to enable the intended user of the appraisal to understand the report properly.
- The lack of a comparison to indicate the lot value violates this rule. **[SR 2-1(b)]**
- Information as to the pool size, quality, as well as decks, etc., limit the user's ability to understand the cost approach reporting.

Summary

- Items highlighted within this review include lack of reporting of sales history, lack of land value support, inability to verify cost approach and questions regarding the adjustments to sales. The adjustment rates are stated; however, there is no comment as to the derivation of those adjustments. Given that the average sale price of the comparables was essentially \$110 per square foot of above grade area and the subject offered positive attributes to include a swimming pool and finished basement, it seems reasonable that the validity of adjustment rate would be questionable. Therefore, the credibility of the conclusion is questionable.

Respondent's Response to Reviewer's Conclusions

- Lack of reporting sales history: After reviewing the above the appraiser researched public records again and did note that the subject did have a sale that took place May 2013.
- Lack of land value support (cost approach): The land value indicated in the cost approach section was based on the current assessed value of the subject site, then verified that amount to be within range of land sales in the subject's market area.
- All costs stated in the cost approach were based on Marshall and Swift; however at this time the appraiser is unable to verify specific pages due to the fact that the appraiser no longer practices the appraisal profession, therefore no long has access to the Marshall & Swift Cost Handbook.
- The adjustments as stated in the addendum of the appraisal was derived through area and market sales with significant weight on the opinion/knowledge of the appraiser.
- The average dollar per square foot was \$110. However the appraiser does not agree that it is acceptable appraisal practice by taking dollar per square foot and multiplying it by the gross living of the subject property and then taking consideration to the basement and amenities is how the final opinion of value is arrived at. The appraiser thoroughly stated in the appraisal how the final opinion of value was arrived at.
- Please note that many of the figures that were stated in the letter were merely opinions and also did not have specific notation as to where these figures came from.
- The appraiser also would like the State of Tennessee Board to know that she is no longer actively practicing. The appraiser's license expires December of 2015 and will not be renewing.

Reasoning and Recommendation: Because Respondent is no longer a practicing appraiser, with an expired license, Counsel recommends this matter be closed and flagged in the event of license renewal or reapplication. The appraiser's certified residential license expired 12/31/15. They are still within the grace period to renew the credential until June 30, 2016.

DECISION: Board approved Counsel's recommendation.

2. 2015011901

Licensing History: Certified Residential Appraiser

5/12/2004—present

Disciplinary History: None.

This complaint was filed by a consumer who alleges that the subject property was targeted for a type of equity skimming and theft of property scheme. Complainant states that the subject property was listed from May 2011-November 2011 for \$234,000 based on a market search from the real estate agent. However, Complainant states that in 2011, the subject property was appraised via a fraudulent appraisal for \$100,000, representing the subject property was abandoned and in serious disrepair. Complainant states that the loan amount at the time was \$149,548, and the subject property was foreclosed upon in March 2012. Complainant further states that in June 2012 Respondent appraised the subject property for \$190,800, but the identity of the appraiser was redacted from the report received by Complainant.

Respondent provided a response stating that the bank (the client) ordered the appraisal in July, 2012, and the subject property was being purchased by the client as an REO bank-owned property. Respondent states that the property was transferred by Substitute Trustee Deed on 3/19/2012 from Complainant to the trustee. Respondent states that Complainant was not the intended user, and the report was protected by confidentiality laws.

The complaint, response, and appraisal report were forwarded to an expert reviewer to analyze for compliance of USPAP.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- The inconsistencies throughout the report could diminish the reliability and credibility of this report. The information provided and the opinions reported in this appraisal report under review provide minimum support for the conclusions rendered.
- The property was previously listed between the dates 5/5/2011 and 11/5/2011 for \$234,000, which falls within the twelve months of the effective date of 7/29/2012. No Analysis of this listing was presented in the report.
- There was no adequate reasoning or analysis found in the report to support some of the adjustments made in the report. The lack of support or analysis does not provide sufficient information to enable the clients and intended users to understand how these figures were derived.
- No supporting information was found indicating that the opinion of site value was completed by the method noted in the report or any other appropriate appraisal method or technique.
- It was noted in the complaint, and supported by copy of the license submitted by the complainant that the license document submitted in the original report was expired. In reviewing the appraisal report submitted by the respondent, the table of contents, located within the subject report, indicates the appraiser's license is attached to the report as page 31, yet this document was not located in the report, which does provide a replica or "true copy" of what was sent to the client.

- Based on the information provided, the appraisal report under review does contain minimum amount of information or analysis to enable the client and/or intended users to properly understand the opinions and conclusions provided in the report.

Listing History:

- The report indicates that the subject property was listed in the previous 12 months prior to the effective date. The report states, *"MLS-MAAR #3249765-Subject listing was activated MLS "pending sale" status recorded on 6/21/2012.on 6/15/2012 for \$194,900"*.
- Based on a search of the local MLS, the information presented appears to be adequate and correct.
- However, further research revealed that the property was previously listed between the dates 5/5/2011 and 11/5/2011 for \$234,000, which falls within the twelve months of the effective date of 7/29/2012. No Analysis of this listing was presented in the report.
- HUD/FHA utilized the Fannie Mae Form 1004 (March 2005) as their required reporting format.
- Accepting assignments in which the client (and FHA) are intended users indicates the signing appraiser has accepted the client's assignment conditions in the "Scope of Work" of the assignment. This is further supported by the signed certification (dated 8/1/2012) attached to the report. Item # 5 of that certification states, *"I researched, verified, analyzed, and reported on any current agreement for sale for the subject property, any offering for sale of the subject in the twelve months prior to the effective date of this appraisal..."*
- Since part of the scope of work acceptability includes *"the expectations of parties who are regularly intended users for similar assignments"*, it would appear that the acceptability of the scope of work would be lacking. **[Scope of Work Rule]**

Sales History:

- The report indicates that the appraiser researched the transfer history of the subject property and has reported transfers that were found within the prior three years.
- The report includes a transfer for \$100,000 to an owner occupant on 5/16/2012. No further information was provided or analyzed, therefore not providing the intended users sufficient information to enable them to understand the report.
- Based on the reviewer's investigation, this transfer could not be verified. It is unknown if this is an actual transfer or if it is a typographical error. **[SR 2-1(b)]**

Sales Comparison Approach:

- The following adjustments were noted in the report:
 - View: \$15,000 to sale 1 and sale (listing) 5.
 - Size (GLA): \$30.00 per square foot to sales 1, 2, 3, 5, and 6.
 - Baths: \$3,500 to sales 1, 2, 3, and 5 for half bath.
 - Car Storage: \$4,500 to sales 3 and 4.
- Comments found in the addendum of the report discussed the reasoning for the +15,000 adjustment for view to sales 1 and 5.
- There was no adequate reasoning or analysis found in the report to support the other adjustments made in the report. The following statement was found in the addendum of the report, *"Typical market adjustments applied for a difference in bathroom and covered parking utility as applied for the above sales"*.
- Based on the information provided, it appears that the appraiser has selected and identified sales that are from the same or similar market as subject. Adjustments were made to the sales but no discussion or analysis was provided in the report to indicate how these adjustments were derived or supported.

- The sales comparison reconciliation did provide some discussion, but does not provide adequate reasoning for the adjustments, analysis, opinions and conclusions.
- In summary, adequate reasoning has not been provided for the adjustments and sufficient analysis has not been provided to support opinions and conclusions. With the lack of proper analysis of the sales information, the conclusions are considered to be questionable and unsupported, based on the information provided. **[SR 1-1(a); SR 2-2(b)(viii)]**
- The report does not provide sufficient information to enable the clients and intended users to understand the rationale for the opinions and conclusions provided in the sales comparison approach to value.

Site Value/Cost Approach:

- An opinion of site value of \$20,500 was noted in the cost approach section of the URAR report on page 3 of 6.
- The report notes in the site comment section of the cost approach, *“Due to no recent lot sales for this area the principle of extraction was utilized to estimate site value for the subject. Although this method is reliable there are anomalies in the market which could effect property values derived from using this method”*.
- Extraction is defined as, *“A method of estimating land value in which depreciated cost of the improvements on the improved property is estimated and deducted from the total sale price to arrive at an estimated sale price for the land”*
- No supporting information or analysis was found in the report or the work file indicating that the opinion of site value was completed by the extraction method or any appropriate appraisal method or technique. **[SR 1-4(b)(i); SR 2-2(b)(viii)]**
- The cost approach to value was not provided. The following comment was noted in the cost section of the report (page 3 of 6); *“cost approach was not developed.*
- Exclusion of the cost approach was explained in the final reconciliation.

Addendum Pages:

- It was noted in the complaint, and supported by copy of the license submitted by the complainant that the license document submitted in the original report was expired. In reviewing the appraisal report submitted by the respondent, the table of contents, located within the subject report, indicates the appraiser’s license is attached to the report as page 31, yet this document was not located in the report.
- It is recognized that the license document can be scanned and stored electronically so that it can be attached to a completed appraisal report and the updating of that information can be unintentionally overlooked.
- 2012-2013 USPAP Record Keeping Rule requires an appraiser’s work file to include: ***“true copies of any written reports, documented on any type of media. (A true copy is a replica of the report transmitted to the client. A photocopy or an electronic copy of the entire report transmitted to the client satisfies the requirement of a true copy.)”*** [Record Keeping Rule, Page U-10, lines 294-296]

Respondent’s Response to Reviewer’s Conclusions

The complaint indicated the reporting appraiser did not have a valid appraisal license as of the reports signature date. The basis for this allegation was noted in the complaint by the complainant’s assertion that a copy of the license attached to the appraisal report indicated the expiration date to be 05/31/2012. The complainant further questioned why the "Supervisory Appraiser (Only If Required) Signature Section of the URAR was not required to be completed. Both assertions were rebutted in my response dated October 10, 2015 whereby a valid copy of my appraisal license for the time period in question was submitted for review. In addition, the original complaint requested the workfile and appraisal report be

submitted for further review. The letter submitted by the Office of Legal Counsel/ Assistant General Counsel on 01/11/2016 has summarized items of deficiencies noted from the review appraiser's report. In the following is a collective response to specific violations outlined by the reviewer. Each item will be discussed as outlined in the letter and will provide a detailed explanation of the occurrence and any corrective action if required. I appreciate the opportunity for discussion and hope that providing a good understanding of my position the Appraisal Board can use sound judgement in deciding if any disciplinary action is warranted for the noted violations. It is my understanding the Board will not have the benefit of having a full copy of the appraisal report therefore it is incumbent upon me to say that the overall report was well researched and provided a reliable opinion of value for the client's scope of work.

Item #1: The letter states the following: "The inconsistencies throughout the report could diminish the reliability and credibility of this report. The information provided and the opinions reported in this appraisal report under review provide minimum support for the conclusions rendered" The letter further states "Based on the information provided, the appraisal report under review does contain minimum amount of information or analysis to enable the client and/or intended users to properly understand the opinions and conclusions provided in the report"

Response: My understanding of these two statements is that aside from the noted deficiencies the report provided sufficient data and analysis for supporting and providing a credible opinion of value.

Item #2: As stated "The property was previously listed between the dates 05/05/2011 and 11/05/2011 for \$234,000, which falls within the twelve months of the effective date of 07/28/2012. No analysis of this listing was provided in the report."

Response: The listing history for the subject was available as of the reports effective date as noted on a workfile copy of the subject's MLS listing history dated 07 /25/2012. This was an oversight by the appraiser and I concur with the reviewer's conclusions. Had this data been available to the client, it would have provided a better understanding how a higher list price affected the subject's exposure time within the twelve month time period.

Item #3: Sale History-Analysis of prior sale or transfer history of the subject and comparable sales contained a statement referring to a sale transfer that was inadvertently left from a comparable sale previously deleted from the Sales Comparison Analysis.

Response: I concur with the review appraiser that this statement was misleading and should have been deleted from the sale history commentary. This was an oversight by the appraiser and more diligence will be practiced when proof reading the report before delivering to the client.

Item #5: As stated "There was no adequate reasoning or analysis found in the report to support some of the adjustments made in the report. The lack of support or analysis does not provide sufficient information to enable the clients and intended users to understand how these figures were derived."

Response: The reviewer has identified deficiencies in reporting adequate reasoning and analysis for market utility adjustments applied for differences in GLA, Bathroom, and Covered Parking as applicable to comparables used for developing the Market Approach. The reviewer did note that adequate commentary was provided for market "view" adjustments applied to comparable sales #1 and #5. Market adjustments applied for differences in GLA, Bathroom, and Covered Parking utility are typically among the most common adjustments when developing the Market Approach to value. Line item "view"

adjustments applied to comparable sales #1 and #5 were heavier weighted adjustments requiring market specific commentary. Adjustment factors are used for more common adjustments such as Bath, Patio, Parking, Fireplace and Fence utility are mostly based on paired sales analysis to determine the contributory value of specific marketability factors for the subject however a modified cost method can be used for marketability factors not common for the market. GLA adjustments were derived using analytical tools available within my appraisal software for analyzing paired sales to aid in developing a market derived adjustment multiplier for a difference in "GLA" . A market factor of \$30 per sqft was applied for differences in GLA as applicable for the noted comparables. Although there are anomalies to this method, it is a reliable method for extracting contributory value for GLA within this competing market.

Corrective Action: Since the time of this appraisal I have taken several continuing education classes that have improved my report writing in regards to providing transparent analysis and supportive commentary within the appraisal report. Also, items noted by the reviewer have provided another opportunity to readdress these specific items and to improve on current practices going forward.

Item #4: "No supporting information was found indicating that the opinion of site value was completed by the method noted in the report or any other appropriate appraisal method or technique".

Response: I concur with the review appraiser that minimal commentary was provided to support the methods and principles used for estimating "site" value. By estimating generalized cost data for the subject's market a "site" value was extracted by subtracting the depreciated cost of improvements from the sale price to derive the estimated "site" value. Additionally, MLS recorded "lot" sales within the subject's immediate competing market were used for supporting the extracted "site" value. A cursory check of MLS market data indicated supporting "lot" sales however supporting data was not provided in the report or workfile.

Corrective Action: Additional commentary will be provided within the report to support stated methods and principles used for developing the "site" value. Additionally, copies of any supporting market data from sources used to develop value conclusions will be included in the workfile.

Item #5: The reviewer indicated the report submitted by the respondent indicated in the "the table of contents" the appraiser's license is attached to the report as page 31, yet this document was not located in the report.

Response: In responding to the original complaint, the photo copied license was intentionally omitted and a valid copy of a current license was submitted to indicate the appraiser had a valid Tennessee license as of the reports effective date.

In conclusion, this process has allowed me to reevaluate my overall appraisal practice and specifically address practices that needed changed and/or updated. In preparation for responding to the reviewer's noted deficiencies I discovered that not providing adequate reasoning and support for market adjustments and "site" value are the most reported. Although the specific deficiencies noted by the review appraiser expose weaknesses in my report writing, the reviewer did note there was sufficient information and analysis enabling the client and/or intended users to properly understand the opinions and conclusions provided in the report.

I have been a licensed appraiser since 2001 and have performed each and every assignment with the utmost integrity with a focus on providing quality appraisal reports based on sound understanding of the

principles of appraising and competent report writing. In the 3+ years since this appraisal I have experienced and learned something new about real estate appraising just about every day and will continue to learn by experience and continuing education until I expire my license. Thank you for the opportunity to provide an explanation to address the reviewer's reported deficiencies and to use this experience as an opportunity to better my appraisal practice.

Reasoning and Recommendation: Counsel recommends this matter be closed with a Letter of Caution pertaining to the above noted USPAP violations.

DECISION: Board approved Counsel's recommendation.

3. 2015020881

Licensing History: Certified General Appraiser 10/4/1991—present

Disciplinary History: 201300920 \$500 Consent Order and 30 hour Basic Appraisal Procedures Course

This complaint was filed by a consumer who alleged that Respondent provided services for a commercial property after providing expert analysis of a previous appraisal report on the same property. Complainant further states that Respondent's report was nearly \$1,000,000 less than the original appraisal report. Complainant alleges that this act constitutes unethical behavior and disregards the appraiser rules and standards.

Respondent replied stating that the Complainant was the losing party in a divorce proceeding, after the matter was appealed and reaffirmed with regard to the real estate value. In September 2013, Respondent was contacted by the attorney for Complainant's ex-spouse, in which Respondent was employed to investigate two (2) appraisals performed by another Appraiser. Respondent physically inspected the property shortly thereafter, and found that the previous appraiser had appraised the building pre-construction, showing that the entire first level was finished, which it was not. Respondent found that the second appraisal by the previous appraiser reached the same value, but cited that the first floor was partially unfinished and used entirely different methods and data. Respondent prepared a letter to the attorney citing his findings, which addressed the Sales Comparison (Land Only), Cost and Income Approaches from the first report and the Sales Comparison Approach (Improved) from the second report. Respondent further states that the previous appraiser stated that the building was owner occupied with no rental history, when in fact there were two current leases. Respondent further states that there were major discrepancies between the expenses deducted from the first and second reports, yet the same value was estimated using two different cap rates. Respondent states that the attorney engaged Respondent to perform a current appraisal on the property to be used as evidence in the court proceeding. Respondent further states that both Respondent and the previous appraiser provided testimony in the court proceedings. Respondent denies any violations of USPAP and requests dismissal of the complaint.

Complainant responded stating that Complainant's ex-spouse and Respondent are defaming Complainant on social media, and further states that the results of the divorce proceeding are irrelevant to the complaint. Complainant maintains that Respondent's appraisal services constitute unethical behavior.

The complaint, response, and appraisal report were forwarded to an expert reviewer to analyze for compliance of USPAP.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- **Exposure Time** — The report omits any discussion and/or conclusion of Exposure Time [SR 1-2(c); SR 7-2(c)]
- The area or market overview is limited to a few pages of published data. There is no area or market analysis in the report.
- The report contains no analysis of highest and best use; just a brief statement on Page 13 of the report.
- **Land Value** – Very old sales were utilized one of which appears to be acquisition of the subject site which is likely not an open market transaction.
- **Cost Approach** (Page 90)
 - “Marshall and Swift Valuation Service” (MVS) was the basis for calculating replacement cost for the subject.
 - The costs shown in the table included in the report on page 91 indicate a cost of 117.45 to \$155.12 for average to good Class D medical office buildings as stated in the report on page 90. However, those costs include elevators. The elevator cost has been added on Page 90; \$30,000.
 - No depreciation has been charged to the paving.
 - While the cost of the pool has been added there is no discussion as to whether this item represents functional obsolescence and would require filling in by a subsequent tenant.
 - An Architect’s Fee (\$158,125) has also been added. Page 3 of Section 1 of Marshall Valuation Service indicates that average architect’s and engineer’s fees are included in the base costs.
- **Sales Comparison Approach**
 - The report includes three market sales, the most recent preceding the appraisal date by approximately six years. Other than factual information regarding price, size, date and price per square foot, there is no discussion of the sales. There are no photos to assists the reader. The report does state that the sales were one story medical facilities.
 - Since the report states the market is stable, there does not appear to be any basis for an adjustment for market conditions
 - The only features of comparison identified were that the subject is two stories and has a therapy pool. The pool might add \$0.60± per square foot to the value at cost less depreciation.
 - With unit prices of \$74.56 to \$125.17 per square feet, the concluded value of \$140 per square foot is not supported by any adjustments. The lowest and highest unit prices are from the most recent sales. Since neither photos nor discussions of the sales are included it is difficult for the reader to visualize comparisons. There is no discussion regarding buyer and seller incentives, if any
 - The unfinished area of 2,990 square feet was omitted from this analysis.
- **Income Approach**
 - Rental Income: The subject property is currently occupied by two tenants
 - First Floor Income: The ground floor is partially leased to a rehab center. The lease indicates an area of 7,800± square feet. The valuation appears to be based on 7,260± square feet. The lease included in the report indicates a contract rent of \$156,000 for 7,800± square feet, or \$20.00 per square foot. The property description on page 5 indicates a total rent of \$160,500. This translates to \$22.11 per square foot for 7,260 square feet or

\$20.58 per square foot for 7,800 square feet. The discrepancy is not reconciled in the report. Based on the above, the area leased was reduced but the rent was increased. According to the lease, this is a full service rent that includes all expenses including utilities and janitorial. The rent for the first floor also includes a variety of equipment (page 12 of the lease-page 42 of the report). The appraisal includes no discussion of the leased equipment, how rent is allocated, and how that portion of the leased items would be affected by depreciation, recovery, or capitalization rate. The term commenced on March 13, 2009. The initial term was for three years. The lease provides for automatic renewal for three year terms until the lease is terminated by one of the parties. There are no stated provisions for rent changes during the term of the lease.

- First Floor Unfinished: The remaining 2,990± square feet is currently unfinished and presumably unoccupied (used by owner for storage). The ground floor also includes a common use elevator lobby.
- Second Floor Income: The second floor is subject to a lease between G***, LLC (landlord) and H*****, PC (tenant). The leased premises are shown to be 10,000 square feet. The stated rent is \$120,000 per year (\$10,000 per month) or \$12.00 per square foot. The term is for 120 months after completion of building construction (this date is not provided). Presumably, the lease commenced some time in 2003. The initial lease term would have ended some time in 2013, the same year of the appraisal under review. The report contains no discussion or indication of renewal as of the date of the appraisal. The lease indicates that the Landlord will provide utilities and janitorial service in addition to all other operating expenses. The rent will be adjusted annually to reflect increases in expenses over the base year level.
- The report's concluded market rent for the second floor is \$20.00 per square foot, gross. The only support for the concluded market rent was the statement on Page 101, 1st paragraph, "The appraiser has appraised several medical office and rehab type facilities and has found that these units generally lease at rates from \$15.00 to \$24.00 psf." The report includes no local surveys or basis for the concluded market rents. There is no explanation for lowering the rent for the first floor from \$22.50± gross to \$15.00 per square foot, gross. There is no explanation for the first floor rent being 25% lower than the second floor rent when the replacement costs were the same. The pool would actually add to the first floor cost.
- Total Income: The indicated Potential Gross Income (PGI) is \$321,375. (Page 103 of the report).
- **Occupancy Rates** — a vacancy rate of 3.0% PGI is used in this analysis. No market survey was included for comparison. The resulting Effective Gross Income (EGI) was \$311,734. Page 103 of the report.
- **Expenses**
 - Real Estate Taxes are \$29,778 indicated in the report
 - Insurance expense is reported to be \$19,000 per year.
 - Management expense of 4% of EGI is included; \$12,469 (\$12,585 indicated on Page 101).
 - Maintenance expense was concluded to be 10% of EGI, or \$31,173 per year.
 - Reserves for roof, HVAC, and parking lot were concluded to be 5.0% of EGI or \$15,787 per year.
 - The total concluded expenses were \$108,007 or \$5.28± per square foot.
 - The report does not address utility and janitorial expenses included in the rent per the leases provided.
 - Net Operating Income: The concluded NOI was \$203,726, or \$9.94±/square foot.

- Overall Capitalization Rate (OAR): An OAR/Ro of 8.48% is concluded on Page 101. The report contains no market support for the concluded rate.
- **Discounted Cash Flow Analysis (DCF)**
 - The report includes several software DCF analyses and equity yield analyses. All employ rates not supported by any surveys included or discussed in the report
 - The cash flows summarized on Page 105 include NOI's developed above. However, the NOI's developed for the DCF and if direct capitalized capitalization is utilized do not include the lease provisions for the first floor tenant. That rent includes approximately \$22.50± per square foot that should be included in the PGI. The expenses applicable to that rent should be included in the analysis. Depending on the term of the lease, and any provisions for rent changes or renewal options, the EGI and NOI would be affected. The change in income could affect the value conclusion substantially.
- **Final Summary [SR 2-1(a), (b)]**
 - The report does not contain an analysis of the area or neighborhood. The comments are limited to one indicating the market is stable and one that the subject is located within a medical office area.
 - The Land Valuation is based on three sales that occurred approximately 11 years prior to the appraisal date, one of which is the subject site which is not an arm's length transaction and is also the highest sale.
 - The Cost Approach process includes the misapplication of the use of the information included in the Marshall Valuation Service tables and probable error in the application of estimated depreciation.
 - The Market Approach is very weak and is based on three sales that are six to seven years old. Without any discussion of the sales other than they are single story medical offices, it is difficult for the user of the report to determine their applicability and comparability. The appraiser concludes a unit value that is 12% higher than the highest unit sale price and about 40% higher than the median. The appraiser indicates that this is the least reliable approach.
 - The Income Approach omits the contract rents in the income and expense analysis. There is no indication of the lease terms for the 2nd floor when the initial term expired some time in 2013. None of the rates utilized to capitalize the net income are supported by market data. There is no way to determine the reasonableness of the value indications.
 - The property rights valued should be Leased Fee Estate/Interest, not Fee Simple. The property is subject to two leases, one of which may not be arm's length.
- **Other Comments** – The appraisal states “Under USPAP Guidelines this is a Summary Report.” However, due to almost complete lack of descriptions, analyses, and other information and discussions, it is doubtful this report qualifies as a Summary Report. This report includes minimal to no discussion and reasoning. **[SR 2-2(b)(viii)].**

Respondent did not respond to the reviewer's conclusions.

Reasoning and Recommendation: Because the Respondent has had prior discipline recently which included terms of \$500 Consent Order and 30 hour Basic Appraisal Procedures Course; Counsel recommends the authorization of a civil penalty amount of a Two Thousand Dollars (\$2,000) to be satisfied within thirty (30) days of execution of the Consent Order. Such terms are to be settled by Consent Order or Formal Hearing.

DECISION: Board authorized a civil penalty in the amount of Two Thousand Dollars (\$2,000) to be satisfied within thirty (30) days of execution of the Order, as well as a thirty (30) hour General Income Capitalization Course Part 2 Course to be satisfied within one hundred eighty (180) days of execution of the Order. Such terms to be settled by Consent Order or Formal Hearing.

4. 20150215521

Licensing History: Licensed Real Estate Appraiser

3/20/1995—present

Disciplinary History: None.

A complaint was filed by a consumer alleging that Respondent failed to meet the VA minimum property requirements, and after purchasing it was discovered that the down spout is puddling/pooling in the crawl space because the grade is below the high point on the property.

Respondent submitted a response stating that an appraisal was performed on behalf of the lender, and the intended use was to evaluate the subject property for a mortgage finance transaction, subject to the stated Scope of Work, purpose of the appraisal, reporting requirements of the appraisal report form, and Definition of Market Value. Respondent states that the Complainant is not the intended user of the report. Respondent states that he has been on the VA roster for over ten (10) years and is very familiar with VA Minimum Property Requirements (MPR). Respondent states that the latest circular dated 10/1/14 regarding policy changes affecting value adjustments and photographs did not mention drainage or site. The MPR references for hazards and defective conditions are found in the handbook. Respondent inspected the subject property for approximately one hour, measured and photographed the interior and exterior, and made a head and shoulder observation of the crawl space under the dwelling and the partly covered rear-deck and observed that the areas were dry without evidence of dampness or past or present ponding water. Approximately two (2) weeks later, the subject property was re-inspected to ensure that the landscaping and crawl space doors were installed and finished. Respondent states that the site appeared to have been graded correctly, with positive drainage away from the perimeter foundation. Respondent maintains that the subject property met VA minimum property requirements.

Complainant replied to the response stating that Complainant paid the lender for the appraisal. Complainant further states that Respondent's re-inspection report from the county code administration states that the soil needs to be sloped away from the front house walls and deck steps; to complete grade work to slope grade within 6-10"; and to remove all debris and vegetation from crawl space—all of which are a part of the appraiser handbook.

The complaint, response, and appraisal report were forwarded to an expert reviewer to analyze for compliance of USPAP.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- The neighborhood section indicates that the neighborhood is over 75% built up and is a stable suburban location with property values being stable. Demand supply is shown to be over supplied and marketing time is listed at 3 to 6 months. The predominant home price is shown to be \$250,000 with a typical age of 25 years. An attached addendum elaborates on the neighborhood description. Information repeats the price ranges, age ranges, etc. The neighborhood description,

however, does not identify the geographic location of the neighborhood, boundaries, etc. Mention is made that the property is convenient to shopping, work centers, etc.

- The improvement description section of the report rates the property as 2014 construction consisting of two stories and containing 2,715 square feet. Condition states that there have been no updates in the prior 15 years. All utilities were not on at the time of inspection and all plumbing, electrical and mechanical systems appear to be functioning correctly. I question this statement inasmuch as if the utilities were not on, how can determination that they were functioning correctly be stated.
- **Scope of Work Rule**--The property is rated as new construction but a cost approach was not completed. The appraisal states that omission of the cost approach did not reduce the credibility of the report. This action is questionable.
 - Inasmuch as the property was rated as new construction, omission of the cost approach is questionable. **[SR 1-1(a)]**
 - The contracted price allowed for seller paying \$5,944 as sale concession. The appraisal states that "it is customary and traditional in the area for the majority of sellers to pay toward buyer's closing costs". The appraisal utilized four sales of which none were reported to have sale concessions. **[SR 1-1(b), 1-2(c)(iv)]**
 - The implication that a majority of market transactions utilize seller concessions, coupled with the lack of concessions for any of the four sales seem contradictory. **[SR 2-1(A)]**

Respondent did not respond to the expert reviewer's conclusions.

Reasoning and Recommendation: The reviewer noted that the complaint relates primarily to construction and drainage issues. These items are beyond the scope of this work product. **Counsel recommends this matter be closed with a Letter of Caution pertaining to the above noted USPAP violations.**

DECISION: Board approved Counsel's recommendation.

5. **20150216451 Licensing History: Licensed Real Estate Appraiser
11/25/09—present
Disciplinary History: None.**

This complaint was filed by a consumer who stated that the Complainant (owner) did a walk-through of the subject property and ensured that all drywall touch-ups were perfected prior to Respondent's appraisal of the property. Complainant states that after the appraisal, Complainant noticed a damaged corner and missing drywall at the bottom of the stairwell and that one of the dining room chairs had drywall dust on it. Complainant alleges that Respondent had moved the dining room chair upstairs to stand on it to take pictures of the attic. Complainant states that, although the real estate agent did not provide photographs from the report, the agent confirmed that the attic photographs were taken at ceiling level. Complainant states that Respondent did not report the incident, and alleged unethical behavior. Complainant states that the buyers agreed to take the home as-is and to send an invoice to the appraiser for the damage, but Complainant is filing a complaint for the unprofessional behavior.

Respondent states that the lender contacted Respondent to inquire if Respondent had knowledge of the damage. Respondent does not recall an incident and cannot say with 100% certainty that Respondent did not make contact with the wall with Respondent's ladder. However, Respondent states that there was no need to use a chair to access the attic since Respondent carries a ladder to each inspection for this very purpose. Because Respondent cannot recall the situation, Respondent offered to pay for any and all costs associated with the incident. Respondent states that there has been no direct communication from Complainant or any other party in the closing alleging unethical behavior. Respondent states that it is important for Respondent to leave any dwelling the way it was found, so Respondent offered to remedy the situation. Respondent states that the opinion of value of the subject property fell below the original contract price, and the homeowner (Complainant) was not satisfied. Respondent filled out a rebuttal form received on behalf of Complainant. However, after considering comps that Complainant provided, Respondent's opinion of value did not change.

Complainant replied to the response by submitting a lockbox report which shows that Respondent was the only person who accessed the property via the lockbox on September 29, 2015. Complainant also submitted photographs of the drywall damage and chair. Complainant states that Respondent's appraisal of the home had nothing to do with the complaint, which is why it was not addressed in the complaint. Complainant additionally states that Complainant's real estate agent provided the rebuttal and comps, which Complainant had nothing to do with. Respondent maintains that it is unethical for Respondent to damage the property and fail to report it.

There was no appraisal report provided. As such, the matter was not forwarded to an expert review.

Reasoning and Recommendation: Close due to insufficient evidence of a violation.

DECISION: Board approved Counsel's recommendation.

6. **20150219981** **Licensing History: Certified Residential Appraiser**
4/1/1993—present

Disciplinary History: 201500496 Letter of Caution (pertaining to reporting the listing and sale history and supporting the site value and cost figures in the cost approach)

This complaint was filed by a consumer who alleged that Respondent undervalued a residential property to assist a prospective buyer in voiding the purchase contract. Complainant states that Complainant (owner) was required to submit an appraisal along with the sales contract for approval by the IRS due to a lien on the property. Complainant states that the \$500,000 purchase contract had no contingencies other than the appraisal, and the price was reduced substantially to accommodate. Complainant states that the closing was set for 60 days or earlier because the IRS needed time to approve the closing, which the prospective buyers were aware of. Complainant states that the appraisal sent to the IRS was for \$500,000, and the IRS approved the sale to move forward pretty quickly. Complainant states that the prospective buyers requested a home inspection one week before closing, and Complainant declined because inspections were waived in the contract. Complainant states that the next day, the prospective buyers requested an appraisal for the Saturday before closing. Complainant states that Respondent was hired and performed the appraisal the Saturday before closing, and the valuation was \$494,700.

Complainant states that this amount is simply the average of the 5 comparables used. Complainant believes that Respondent was hired to undervalue the property, so the potential buyer could opt out of the contract and recover the earnest money. Complainant alleges unethical and unprofessional behavior on the part of Respondent.

Respondent denies the allegations of collaboration, and states that Respondent was not provided with any information regarding the purchase contract and price. Respondent denies having been given direction from the potential buyers (clients) regarding a potential valuation result. Respondent states that compensation was not contingent upon reporting a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event. Respondent states the appraisal was not based on a requested minimum valuation or specific valuation. Respondent believes that the Complainant filed the complaint as a punitive action because the Respondent's appraisal of the property did not meet Complainant's expectation.

The complaint, response, and appraisal report were forwarded to an expert reviewer to analyze for compliance of USPAP.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- **Intended Use:** The appraiser chose to use the Fannie Mae 1004 appraisal report form. The intended use inherent in the form, as stated on page 6 of the report, is for the lender/client to evaluate the property for a mortgage finance transaction. This, however, is not the intended use of the client since the client is not a lending institution. The actual intended use, which should have been identified in the report, is to assist the client in decision making regarding the purchase of the home since the client is the buyer. A statement is made on the first page of the report form (identified as page 3 of 23) that the assignment type is other: Establish value. This statement is not sufficient to identify the intended use of the client. [**Scope of Work Rule, line 412; SR 1-2, line 516; SR 2-2, line 686**]
- **Scope of Work:** The appraiser did not obtain a copy of the sales contract that was in effective as of the date of the appraisal and therefore did not analyze the contract. Certainly the appraiser would know that a contract existed since it is stated on the 3rd page of the report that the subject status is "Pending." The only explanation provided in the report is that the "contract was not provided." This is an insufficient explanation for not analyzing the contract. If the client requested that the appraiser not know the contract amount, this would require a scope of work decision that must be disclosed in the report. No such disclosure is found in the report. The reviewer did not find a copy of the sales contract in the Respondent's file and therefore has no access to the contract. It is stated in the complaint that the contract price was \$500,000. The appraiser concluded a value opinion of \$494,700. A proper analysis of the contract should provide reasoning for and reconcile the difference in these two amounts. A proper explanation here might have avoided the confusion that has led to this complaint. [**SR 1-5, line 629; SR 2-2, line 651-653; Scope of Work Rule, line 391, SR 2-2, line 717ff**]
- **Insufficient Explanation of Comparable Sale Selection:** The subject site contains 11 acres whereas all of the comparable sales are smaller and required upward adjustments. One of the sales had less than 3 acres, three of the five sales had 5 acres, and one sale had 8.5 acres. The reviewer has performed a search for additional comparable sales and found that sales with similar acreage are scarce. However, the appraiser does have the option to extend the parameters of the search to go back further in time or to go out further geographically. Comp 5 does represent an older sale. In any case, a detailed explanation should be provided when the comparable sales

used in the analysis lack comparability in one or more of the elements of comparison that are most crucial to the value opinion. In this case, land value is one of the most crucial elements affecting value. A proper summary of this information would include disclosure of the type and extent of data researched. **[Scope of Work Rule, line 398; SR 2-2, line 717].**

- **Unsupported and Unexplained Adjustments in the Sales Comparison Approach:** Adjustments are made in the sales grid for site size differences (\$4500 per acre difference) quality and condition (amounts vary with each sale), age (inconsistent) GLA at \$50 per sf, basement, baths, porches, and pool. The appraisal report states that site adjustments are based on site value differences between the comp and the subject; however, no such analysis is found in the workfile. The GLA adjustment is stated to be based on paired sales, but no such paired sales analysis is found in the workfile. No support for any of the adjustment amounts is found in the report or in the workfile. **[Scope of Work Rule, line 398; SR 2-2, line 717]**
- **Reconciliation:** An insufficient reconciliation is found in the sales comparison approach to value. Five sales are used in the analysis to support an adjusted value range of \$471,735 - \$537,010. The only statement of reconciliation made in the analysis is, "All comps were assigned equal weight in the final reconciliation." This statement is insufficient to explain how the appraiser arrived at the final opinion of \$494,700. The mathematical average of the five adjusted values is \$494,617; the appraiser seems to have simply taken the average of these values as the final value opinion. This appears to be an odd value since most appraisers generally round the final value opinion to the nearest \$500 or \$1000. Reconciliation, as defined in The Dictionary of Real Estate Appraisal, 5th Edition, is "the process of reducing a range of value indications into an appropriate conclusion for that analysis." The Appraisal of Real Estate, 14th Edition, page 642 states, "The final value opinion is not the average of the different value indications derived." **[SR 1-1(a) and (b); SR 1-6, line 637; SR 2-2(a)(viii), line 732-734]**
- **Highest and Best Use:** The appraisal report states on page 1 that the highest and best use is the current use of the property but there is no summary of the support and rationale for this opinion. **[SR 2-2(a), line 743]**
- **Certification:** The Ethics Rule requires the appraiser to disclose any prior services regarding the subject within the past 3 years. This disclosure is to appear in the certification. The report has a statement regarding this requirement, but it does not appear in the certification. **[Ethic Rule, line 254-259]**

Respondent did not respond to the expert reviewer's conclusions.

Reasoning and Recommendation: Counsel recommends this matter be closed with a Letter of Caution pertaining to the above noted USPAP violations with the exception of the Certification item, which should be noted as a certification violation.

DECISION: Board approved Counsel's recommendation.

7. 20150221571

Licensing History: Certified Residential Appraiser - 7/30/2004—present

Disciplinary History: 200901055 Letter of Warning -regarding adequately reporting information.

This complaint was filed by a consumer alleging that Respondent undervalued a residential property during Complainant's refinance by using inappropriate comparable sales data and failing to account for a major renovation. Complainant states that the subject property appraised for \$1,190,000 in November 2010 during an economic downturn, and Respondent's appraisal of \$800,000 is grossly negligent.

Respondent states that original and revised appraisal reports were submitted after the client provided additional comparables. Respondent included the provided comparables in the revised report with commentary on each, and revised the subject appraisal to an estimated value of \$950,000.

The complaint, response, and appraisal reports were forwarded to an expert reviewer to analyze for compliance of USPAP.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- **Site value:** An opinion of site value is provided in the cost approach; the stated support for the site value opinion is extraction and discussion with local realtors. There is no extraction analysis provided in the report or in the workfile and no specific details obtained from realtor interviews. There is no summary of support and no reconciliation of data to support any site value at all. Since an opinion of site value is, by definition, an appraisal, all applicable standards rules in Standard 1 and 2 are required of the appraiser. **[SR 2-1(b); SR 2-2(a)(viii); and Record Keeping Rule, line 321]**
- **Unsupported and Unexplained Adjustments in the Sales Comparison Approach:** There are no comments found anywhere in the original report, dated September 14, 2015, regarding the sales comparison approach. There is no support found in the report or in the workfile for any of the adjustments. A few comments are found in the revised report, but these are basically limited to why additional sales provided by the client are not used in the analysis. **[SR 2-2(a)(viii) and Record Keeping Rule, line 321]**
- **Reconciliation:** The original report, dated September 14, 2015, states that Comparable 2 is given the most weight due to similarity in GLA and location. This sale adjusted to \$766,400, but the final value opinion was \$800,000. This sale was completely eliminated in the revised report, dated September 20, 2015, and replaced by a sale that adjusted to \$1,165,900. It is now stated in this report that the new Comparable 2 is given the most weight to support an increase in value to \$950,000. These inconsistencies are sufficient to render the report as completely lacking credibility. **[Preamble lines 148-151; SR 1-1, line 507; SR 1-6, line 367; SR 2, line 642-643 and line 651-653; SR 2-2(a), line 732-734]**
- **Cost Approach:** The cost approach indicates a land value of \$800,000. The original appraised value for the whole property was also \$800,000 implying that the subject value is land only, yet the improvements are given an effective age of 15 with remaining economic life of 55 implying that there is still contributory value to the improvements. In addition, the indicated cost per sq. ft. for the subject is \$61. It is the reviewer's experience in this market area that homes of this size and style would cost much more than this. For these reasons, the cost approach presented in this appraisal report is not credible. **[SR 1-4, lines 586-589]**
- **Appraised Value:** The original appraised value was \$800,000 and the revised appraised value is \$950,000; this is a difference of \$150,000 or almost 20%. This difference is significant and suggests that the appraiser is either not competent to appraise in this geographic area or did not apply sufficient diligence in one or both of the reports to provide credible results. **[Competency Rule, line 351; SR 1-1, line 503-506]**

Respondent's Response to Reviewer's Conclusions

Thank you for the opportunity to address the concerns brought forth in your letter dated January 11, 2016.

The subject is a Tudor Style single family dwelling built in 1940. The original areas of the home are in average to good condition but lack updates both inside and out. An addition of approximately 1,700 square feet was built within the past 10 years and includes an enlarged/renovated kitchen, master bedroom & bath as well as 2 finished basement rooms. The grounds and exterior hardscape lacks any recent improvements. The subject's market is one that is in transition. Older homes are typically purchased and being totally updated and renovated or razed to prepare the site for new construction of a single residence or Horizontal Property Regime units. The subject falls somewhere in the middle of a home warranting renovation and one that would be torn down for new development.

The September 14th appraisal relied heavily on (then) sale 2 due to its similar GLA and location. After delivery of the September 14th report, I was asked by the client to review several sales and reconsider my opinion. Upon a second review of these sales (they had been considered originally) and further consultation with other professionals in my office, I concluded that the original sale 2, while relevant, was more of an outlier when considered in context of all available sales information of properties that had some updating (similar to the subject). I reviewed the original comparable 2, in version 1 and the replacement, in version 2. The comparable in version 1 was a home similar to the subject in GLA but without any recent updates or improvements. The comparable in the September 20th report is slightly smaller than the subject with renovations to the kitchen and baths (subject is half new and half original condition) and this sale has a site size similar to the subject. I do not take lightly changing my opinion of value, but, given the complexities of this particular market, in this particular case, the reconsideration was sensible. I believe that it is prudent and advisable that the public interest is best served if an appraiser (after thoughtful consideration) is willing to re-evaluate their opinion based on factual data, and that they can support and change their opinion without being in "noncompliance" with US PAP.

I have been a state certified residential appraiser since 1991 and, have performed residential appraisals since 1988. During the past approximately 10 years being in Tennessee, I have never had any actions brought against me in any of the 4 states I've held my certification. I take this situation very seriously and trust the board will agree with the decisions made for this assignment.

Reasoning and Recommendation: Because the appraiser has already received a letter of warning in the past for failure to adequately report information in his appraisals, Counsel recommends the authorization of a civil penalty in the amount of One Thousand Dollars (\$1,000) to be satisfied within thirty (30) days of execution of the Consent Order. Such terms are to be settled by Consent Order or Formal Hearing.

DECISION: Board authorized a thirty (30) hour Basic Appraisal Procedures Course, which must be taken and completed in a classroom setting. In addition, the Board authorized a fifteen (15) hour Case Studies Course. Both courses are to be completed within one hundred eighty (180) days of execution of the Consent Order. Such terms to be settled by Consent Order or Formal Hearing.

8. 20150222031

Licensing History: Certified Residential Appraiser

9/13/2006—present

Disciplinary History: 200708249 Letter of Warning

This complaint was filed by consumers requesting that the Commission be aware of complaints filed against Respondent with the Tennessee Real Estate Commission for unethical practices. Complainants believe that Respondent violated the confidentiality of the clients by discussing another property in the presence of Complainant.

Respondent acted as a listing agent in an affiliate broker capacity for Complainant. Respondent denies providing an appraisal report or valuation for Complainant. Respondent denies relaying any information regarding another subject property, but that Complainant asked about Respondent's personal knowledge of the homeowners and their divorce. Respondent denies violating USPAP and/or the Ethics Rule requirements.

Office of legal counsel confirmed that two (2) complaints have been filed with the Tennessee Real Estate Commission by Complainant and spouse against Respondent. The matter is currently awaiting a response from Respondent and will be reviewed and presented to the Tennessee Real Estate Commission.

Reasoning and Recommendation: It appears that Respondent provided services to Complainant as a real estate agent, and thus, this complaint is outside of the purview of this Commission. Counsel recommends that this matter be Closed with no further action.

DECISION: Board approved Counsel's recommendation.

NEW BUSINESS

Moving on to new business, the board began a discussion of "customary and reasonable fees." Mr. Walton felt it was important to address declining appraisal rates in recent years and looking at neighboring states for possible solutions. Ms. Point suggested a possible study on appraisal fees in the state and Dr. Mackara offered his assistance with the state's universities.

Because of the recent death of commission member Gary Standifer, the board had been operating without a vice chair. Mr. Collinsworth suggested Rosemarie Johnson for the position. This motion was seconded by Ms. Point, and adopted by the board unanimously.

There being no other new business, Mr. Walton entertained a motion from Mr. Collinsworth to adjourn the meeting at 2:06 p.m.