



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
REAL ESTATE APPRAISER COMMISSION
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243-1166
615-741-1831

November 15, 2010
Second Floor Conference Room, Andrew Johnson Tower

The Tennessee Real Estate Appraiser Commission met November 15, 2010, at 9:45 a.m. in Nashville, Tennessee, at the Andrew Johnson Tower in the second floor conference room. Chairman, Thomas Carter, called the meeting to order and the following business was transacted.

COMMISSION MEMBERS PRESENT

James E. Wade, Jr.
Herbert Phillips
Thomas R. Carter
William R. Flowers, Jr.
Erik Sanford
Marc Headden

COMMISSION MEMBERS ABSENT

Najanna Coleman
Dr. Edward A. Baryla
Nancy Point

STAFF MEMBERS PRESENT

Nikole Avers, Administrative Director
Aminah Saunders, Staff Attorney

ADOPT AGENDA

Mr. Phillips made the motion to accept the agenda and it was seconded by Headden. The motion carried unopposed.

MINUTES

The November 2010 minutes were reviewed. Mr. Phillips made the motion to accept the minutes as written. It was seconded by Mr. Headden. The motion carried unopposed.

GENERAL BUSINESS

Experience Interviews

Steven M Goodpaster made application to upgrade from a registered trainee to become a certified general real estate appraiser. Mr. Headden was the reviewer and recommended approval of his

experience request. Mr. Flowers made the motion to accept the recommendation and Mr. Wade seconded the motion. The motion carried unopposed.

Matthew R. Aull made application to upgrade from a registered trainee to become a certified general real estate appraiser. Mr. Carter was the reviewer and he recommended approval of his experience request. Mr. Wade made the motion to accept the recommendation and Mr. Flowers seconded the motion. The motion carried unopposed.

Suzanne R Dunn made application to upgrade from a registered trainee to become a certified residential real estate appraiser. Mr. James Wade was the reviewer and he recommended approval of her experience request. Mr. Flowers made the motion to accept the recommendation and Mr. Phillips seconded the motion. The motion carried unopposed.

Billie Ruth Dalton made application to upgrade from a registered trainee to become a certified residential real estate appraiser. Mr. Phillips was the reviewer and recommended approval of her experience request. Mr. Flowers made the motion to accept the recommendation and Mr. Wade seconded the motion. The motion carried unopposed.

Jason B Chandler made application to upgrade from a licensed real estate appraiser to become a certified residential real estate appraiser. Mr. Flowers was the reviewer and recommended completion of a fourteen (14) hour Market Analysis and High & Best Use course prior to exam approval for this applicant. No second interview was required. Mr. Phillips made the motion to accept the recommendation and Mr. Wade seconded the motion. The motion carried unopposed.

Education Committee Report

Dr. Baryla reviewed the education and submitted his recommendations by e-mail to the Real Estate Appraiser Commission, as seen below. Ms. Avers read the recommendations into the record. Mr. Wade made a motion to accept Dr. Baryla’s recommendations. Mr. Flowers seconded the motion. The motion carried unopposed.

November 2010 Education Committee Report

Course Provider	Course #	Course Name	Instructors	Hrs.	Type	Rec. from Dr. Baryla
Appraisal Institute	1442	On-line GLS- The Novice Case Study	George Dell	7	CE	For
Appraisal Institute	1443	Case Studies in Appraising Green Residential Buildings	Sandra Adomatis	7 (1)	CE	For 7 hours, 8 if course provider provides a passing test grade
Appraisal Institute	1444	Introduction to Green Buildings: Principles + Concepts	Taylor Watkins	7 (1)	CE	For 7 hours, 8 if course provider provides a passing test grade

McKissock	1445	Introduction to Residential Green Building for Appraisers	Susanne Barkalow Dan Bradley Wally Czekalski Ken Guilfoyle Charles Huntoon Andrew Leirer Tracy Martin Dick McKissock Larry McMillen Dale Sungy Steve Vehmeir Lee Wessendorf John Willey Chuck Fisher Alan Simmons	4	CE	For
McKissock	1446	Residential Appraisal Review	Susanne Barkalow Dan Bradley Wally Czekalski Ken Guilfoyle Charles Huntoon Andrew Leirer Tracy Martin Dick McKissock Larry McMillen Dale Sungy Steve Vehmeir Lee Wessendorf John Willey Chuck Fisher Alan Simmons	7	CE	For
	1447	Financial Reform, Fannie Mae, and Appraisers	Susanne Barkalow Dan Bradley Wally Czekalski Ken Guilfoyle Charles Huntoon Andrew Leirer Tracy Martin Dick McKissock Larry McMillen Dale Sungy Steve Vehmeir Lee Wessendorf John Willey Chuck Fisher Alan Simmons	7	CE	For

Individual Course Approval

Name	License #	Provider	Course Name	Hrs	Type	Rec.
Thomas Carter	1081	The Appraisal Foundation	Investigator Training	17.5	CE	For
Thomas Carter	1081	The Appraisal Foundation	Investigator Training Level 2	17.5	CE	For

Reagan Schwarzlose	4415	The Risk Management Association	Chief Appraisers Real Estate Round Table	10	CE	For
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Adding Instructor to Class

Name	Provider	Course #	Course Name	Hrs	Type	Rec.
Lee Wessendorf	McKissock	1207	National/USPAP Update/Equivalent(10-11)(7hrs)	7	CE	For
Lee Wessendorf	McKissock	1391	REO and Short Sale Appraisal Guidelines(4 hrs)	4	CE	For

Legal Report:

1. 2010010971 **Danny Wiley was the Reviewer.**

This complaint was filed by an Appraisal Management Company and included allegations that the Respondent violated USPAP, Scope of Work Rule, Ethics Rule and Competency Rule by failing to provide 3 comparable listings as required on an REO assignment and failing to have MLS access in the subject area.

The Respondent stated in his response letter that when he initially accepted the appraisal order, he didn't understand the instructions to put comparable listings in the appraisal. He subsequently was requested by the client to add those listings. He told him it would cost an additional \$100 fee for the listings as he would have to drive back to the subject area (150 + miles from his office) and meet with local realtors to get the listings. The lender told him that he should have read the instructions and they would not pay an additional fee. The Respondent indicated that they should reassign the appraisal assignment and he would not charge them for the appraisal because he does not have MLS access in that area. He indicated he used courthouse records to verify his sales data.

EXPERT CONCLUSIONS [alleged violations included within brackets]:

- The report contains no analysis of the listing of the subject property.
- A prior sale of the subject occurred in the 3 years prior to the effective date of the appraisal. The sale price and date are reported, but there is no analysis of the prior sale.
- The home is located on a lot that adjoins a golf course. The report does not address the golf course location. The work file contains no data to indicate that there was any objective analysis to support the conclusion that no adjustment should be applied for the golf course location.

The report states that the subject property sold in 2008 for \$205,000. Public records indicate that the home sold on 2/29/2008 for \$205,000. The appraisal report contains no analysis of that sale. [SR 1-5(a), SR 1-5(b), SR 2-2(b)(viii)]

The market conditions have not been reported in compliance with applicable assignment conditions. The data on the form 1004MC is not consistent with the data presented on the top of page 2 of the URAR. [SCOPE OF WORK RULE: Problem Identification section]

The site adjoins a golf course. That fact is not addressed in the appraisal report. The view is reported to be "housesAv." [SR 1-2(e)(i), SR 2-1(a), SR 2-2(b)(iii)]

The MLS listing for the subject notes that the home is on a golf course. The listing includes photos showing the view of the golf course. Tax maps also show that the home is on the golf course. The location of the home on a golf course lot was not addressed in the comparison approach. There are no lot sales in the workfile. There are no tax maps in the workfile. There are no sales of homes fronting the golf course in the workfile. In sum, there is no evidence in the workfile that the Respondent conducted any objective analysis of market data to decide whether or not the golf course location was a factor in the value of the subject property. The MLS system contains many lot sales and home sales in the area that could have been analyzed to provide objective support for the effect of the golf course location. [SR 1-1(b), SR 1-2(e) (i), 1-4(a), SR 2-1(a), SR 2-2(b)(iii), SR 2-2(b)(viii)]

The report did not contain a cost approach or an income approach. Neither of these approaches would be required for the appraisal assignment. However, USPAP requirements state that the report must contain an explanation for the omission of these approaches, even in assignments where they are not required. [SR 2-2(b) (viii)]

In a response to TREAC that was received on April 1, 2010, the Respondent stated, "This is a copy of my file except for the contract, which I do not have." Failure to maintain a copy of the sale contract is inconsistent with record keeping requirements. [ETHICS RULE: Record Keeping section]

License History: Licensed Residential RE Appraiser 10/31/1991 to 10/26/2010

Prior Complaint / Disciplinary History: None.

Reasoning and Recommendation: The Commission approved authorization of a consent order imposing a **seven hundred and fifty dollar** (\$750.00) civil penalty and fifteen (15) hour Site Valuation and Cost Approach course. The corrective education should assist the Respondent with the analysis and reporting of issues related to the external influences of site value.

The Respondent SURRENDERED the Real Estate Appraiser license October 26, 2010. Counsel recommends closing and flagging this complaint should the Respondent reapply for licensure.

Vote: Mr. Phillips made the motion to accept the recommendation and Mr. Wade seconded the motion. The motion carried unopposed.

2. 201002214 This complaint was reviewed by TREAC staff.

This complaint was filed by a consumer and included allegations that the Respondent acted unprofessionally in her performance of a real estate appraisal by requiring GFI outlets to be installed in the bedrooms of a home and a structural or tree expert to be obtained to inspect tree roots found in the crawlspace.

The Respondent stated in her response letter that her client was not the Complainant but a lender. The Respondent wrote that in the course of inspection, she noted that there were no ground fault switches in the kitchen or any or ground faults in the bedrooms. This was an FHA appraisal assignment and in observance for safety, structural integrity, Respondent noted that the switches were not present and reported this to the lender. Respondent also noted when inspecting the crawl space large tree roots surfacing at the door area and under the house. Respondents advised the lender that (an expert) should inspect the issue.

REVIEW CONCLUSIONS [alleged violations included within brackets]:

- Two appraisal reports were communicated to the client. The Respondent referred to the first report as a "draft report" and it did not contain the detailed addendum pages found in the second appraisal report. The conclusions are similar in both reports. There were some typographical errors in both reports.
- The analysis of the highest and best use, cost and sales comparison approach appear credible in the context of the intended use and intended users of the appraisal report. The income approach was not

developed in the appraisal(s), and does not appear to have been necessary for credible assignment results.

License History: Certified General 3/3/1992 to Present

Prior Complaint / Disciplinary History: 944602 (closed); 945180 (closed); 200800690 (Closed with a consent order for education courses and hearing/investigatory costs)

Reasoning and Recommendation: Counsel recommends that this complaint be **DISMISSED** as there were no identified violations of USPAP.

Vote: Mr. Wade made the motion to accept the recommendation and Mr. Headden seconded the motion. The motion carried unopposed.

3. 201002562 There was no Reviewer in this matter.

This complaint was filed by a mortgage lender and included allegations that the Respondent violated professional standards in the appraisal of a residence. The effective date of the report was December 20, 2005. This appraiser's credential in Tennessee expired on November 10, 2008 and he holds no active credentials in other States.

License History: Licensed Real Estate Appraiser 11/10/1992 to 11/10/2008

Prior Complaint / Disciplinary History: 200419333 (Closed with consent order \$1,000); 200501267 (Closed with Letter of Warning)

Reasoning and Recommendation: Counsel recommends that this complaint be **CLOSED and FLAGGED** as the Respondent's credential expired in 2008 and there is no indication that the Respondent is licensed in another jurisdiction.

Vote: Mr. Phillips made the motion to accept the recommendation and Mr. Flowers seconded the motion. The motion carried unopposed.

4. 2010027571 There was no Reviewer in this matter.

This complaint was filed by a business and alleged that the Respondent is practicing as an appraiser in Tennessee without a license. The complainant provided a copy of an "Appraisal Review" that provided a "value conclusion" of an identified commercial property.

The Respondent states that the complaint is without merit. . The Respondent relies on T.C.A. § 62-39-103 (b) which states, "This section shall not be construed to apply to individuals who render professional assistance in arriving at a real estate analysis, opinion or conclusion."

License History: None.

Prior Complaint / Disciplinary History: N/A

Reasoning and Recommendation: Counsel recommends that this complaint be **CLOSED with a Letter of Warning** regarding the statutory definition of an "appraisal". After speaking with the Respondent Counsel believes the Respondent is misinformed regarding the definition of an appraisal in Tennessee.

Vote: After some discussion on this matter, Mr. Phillips made the motion to accept the recommendation and Mr. Headden seconded the motion. Mr. Wade voted “No”. All others present voted “yes” and the motion carried.

5. 201001172 Danny Wiley was the Reviewer.

This complaint was filed by a consumer and alleged that the Respondent undervalued a residential property, failed to consider additional comparables and did not include the lower level of the tri level property in the GLA.

The Respondent states that the appraisal was based on the four (4) comparable sales which sold at lower values.

EXPERT CONCLUSIONS [alleged violations included within brackets]:

- The complaint alleges that the Respondent did not handle the lower level living area appropriately. The reviewer found this allegation to be without merit.
- The appraisal report describes the lower level as “finished basement”; this is consistent with MLS listings and the tax data for the subject property.
- Two minor issues were noted: A prior sale of one of the comparables was not reported, two reports were issued; both had the same signature date.

License History: Certified General Real Estate Appraiser 12/12/1991 - present

Prior Complaint / Disciplinary History: 200708671 Closed with a Letter of Warning.

Reasoning and Recommendation: Counsel recommends that this complaint be **CLOSED with a Letter of Warning** regarding the minor issue noted by the reviewer.

Vote: Mr. Flowers made the motion to accept the recommendation and Mr. Phillips seconded the motion. The motion carried unopposed.

6. 201001406 This complaint was reviewed by TREAC staff.

This complaint was filed by a complaint was filed by a consumer and included allegations that the Respondent caused several delays in the closing of a home purchase because he insisted on obtaining a copy of the home inspection report and required inspections in the appraisal, including a foundation inspection.

Respondent states that he inspected the property on March 18, and requested a copy of the home inspection report from the real estate agent. Respondent was informed on March 25 that the buyer didn't want to give him a copy of the home inspection report, so he submitted his appraisal to the client and the report included a requirement for “a licensed contractor to complete a full home inspection”. Respondent states that a few days later the lender client sent him the home inspection report and asked that he resubmit the appraisal including an analysis of the home inspection. Respondent wrote he deleted the repair list from his first report and added the whole home inspection report to his appraisal because of the extensive issues noted. Respondent wrote that subsequently he thought this second report was “vague and confusing”, so he sorted through and recorded twenty-four (24) FHA repairs and resubmitted a third report to the client on April 1. He indicated that on April 7th and 22nd the client requested re-inspection of the subject for completed repairs, but he hadn't received the multiple letters from experts needed, so he did not inspect the property until April 26th. Respondent states that of the twenty-four (24) required repairs, seventeen (17) were not completed and he submitted a list and photos to the client. Respondent concluded he didn't know why the lender/client did not notify the borrower in a timely manner as to required repairs.

REVIEWER CONCLUSIONS [alleged violations included within brackets]:

- Multiple versions of the appraisal report were communicated from late March until early April 2010 by the Respondent. Four appraisal reports indicate an effective date of March 18, 2010 and a “date of signature

and report” of March 19, 2010. The Respondents letter to the Commission indicates these reports were changed, signed and communicated multiple times over this period. This could be misleading to the intended users of the report as the date of report indicates the perspective of the appraiser on the market and property as of the effective date of the appraisal. It would make it difficult to discern one report from another or know that alterations had been made to the original report.

- The first appraisal report communicated by the Respondent indicated an owner of record that was changed on the subsequent appraisal reports communicated to the client.
- The Appraisal failed to include a summary of the analysis of the purchase agreement which included certain repairs not required in the appraisal report or the home inspection report.

The Complainant’s appraisal report #1 communicated by the Respondent indicated an owner of record” as “PS”, this was changed on the subsequent appraisal reports communicated to the client. [SR 2-1 (a)]

The Respondent failed to retain a copy of this report as all reports submitted by the Respondent indicate “Company” as the owner. [Ethics Rule – Record Keeping section]

The Appraisal failed to include a summary of the analysis of the purchase agreement which included certain repairs not required in the appraisal report or the home inspection report. The appraiser noted the contract price, the contract date and the \$2,500 in seller paid concessions, but failed to report required repairs or changes which were included in the purchase agreement, including: all hardwood floors sanded and refinished, replace all kitchen countertops, move the washer and dryer hookups to a different wall, install new floor vent covers, and provide a one year home buyers warranty. As these changes would affect the value of the property they should have been included in the summary of the analysis of the contract. [SR 1-5 (a)]

Multiple versions of the appraisal report were communicated from late March until early April 2010 by the Respondent. Four appraisal reports indicate an effective date of March 18, 2010 and a “date of signature and report” of March 19, 2010. The Respondents letter to the Commission indicates these reports were changed, signed and communicated multiple times over a 30 day period. This could be misleading to the intended users of the report as the date of report indicates the perspective of the appraiser on the market and property as of the effective date of the appraisal. It would make it difficult to discern one report from another or know that alterations had been made to the original report. [SR 2-1 (a) & (b) & 2-2 (b) (vii)]

A Compliance Inspection Report dated April 26, 2010 and signed April 27, 2010 indicates required FHA repairs had not been completed as of that time. The analysis of the highest and best use and sales comparison approach appear credible in the context of the intended use and intended users of the appraisal report. The cost and income approaches were not developed in the appraisal(s), and do not appear to have been necessary for credible assignment results.

License History: Certified General RE Appraiser 12/27/1991 to Present

Prior Complaint / Disciplinary History: 200705413 (Dismissed)

Reasoning and Recommendation: Counsel recommends that this complaint be **CLOSED** with a **Letter of Warning**. The gravamen of the reviewer’s findings is record keeping issues regarding the Respondent’s failure to keep copies of reports when changes were made. Counsel believes that the discipline could be mitigated by the Respondent’s disciplinary history. The Respondent has been licensed since 1991 and has no prior discipline. There is no evidence that the above mentioned violations were willful or intentional and there is no evidence that the errors caused financial harm to a consumer. Counsel believes that educating the Respondent regarding the relevant USPAP provisions is sufficient to protect the public.

Reasoning and Recommendation A complaint was opened against a second appraiser in this complaint. Counsel recommends that the complaint against the second appraiser be **DISMISSED** as there is insufficient evidence that the second appraiser participated in the appraisal.

Vote: Vote: Mr. Headden made the motion to accept the recommendation and Mr. Phillips seconded the motion. The motion carried unopposed.

7. 2010028811 There was no Reviewer in this matter.

This complaint was filed by a consumer and alleged that the Respondent conducted an appraisal on 08/19/2010. The Respondent's license was suspended from 08/09/2010 until 08/25/2010 for failure to comply with the terms of the Consent Order.

The Respondent provided an Appraisal Order Request form which was dated August 13, 2010.

License History: Certified RE Appraiser 03/21/2000 - present

Prior Complaint / Disciplinary History: 200600544 Closed w/ LOW, 2009021271 Closed with \$3,000.00 civil penalty and corrective education.

Reasoning and Recommendation: T.C.A. § 62-39-104 provides, "it is unlawful for anyone to solicit an appraisal assignment or to prepare an appraisal or an appraisal report relating to real estate or real property in this state without first obtaining a real estate appraiser's license or certificate." Counsel recommends that the complaint be closed with a **LETTER OF WARNING** as the evidence is insufficient that the Respondent prepared an appraisal or appraisal report while the license was suspended.

Vote: Mr. Phillips made the motion to accept the recommendation and Mr. Headden seconded the motion. The motion carried unopposed.

**8. 201000360/201001311 Danny Wiley was the Reviewer.
201000360**

This complaint was filed by a consumer and alleged that the Respondent under valued a residential property.

The Respondent stated that the remodeling done by the Complainant included maintenance items which were needed and the cost of these improvements did not equate to an increase in market value. Respondent states that the data did not support a value higher than \$209,250.

EXPERT CONCLUSIONS [alleged violations included within brackets]:

- The information presented regarding market conditions is not consistent.
- The property description is inadequate.
- There are errors and omissions in the comparison approach.
- There is no explanation of how the value from the comparison approach was reconciled from the wide value range indicated by the comparables.
- The workfile documents submitted are incomplete.

The report contains conflicting information regarding market conditions. The NEIGHBORHOOD section of the report states that supply and demand are in balance. However, page two (2) of the URAR indicates that there are twenty one (21) listings of competing homes and thirteen (13) sales in the past year. The NEIGHBORHOOD section states that marketing time is three (3) to six (6) months. The MLS listing included in the workfile documents indicates that Sale one (1) was listed in March 2007 and did not sell until May 2008. Sale two (2) was listed in July

2007 and did not sell until April 2008. Sale three (3) sold within 1 month of the listing date, but it was a foreclosure sale. [SR 1-2(e) (i), SR 2-2(b)(iii)]

The property description is inadequate and the estimated effective age is not consistent with the history of the dwelling. According to public records, the original portion of the home was built in 1973 and contained less than 1,000 square feet. In 2005 an addition to the home increased the size to over 2,250 square feet. So, over 50% of the home was less than 4 years old at the time of the appraisal. Furthermore, the kitchen in the original portion of the home was replaced with a new kitchen in the addition. The report states that the effective age of the home was 20-30 years. This is not consistent with over 50% of the home being less than 4 years old. At the bottom of page one (1) of the URAR there is a narrative filed that asks the appraiser to, "Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.)." In this section of the report there is no mention of the addition that more than doubled the size of the home just a few years prior to the effective date of the appraisal. On page three (3) of the URAR there is a comment that states, "Addition was made to subject in 2005 consisting of larger kitchen, dining room, master bedroom, bath and laundry." This comment is insufficient to allow the intended users to understand the nature and extent of the renovation work, especially given the reported effective age of 20-30 years. [SR 1-2(e) (i), SR 2-2(b) (iii)]

Sale 1: The adjustment grid indicates that Sale 1 has a 4-car attached garage. The MLS listing states that it has a 2-car attached garage and a 3-car detached garage. A portion of the detached garage appears visible in the photo provided in the appraisal report. Hence, it appears that a larger garage adjustment should be applied to Sale 1. [SR 1-4(a)]

Sale 2: The report does not address significant data regarding Sale 2. The report indicates that the home has 3 bedrooms and 3 baths. The MLS listing states that it has 4 bedrooms and 4 baths. This is a rental cabin in a PUD. Tax records indicate that it sold with furniture, which is common for overnight rental cabins. No adjustment was made for the furniture, and the fact that this is an overnight rental property was not addressed in the report. [SR 1-1(b), SR 1-4(a), SR 2-1(a)]

Sale 4: The report indicates that Sale 4 has no basement. No data sheets were provided in the workfile documents. Assessment data and a current listing at REALTOR.com both indicate that the home has basement area. [SR 1-1(b), SR 1-4(a), SR 2-1(a)]

After adjustments are applied the comparables provided an indicated range of value from \$148,000 to \$281,000. There is no explanation of how the final value of \$209,250 was reconciled from the very wide range. [SR 1-6(a), SR 2-2(b) (viii)]

In a letter dated 3/1/2010 the Respondent was directed to provide a copy of the complete workfile for the assignment. The report includes four (4) comparable sales and two (2) comparable listings. For all of the comparables the reported data sources are MLS and public records. The documents submitted for review included only the MLS listing sheets for Sales 1, 2 and 3. No MLS data was provided for comparables 4, 5, and 6. No public record data was provided for any of the comparables. The report contains a site value, and the comments state that the site value was derived by analyzing vacant lot sales. No vacant lot sales were included in the workfile documents submitted for review. [ETHICS RULE: Record Keeping section]

201001311

This complaint was filed by the Administrative Staff of the Real Estate Appraiser Commission and included an allegation of communicating a misleading appraisal report on a residential lake front property on September 14, 2007 which reported a value opinion of \$3,600,750.

The Respondent states that the market conditions adjustments were made at 3% per year based on research on the average rate of appreciation and that an error was made to Comparable Sale one (1) with the \$138,000

adjustment; it should have been \$414,000 for three years. Respondent states that this error would have no effect on the value because that comparable was already the highest.

Respondent states that the site/view was adjusted based on the difference in value of the respective sites and that the quality adjustment made to Comparable Sale two (2) was because this property had some brick/stone, but not as much as the subject and the adjustment was based on cost/labor for the material needed to make it similar to the subject. The age adjustment was based on \$500,000 times 1% per year of age difference and the bathroom adjustment was based on market acceptance/contribution of \$2,500 to \$3,000 for full bathrooms.

Respondent states that cost data was compiled after talking to "three high end builders that built homes similar to the subject. He indicated the "Marshall & Swift" reference in his appraisal is a template statement that should have been removed. He wrote that the adjustment for square footage applied in the sales comparison approach was pre-programmed into his computer and maybe should have been higher, but that it would not have altered the final value opinion.

Respondent states that the basement adjustments was based on market data and matched paired analysis and the adjustment may have been low but would not have altered the final opinion of value.

Respondent states that the fireplace adjustment was based on market data and matched paired analysis and that the other adjustments were based on superior amenities of the subject and were based on contribution.

Respondent states that the final value opinion was bracketed by all of the comparable sales and only two of the five had lower adjusted sale prices than the final value opinion.

Respondent states that the comment in the report pertaining to the subject having "average" interior/exterior materials was template language and should have been removed.

EXPERT CONCLUSIONS [alleged violations included within brackets]:

- The assignment results are not credible. There are numerous significant errors in the appraisal report.
- It appears that the value was intentionally inflated by (1) the use of superior sales, and (2) application of minimal adjustments.

The appraisal report indicates that the owner of public record is (omitted), Inc.

Public records indicate that at the time of the appraisal the property was owned by (omitted). [SR 1-1(b), SR 1-1(a)]

The appraisal report states that the home had been listed for sale at \$3,650,000 for 26 days. Listing 569394 indicates an initial asking price of \$2,499,900. The final asking price was \$3,650,000. The listing was taken off the market on 12/2/2007 after 109 days on the market. The original list price is not mentioned in the report. [SR 1-5(a), SR 1-1(b) (viii)]

An earlier listing (440477) indicates that the home was on the market for 643 days with an asking price of \$1,995,000. That listing was withdrawn on 11/9/2006. The subject property had been exposed to the market for approximately 21 months with an asking price that was over \$1,000,000 less than the appraised value. [SR 1-1(b), SR 2-1(a)]

The report states that the home is under contract for \$3,600,000. A copy of a New Construction Purchase and Sale Agreement is included in the workfile documents. The Purchase and Sale Agreement indicates that the seller is (omitted), Inc. The appraisal report states that the seller is the owner of record. As noted earlier, there is no record of ownership by that entity. [SR 1-5(a), SR 2-2(b) (viii), SR 2-1(a)]

The report states that the predominant value in the area is \$1,500,000. This is not supported by any data found by the reviewer. Page 1 of the URAR states that supply and demand are in balance; however, page 2 of the URAR indicates that there are currently 22 comparable listings and only 5 comparable sales in the past year. [SR 1-2(e)(i), SR 2-2(b)(iii)]

The report states that the data sources were MLS and public records. The workfile documents included MLS listings, but no public records data. [ETHICS RULE, Record Keeping section]

The report contains no support for the market condition adjustments that were applied to sales 1 and 2. The workfile documents contain no data in support of these adjustments. [ETHICS RULE, Record Keeping section, SR 1-1(a), SR 1-4(a)]

In a response to TREAC dated 5/23/2010 the Respondent stated that the site adjustments were made by comparing the site value of the subject property with the site value of the comparables. This is consistent with recognized methods. However, there is no support for the subject's site value (see additional comments in Cost Approach section of this review). The workfile documents contain no data in support of the estimated site value for each comparable. [SR 1-1(a), SR 1-1(b)]

The estimated reproduction cost for the subject property is over \$500 per square foot. However, the size adjustments are based on \$18 per square foot. This appears to be unreasonably low. The unfinished basement area in the comparables was adjusted at \$3.50 per square foot, and the finished basement was adjusted at \$9.50 per square foot. All of these adjustment rates appear unreasonably low given the nature of the subject property. The Respondent stated that the adjustments were based on paired sales analysis, but no supporting data is included in the workfile. [ETHICS RULE, Record Keeping section, SR 1-1(a), SR 1-1(b)]

The MLS listing for Sale 1 indicates an in ground pool. This is not addressed in the comparison approach. [SR 1-1(b), SR 1-4(a), SR 2-1(a)]

The report states that the site size is 4.6 acres. The MLS listing states that the site size is 46 (forty-six) acres. According to the Mapping Department at the (omitted) County Assessor's Office, the site was subdivided into at least 25 lots after the sale. [SR 1-1(b), SR 1-4(a), SR 2-1(a)]

The adjustment grid states that the sale date for Sale 3 was July 2006. The MLS listing reports that the sale date was July 2005. The MLS listing for Sale 3 indicates a pool, pool house and a boat dock. The pool house and boat dock are not addressed in the comparison analysis. The pool is listed, but no adjustment was made. The MLS listing also indicates that there is a "screened summer house" at the lake. This was not addressed. [SR 1-1(b), SR 1-4(a), SR 2-1(a)]

The MLS listing for Sale 4 indicates that this is a waterfront property. No adjustment was made for the difference between a lake view property and lake access property. [SR 1-1(b), SR 1-4(a), SR 2-1(a)]

The MLS listing for Sale 5 indicates that this property is a 5 acre site located on the main channel of (omitted) Lake. No site adjustment was applied. The listing also indicates that there is a boat house with 1,682 square feet. The adjustment grid indicates that there is a boat house, but no adjustment was applied. [SR 1-1(b), SR 1-4(a), SR 2-1(a)]

The sales used are all located on superior sites. No adjustments were made to sales 4 and 5 even though they are waterfront sites. The site size for sale 2 was reported as 4.6 acres, but the MLS states that it was 46 acres. The adjustment rates applied for gross living area and basement area were very small, which results in a higher value conclusion. There are no adjustments for significant features in the comparables (pools, boat houses, etc.). The

prior listings of the subject at prices much lower than the appraised value were not disclosed. It appears that the value was intentionally inflated by selecting homes that were superior to the subject and applying adjustments that would have the least negative effects. [ETHICS RULE, Conduct section]

The reported site value is \$249,000, and the report states that the site value was based on study of vacant lots. In an email response to TREAC dated 5/23/2010 the respondent stated that the subject's site value was based on the sales of Lot 7 (omitted) Drive (\$256,666 per acre), Lot 15R (omitted) Drive (\$157,894 per acre), and Lot 16R (omitted) Drive (\$164,835 per acre). No such sales were found in the workfile documents submitted for review. The workfile documents do include a sale of Lot (omitted). That lot has 1.55 acres and sold in May 2007 for \$385,000 (\$248,400 per acre). The tax data indicates that this is a waterfront site. The workfile documents do not include sales of Lot 15R and 16R (omitted) Drive. CRS data indicates a Lot 15 and a Lot 16 on (omitted) Drive, but not a Lot 15R or Lot 16R. Lot 15 has 3.48 acres and Lot 16 has 5.96 acres. These lots sold together (total of 9.44 acres) in June 2007 for \$900,000 (\$95,300 per acre). The information provided in the email response to TREAC is not accurate. The site value is not supported by the sales data in the workfile. The workfile documents include a sale of a vacant lot at (omitted) Drive (Lot 51R). The lot size is 1.07 acres, and it sold for \$134,900 on 12/2/2006. The workfile documents include a sale of a vacant lot at 3812 (omitted) Drive (Lot 45R2). The lot size is 1.42 acres, and it sold for \$110,000 on 1/12/2007. The workfile documents include a sale of a vacant lot at (omitted) Drive (Lot 29R). The lot size is 2.12 acres, and it sold for \$145,000 on 1/19/2007. The workfile documents include a sale of a vacant lot at (omitted) Drive (Lot 30R). The lot size is 1.83 acres, and it sold for \$100,000 on 1/30/2007. The report states that the cost data is based on Marshall & Swift. In an email response to TREAC dated 5/23/2010 the Respondent stated that the cost data was based on conversations with "three high end builders." [SR 1-1(a), SR 1-1(b), SR 2-1(a)]

License History: Certified Residential RE Appraiser 1/4/1993 to Present

Prior Complaint / Disciplinary History: 937640 (Consent order - \$250, retake USPAP); 941775 (Letter of Warning); 941784 (Letter of Warning); 941876 (same complaint as above consent order); 200501674 (Consent order - \$500); 200502460 (Consent order - \$1,000); 201000360 (Open)

Reasoning and Recommendation: Counsel recommends a Consent Order imposing a Civil Penalty of **two thousand five hundred dollars** (\$2500.00). The Respondent's credential would be **SUSPENDED** for a period of thirty (30) days. The Respondent would be required to complete seventy-five (75) hours of corrective education: a fifteen (15) hour Site Valuation and Cost Approach course, a fifteen (15) hour USPAP course, and at least a total of forty-five (45) hours of coursework in Residential Report Writing and Residential Applications and Case Studies within one hundred and eighty (180) days of the execution of the Consent Order. Respondent will be placed on one (1) year **PROBATION** during which time Respondent would be required to submit the entire work log for review every six (6) months. The Administrative Director would pick at least one (1) appraisal for review for USPAP compliance. The violations noted by the reviewer reflect significant competency issues and negligence in appraisal report writing in both reports and some indication of intentionally inflating the value opinion in the second appraisal report. The probation requirement would assist the Commission in monitoring the Respondent for the probationary period.

Vote: Mr. Sanford made the motion to accept the recommendation and Mr. Headden seconded the motion. The motion carried unopposed.

9. 2009027141 Danny Wiley was the Reviewer.

This complaint was presented at the September TREAC meeting. The Commission approved a Consent Order imposing a civil penalty of one thousand dollars (\$1,000.00) and thirty (30) hours of corrective education. In an appraisal report, the reviewer concluded:

- The report does not adequately address foreclosure activity in the subject's neighborhood.
- Prior sales of Comparable one (1) and Comparable two (2) were not reported.

- Available data indicates that Comparable 1 and Comparable 2 had been updated and were in superior condition. No condition adjustments were applied.

An informal conference was held with the Respondent on October 21, 2010. During the informal conference the Respondent addressed each allegation and acknowledged that there were errors in the report. The Respondent indicated that the complaint process has been an education for him and that he will be more careful with his work in the future. Counsel believes that the discipline can be mitigated by several factors; the Respondent has been licensed since licensing was required in 1991, has no disciplinary history, no evidence of intentional misconduct and his understanding an acknowledgement of the violations noted by the reviewer. Furthermore, Counsel believes the interest of the public can be adequately protected by revising the Consent Order to allow a five hundred dollar (\$500.00) civil penalty and a seven (7) hour Residential Report Writing course and a fifteen (15) hour Residential Market Analysis and Highest and Best Use course. The Respondent has indicated that he will accept the revised consent order. Counsel notes that this complaint is three hundred and twenty two (322) days old.

Vote: Mr. Wade made the motion to accept the previous consent order and Mr. Sanford seconded the motion. The motion failed and Mr. Headden made a motion to accept a LOW and Mr. Flowers seconded. The motion failed. Mr. Wade recommended approval of the original staff recommendation. Mr. Flowers seconded that motion. Mr. Headden voted “no”, all others voted “yes”. The motion carried.

10. 201000766 Danny Wiley was the Reviewer.

This complaint was presented at the October TREAC meeting. The Commission approved a Consent Order imposing a civil penalty of seven hundred and fifty dollars (\$750.00) and fifteen (15) hours of corrective education. In an appraisal report, the reviewer concluded:

- The report contains no analysis of the listing of the subject property.
- A prior sale of the subject occurred in the 3 years prior to the effective date of the appraisal. The sale price and date are reported, but there is no analysis of the prior sale.
- The home is located on a lot that adjoins a golf course. The report does not address the golf course location. The work file contains no data to indicate that there was any objective analysis to support the conclusion that no adjustment should be applied for the golf course location.

An informal conference was held with the Respondent on November 2, 2010. The Respondent acknowledges the violations as alleged by the reviewer. The Respondent indicates that he is very willing to accept the discipline but would like to explain that his work is exclusively of VA appraisals. The Respondent states that he is 83 years old after many years of appraising he believes that he may have become complacent in his appraising practice. Counsel believes that the discipline can be mitigated as the Respondent has been licensed since 1991 and has no disciplinary history. The Respondent states that he is a World War II veteran and receives social security benefits. As a result of the Respondent’s physical health which impacts his ability to work combined with the current economic climate and the cost of the corrective education the \$750.00 civil penalty is a hardship for the Respondent. Counsel believes the interest of the public could be adequately protected by revising the Consent Order to impose the fifteen (15) hours of corrective education and deleting the civil penalty in its entirety. This complaint is two hundred and forty three (243) days old.

Vote: Mr. Flowers made the motion to accept the previous consent order and Mr. Wade seconded the motion. The motion failed. Mr. Headden made a motion to close the complaint with a **Letter of Warning**. Mr. Wade seconded. The motion carried unopposed.

11. 2010004111 Danny Wiley was the Reviewer.

This complaint was presented at the October 2010 TREAC meeting. A consent order was approved which required a one thousand dollar (\$1,000.00) civil penalty and thirty (30) hours of corrective education. In an appraisal report, the reviewer concluded:

- Two different appraisal reports were prepared. The first report contained a significant error in the description of the subject property (finished basement area was omitted).
- Both reports contain a series of minor errors that cause one to question the credibility of the assignment results.
- Only one report was provided for review by the Respondent.

An informal conference was held with the Respondent on November 3, 2010. The Respondent acknowledged the violations as stated in the review and indicated a willingness to resolve this matter informally. Counsel believes that the interest of the public can be adequately protected by imposing a civil penalty of seven hundred and fifty dollars (\$750.00) with the corrective education remaining intact. This complaint is two hundred and fifty six (256) days old.

Vote: Mr. Phillips made the motion to accept the recommendation and Mr. Wade seconded the motion. The motion carried unopposed.

12. 201001015 Danny Wiley was the Reviewer

This complaint was presented at the September TREAC meeting. A Consent Order imposing a five hundred dollar (\$500.00) civil penalty and forty five (45) hours of corrective education was approved. In an appraisal report, the reviewer concluded,

- The subject property was not adequately identified. The fact that the subject site was being created via the subdivision of a larger site was not disclosed.
- The reported analysis of the listing omitted significant information.

An informal conference was conducted with the Respondent on October 12, 2010. The Respondent addressed each allegation contained in the Consent Order. The most substantive violation alleged that the Respondent failed to include the hypothetical condition in the appraisal report. The Respondent indicated that he was aware that the subject property would be subdivided and that the property was legally subdivided five (5) days after the effective date of the report. Counsel believes the discipline can be mitigated by the following factors: the Respondent has been licensed since 1991 and has never been disciplined, the appraisal at issue occurred in 2008, there is no evidence of willful misconduct or gross negligence, the Respondent has been attentive and responsive throughout the investigation and there is no evidence of financial harm. Therefore, Counsel recommends that the Respondent be offered a consent order imposing a seven (7) hour Report Writing course and civil penalty of five hundred dollars (\$500.00). Counsel believes that the corrective education course would adequately address the issues noted in the review thereby serving the dual purpose of assisting the Respondent in becoming a more competent appraiser and protecting the public interest. This complaint is two hundred and forty two (242) days old.

Vote: Mr. Sanford made the motion to accept the recommendation and Mr. Flowers seconded the motion. The motion carried unopposed.

13. 2010016801 Danny Wiley was the Reviewer

This complaint was filed by a consumer and included allegations that the Respondent undervalued a residential property by communicating a value opinion of \$300,000 in December of 2009, when the property had appraised twice before the same year for over \$600,000. Also the Complainant alleged lack of diligence and use of inappropriate comparable sales.

The Respondent is represented by Counsel who contends that the complaint is without merit.

EXPERT CONCLUSIONS [alleged violations included within brackets]:

The reviewer found significant errors in several sections of the report:

- The data in the NEIGHBORHOOD section is inconsistent and contradictory;
- The SITE section does not address the lake influence;

- The IMPROVEMENTS section does not address the boat dock;
- There are multiple errors in the comparison approach;
- There is no support for the estimated site value or the site adjustments; and
- The report contains no photos of the comparable sales.

Page one (1) of the URAR indicates that the location is SUBURBAN. The comments (page 3 or URAR) state that the location is RURAL. Page one (1) of the URAR states that supply and demand are IN BALANCE. This is not supported by the data in the appraisal report. The top of page two (2) indicates that the number of current listings is more than double the number of sales in the past year, indicating over supply. [SR 1-2(e) (i), SR 2-2(b) (iii)]

The documents provided by the Respondent include two different MLS listings for the home. Both of those listings state that the home is located on (omitted) Lake, and it has its own boat dock. Within the SITE section of the appraisal report there is no mention of the lake frontage. The view is described as AVERAGE on page 1 and page 2 of the appraisal report. Comments near the bottom of page 2 state, "Subject has a .07 acre lake front lot but it is not suitable for building and a road divides the property from (sic) the main property (sic)." [SR 1-2(e) (i), SR 2-2(b) (iii)]

Much of the description of improvements is consistent with the information found by the reviewer in other data sources. However, the appraisal report makes no mention of the boat dock that is indicated in the MLS listings. The reviewer spoke with one of the former listing agents, Mr. J(omitted) who confirmed the presence of a boat dock. [SR 1-2(e) (i), SR 2-2(b) (iii)]

The site adjustments were based on a flat rate of \$20,000 per acre. Comments at the bottom of page 2 indicate that the subject's site and the comparables' sites vary greatly with regard to significant site characteristics (water influence, views, etc.). Therefore, adjusting the site differences on a simple per acre basis is not appropriate. [SR 1-1(a), SR 1-1(b), SR 1-4(a)]

The age of the subject is reported as three (3) years, and the effective age is reported to be one (1) year. The comparables are reported to have effective ages of 8 years, 6 years and 7 years, yet no adjustments were applied. [SR 1-1(a), SR 1-1(b), SR 1-4(a)]

Online assessment records indicate that the sale price for comparable 2 was \$261,900. [SR 1-4(a), SR 2-1(a)]

The comparison grid does not contain any consideration for the subject's boat dock, nor does it contain any analysis of boat docks for any of the comparables. [SR 1-1(b), SR 1-4(a), SR 2-1(a)]

The report contains no support for the subject's site value, and no supporting workfile documents were provided. The appraisal report indicates that the site value for the subject property is \$85,000. Online assessment records indicate that the current owners paid \$156,900 for the site in June 2006. [ETHICS RULE: Record Keeping section, SR 1-1(a), SR 2-2(b) (viii)]

The report provided for review did not include photographs of the comparable sales as required by applicable assignment conditions. [SCOPE OF WORK RULE: Problem Identification section]

License History: Registered Trainee 11/17/1999 to 1/22/2004
Licensed RE App 1/22/2004 to Present

Prior Complaint / Disciplinary History: None

Reasoning and Recommendation: Counsel recommends the authorization of a Consent Order imposing a seven hundred and fifty dollar (\$750.00) Civil Penalty and the completion of a fifteen (15) hour Site Valuation and Cost Approach course and a fifteen (15) hour Residential Report Writing course.

Vote: Mr. Phillips made the motion to accept the recommendation and Mr. Wade seconded the motion. Mr. Flowers voted "No". All others voted "yes". The motion carried.

Discussion of Rule Making Proposals & Application for AMC:

The Department intends to convene a Rulemaking Hearing on January 10, 2011 in order to adopt Rules for newly enacted legislation entitled the Appraisal Management Company Registration and Regulation.

The Rules will require the registration of entities operating as Appraisal Management Companies in Tennessee. Pursuant to the proposed Rules all Appraisal Management Companies will be required to submit an application containing contact information for the Appraisal Management Company and its personnel, the execution of an irrevocable Uniform Consent to Service of Process, the designation of a controlling person, certain certifications regarding the criminal and licensure history of the individual owners and the controlling person, an initial registration fee of two thousand dollars (\$2000.00) and the posting of a surety bond in the amount of twenty thousand dollars (\$20,000.00).

The Rules will require that individuals owning more than ten (10) percent of the Appraisal Management Company or the designated controlling person must submit to a background check upon request by the Commission.

The Rules allow an Appraisal Management Company that has been denied registration the opportunity to request and informal conference with the Commission to reconsider such denial.

Pursuant to the proposed Rules an Appraisal Management Companies registration shall expire two (2) years from the date of issue. In order to renew the Appraisal Management Company will be required to complete the prescribed form and pay a registration renewal fee of two thousand dollars (\$2000.00). An Appraisal Management Company that fails to renew before expiration will lose the authority to operate as an Appraisal Management Company in Tennessee.

The Rules require the Appraisal Management Company to apply for enrollment or renewal in the federal roster or registry of Appraisal Management Companies upon a form approved by the Commission and to submit all fees as required by the federal agency or instrumentality.

The Rules require the Appraisal Management Company to submit bi annual certifications every one hundred days regarding the statutorily required certifications.

The Rules allow the Commission to impose Administrative penalties of \$50.00 - \$1000.00 for certain violations of Tennessee law and Commission rules. In determining the imposition of penalties, the Commission shall consider certain factors including whether the amount imposed will be a substantial economic deterrent, the circumstances surrounding the violation, the severity of the violation, the economic benefits gained by the violator and the interest of the public.

Regulatory Flexibility Analysis – Methods of Reducing Impact of Rules on Small Businesses:

1. Overlap, duplicate or conflict with other federal, state and local government rules.

There will be no overlap with state or local government regulation. As promulgated the Rules should work in concert with the federal regulatory requirements to achieve the minimum regulatory scheme as contemplated by the federal legislation.

The Dodd Frank Wall Street Reform and Consumer Protection Act was signed into law July 21, 2010. The Act amends Title XI of FIRREA which applies to Real Estate Appraisals. The amendment provides that the Appraisal Subcommittee shall monitor the requirements established by the States for the registration and supervision of the operations and activities of an appraisal management company. The ASC will also maintain a national registry of appraisal management companies that either are registered with and subject to supervision of a State appraiser certifying and licensing agency or are operating subsidiaries of a Federally regulated financial institution.

Pursuant to the federal legislation the term 'appraisal management company' means, in connection with valuing properties collateralizing mortgage loans or mortgages incorporated into a securitization, any external third party authorized either by a creditor of a consumer credit transaction secured by a consumer's principal dwelling or by an underwriter of or other principal in the secondary mortgage markets, that oversees a network or panel of more than 15 certified or licensed appraisers in a State or 25 or more nationally within a given year—

(A) to recruit, select, and retain appraisers;

(B) to contract with licensed and certified appraisers to perform appraisal assignments;

(C) to manage the process of having an appraisal performed, including providing administrative duties such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and underwriters, collecting fees from creditors and underwriters for services provided, and reimbursing appraisers for services performed; or

(D) to review and verify the work of appraisers.

T.C.A. 62-39-402, states an "Appraisal management company" or "AMC" means an individual or business entity that utilizes an appraisal panel and performs, directly or indirectly, appraisal management services..."

The federal legislation establishes minimum requirements for the registration and regulation of AMC's. AMC's are required to register with and be subject to supervision by a State appraiser certifying and licensing agency in each State in which such company operates, verify that only licensed or certified appraisers are used for federally related transactions, require that appraisals coordinated by an appraisal management company comply with the Uniform Standards of Professional Appraisal Practice; and require that appraisals are conducted independently and free from inappropriate influence and coercion pursuant to the appraisal independence standards established under section 129E of the Truth in Lending Act.

An appraisal management company shall not be registered by a State or included on the national registry if such company, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State. Additionally, each person that owns more than 10 percent of an appraisal management company shall be of good moral character, as determined by the State appraiser certifying and licensing agency, and shall submit to a background investigation carried out by the State appraiser certifying and licensing agency.

2. Clarity, conciseness and lack of ambiguity in the rules:

The rules are clear and purpose and intended execution. The rules are not open to different interpretations.

3. Flexible compliance and/or reporting requirements for small businesses.

In order to ensure the health, safety and welfare of the citizens of Tennessee, it is imperative that small businesses organized as Appraisal Management Companies are subject to registration and regulation.

4. Friendly schedules or deadlines for compliance and/or reporting requirements:

In order to ensure the health, safety and welfare of the citizens of Tennessee it is imperative that small businesses organized as Appraisal Management Companies are held to the requirements as contemplated by the statute.

5. Consolidation of simplification of compliance or reporting requirements:

The Commission is working towards developing uniform applications and forms that may be available online to simplify the registration and renewal process.

6. Performance standards for small businesses:

The Commission expects all Appraisal Management Companies to follow the new registration and regulation requirements.

7. Barriers or other effects that stifle entrepreneurial activity, curb innovation or increase

The registration fees were calculated by analyzing fees in other states as well as taking into account the anticipated cost of operating the program.

Economic Impact Statement:

1. Types of small businesses directly affected:

All small businesses operating as Appraisal Management Companies in the state of Tennessee will be affected by these Rules.

2. Projected reporting, recordkeeping and other administrative costs:

There will be alterations in small business reporting and recordkeeping that will result from the promulgation of these rules. The affected business entities will be required to make certain certifications on a biannual basis.

3. Probable effect on small businesses:

There will be significant cost associated with the implementation of these rules. Appraisal Management Companies will be required to pay a two thousand dollar (\$2000.00) registration fee and a renewal fee of two thousand dollars (\$2000.00). An Appraisal Management Company found to be in violation of the relevant statute or rule may be required to pay administrative penalties. In addition, Appraisal Management companies would be required to post a surety bond in the amount of twenty thousand dollars. (\$20,000.00)

4. Less burdensome, intrusive or costly alternative:

The fees and bonds are designed to minimally impact small businesses. The necessary costs of the regulation are offset by the protections provided to citizens of Tennessee.

5. Comparison with federal and state counterparts:

There are no federal counterparts. There are many states in the process of developing rules to implement their recently enacted AMC regulations. Indiana and Arkansas require a five hundred dollar (\$500.00) registration fee with an annual renewal fee of the same amount. Georgia requires a one thousand dollars (\$1000.00) registration fee with an annual renewal fee of the same amount. Oklahoma requires a two thousand dollar (\$2,000) registration with annual renewal fees of the same amount. California requires a one thousand six hundred dollar (\$1600.00) registration fee. Ms. Avers added that North Carolina has an initial registration fee of three thousand five hundred dollars (\$3,500) and a renewal fee of two thousand dollars (\$2,000). Information obtained from the Appraisal Institute and State websites.

6. Effect of possible exemption of small businesses:

In order to ensure the health, safety and welfare of the citizens of the State of Tennessee it is imperative that small businesses are required to comply with the registration and regulation requirements.

Proposed Rules were submitted for the Commission members to review. Mr. Headden made a motion to move forward with the Rulemaking Hearing and accept the written responses to the Regulatory Flexibility Act as noted above. Mr. Flowers seconded the motion. The motion passed unopposed.

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Being no further business, the meeting was adjourned at 12:07 p.m.

Chairman, Thomas Carter

Nikole Avers, Administrative Director