



REAL ESTATE APPRAISER COMMISSION
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243-1166
615-741-1831

September 21, 2015
Minutes
First Floor Conference Room (1-B)
Davy Crockett Tower

The Tennessee Real Estate Appraiser Commission met on September 21, 2015, in Nashville, Tennessee, at the Davy Crockett Tower in the first floor conference room. Chairman Walton called the meeting to order at 9:10 a.m. and the following business was transacted.

COMMISSION MEMBERS PRESENT

Timothy Walton
Mark Johnstone
Randall Thomas
Rosemary Johnson
Warren F. Mackara

COMMISSION MEMBERS ABSENT

Nancy Point
Norman Hall
Gary Standifer
Eric Collinsworth

STAFF MEMBERS PRESENT

Nikole Avers, Keeling Gamber, Jennaca Smith

The public meeting statement was read into the record which indicated the agenda was posted to the Tennessee Real Estate Appraiser Commission website on September 11, 2015.

ADOPT AGENDA

Mr. Johnstone made a motion to adopt the agenda. It was seconded by Dr. Mackara. The motion carried unanimously.

MINUTES

The July, 2015 minutes were reviewed. Mr. Thomas made the motion to accept the minutes as written. It was seconded by Ms. Johnson. The motion carried unanimously.

REPORT OF EXPERIENCE INTERVIEWS

Thaddeus Clayton Jones made an application to upgrade from a registered trainee to a certified general real estate appraiser. Mr. Johnstone was the reviewer and recommended approval of his experience. Dr. Mackara made a motion to accept the recommendation. This was seconded by Mr. Thomas. The motion carried unopposed.

Ben William Shanks, Jr. made an application to upgrade from a registered trainee to a certified general real estate appraiser. Mr. Johnstone was the reviewer and recommended approval of his experience. Dr. Mackara made a motion to accept the recommendation. This was seconded by Ms. Johnson. The motion carried unopposed.

Stefan Lee Hilgendorf made an application to upgrade from a registered trainee to a certified residential real estate appraiser. Mr. Walton was the reviewer and recommended that his experience request be granted. Mr. Johnstone made a motion to accept the recommendation. This was seconded by Mr. Thomas. The motion carried unopposed.

Wesley Lucas Butler attended a five hundred (500) hour experience review where Mr. Thomas was the reviewer of the appraisal reports. No vote was required in this matter, but Mr. Thomas indicated that Mr. Butler was doing very well in the progress of his experience.

Brittany Elaine Carden made an application to upgrade from a registered trainee to a certified residential real estate appraiser. Mr. Thomas was the reviewer and recommended that her experience request be granted. Mr. Johnstone made a motion to accept the recommendation. This was seconded by Ms. Johnson. The motion carried unopposed.

EDUCATION COMMITTEE REPORT

Dr. Mackara read his recommendations into the record as below:

Course Provider	Course Number	Course Name	Instructor(s)	Hours	Type	Recommendation
Bryan Reynolds	1871	Better Safe Than Sorry 1920	B. Reynolds, K. Hardin, R. Norris, T. Humphreys, A. Chalos, C. Wells, W. Eady	7	CE	Approve
ASFMRA	1872	ASFMRA 86 th Annual Convention, Day 1	G. Baise, J. Bierschwale, P. Dixon, B. Flinchbaugh, S. Frerichs, D. Hellermann, K. Masters, E. O'Keefe, C. VanDerLoo, J. Vine	6	CE	Approve

ASFMRA	1873	ASFMRA 86 th Annual Convention, Day 2	D. Harless, M. Petter	3	CE	Approve
ASFMRA	1874	Rapid Fire Case Studies 2015	T. Dobbin, R. Gilmore, M. Marschall, R. Rasmussen, C. Steward, W. Wood, M. Willaims	6	CE	Approve
TIAAO	1875	2015 TIAAO Education Conference	L. Swanson, E. Yandell, E. Persley, Dr. M. Sunderman, L. A. Tankersley, M. Heflin, A. Beaird	6	CE	Approve
Appraisal Institute	1880	FHA Appraising for Valuation Professionals	M. Smeltzer	7	CE	Approve
NAIFA	1881	HUD Single Family Housing Policy Handbook – 4000.1 Appraisal Overview	Mike Orman	7	CE	Approve

Individual Course Approvals

Licensee	Course Provider	Course Name	Hours	Type	Recommendation
Wesley C. Pinyan (CG 4733)	CCIM	CCIM 104 Investment Analysis	14	CE	Approve
Donald G. Bell (CR 2834)	IAAO	Income Approach to Valuation	30	CE	Approve

Vote: Mr. Johnstone made a motion to accept the recommendations. This was seconded by Mr. Thomas. The motion carried unanimously.

DIRECTOR'S REPORT

Director Avers presented a summary of the current appraiser commission budget, licensing numbers and complaint status.

LEGISLATIVE UPDATE

There were no legislative updates to report.

Ms. Elizabeth Davis Sharpe wrote a letter appealing to the Commission members to allow her to renew her expired license. She thought her credential was in inactive status, but she had failed to pay the inactive renewal fee and stated she never received any type of correspondence informing her of the inactive renewal process. She said the address on file was her business address and mail was not forwarded to her home address and for these reasons she should be allowed to renew. Staff had informed her that because she was beyond the six month grace period to renew neither the staff nor the board could grant her a waiver to the requirements and she would have to reapply as a trainee. The board voted to have Ms. Avers send her a letter telling her she would have to reapply as a trainee and meet current requirements. Mr. Thomas made the motion to send the letter. Dr. Mackara seconded the motion. The motion passed.

LEGAL REPORT

1. 2015008121

This complaint was filed by a real estate agent and alleged that Respondent undervalued a residential property by noting “no updates have been completed for 15 years.” The complaint also alleged that Respondent was evaluating on an “as is” basis. The Complainant alleged that Respondent told her that she could not add the roof replacement of \$9,000 because “every home needs a roof,” and that is not an upgrade. However, Complainant stated that the National Association of Realtors has a property report where a Realtor can re-define the value of a home based on certain improvements and a roof replacement is on that re-defined list, as is kitchen and bath remodel, window, etc.

Respondent sent a response to the complaint stating that the listing agent met her at the property and handed her a packet of sales she considered comparable and a list of upgrades. After the report was delivered, Respondent stated she received a phone call from the agent, who was very angry and attempted to coerce her into raising the value. Respondent stated she did not discuss the appraisal but did inform her that the sales she provided at the inspection were addressed in the report. The agent then suggested that Respondent make an adjustment as the seller paid for a new roof and HVAC system out of their own pocket. Respondent stated she told the agent that every house had to have a roof and all the comparables used had a similar feature. Respondent stated the sales the agent used all sold for \$102 per square foot, and two of the sales were significantly smaller, and the other sale was renovated and in far superior condition, therefore not comparable. Respondent stated she went back five years to analyze the subject’s market. Respondent stated that an agent attempting to coerce an appraiser into predetermined value is unethical and unprofessional.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- Based on information provided by the complainant and located in MLS, the subject property has had improvements that were not addressed in the report. The lack of discussion of these items indicates that all relevant (physical) characteristics of the improvements and what effect they may have on value have not been adequately described and analyzed. [SR 2-2(a)(iii)]
- **Description of Improvements:**
 - The subject property was described as a two story detached brick veneer and wood sided cape cod style residence with a composition shingle roof and wood windows. The report notes that the property has 8 rooms, 4 bedrooms, 2.1 baths and contains 2924 square feet. The subject property was built in 1994 and is 21 years old as of the

effective date of the appraisal report, with the appraiser noting that the subject has an effective age of 10 years and a remaining economic life of 50 years for a total economic life of 60 years.

- Additional features noted in the report were, "Inground pool, covered patio, as well as a tiered open patio, Plantation shutters and blinds; leaded glass, whirlpool, separate shower, and double vanity in master bath; vaulted living room with gas log fireplace".
- It was noted in the materials reviewed that the complainant indicated the appraisal report did not acknowledge that the subject had a new roof.
- A review was made of the MLS listing that was current as of the effective date, the following information was found. "BRAND NEW CARPET THRU-OUT UPSTAIRS, 2012 ROOF, NEW POOL LINER, NEW HVAC & WATER HEATER". Please see attachment #5.
- With exception of the new carpet, these items were not discussed in the appraisal report.
- The comments in the report about the condition of the improvements are as follows, "C3; No major updates in the prior 15 years; Appraisal based on the subject property's "as is" condition which is considered typical for this area. No deferred noted at time of inspection".
- As noted earlier this report was being completed for a mortgage finance transaction under FNMA (Fannie mae) guidelines, which include UAD - Uniform Appraisal Dataset Specifications
- "Descriptions or Comments – The appraiser must provide a description of the condition of the improvements to the subject property.
- Note, the UAD does not limit the information that an appraiser may provide about the condition of a property, including any updating or remodeling. An appraiser can and must provide any additional information required to communicate an appraisal in a manner that is meaningful and not misleading, including providing sufficient information to enable the client and any other intended user(s) to understand the appraiser's conclusions regarding the property condition and any updates or remodeling".
- The comments in the report about the condition of the improvements are as follows, "C3; No major updates in the prior 15 years; Appraisal based on the subject property's "as is" condition which is considered typical for this area. No deferred noted at time of inspection".
- The lack of discussion of the above mentioned items indicates that all relevant (physical) characteristics of the improvements and what effect they may have on value have not been adequately described and analyzed.
- The sales comparison approach does not provide adequate support for the adjustments made to the sales utilized. Adjustments were made to the sales but no discussion or analysis was provided in the report and no information

was located in the work file to summarize how these adjustments were derived or supported. [SR 1-1(a); SR 2-2(a)(viii)]

- **Sales Comparison Approach:**

- Four sales and one listing were used in the sales comparison approach. A review of data accessed from MLS and MAAR Data was utilized to verify the sales information used in the appraisal report.
- Sale #1 was verified through MAAR data and CRS property detail. The report indicates that the data source was Paragon # and verification source was noted to be Appr/Assr/Agent. The report indicates this property sold 1/15 for \$315,000. This property was listed on 11/11/2014 for \$315,000 according to MLS ##.
- According to the MLS, there was \$8,450 associated with this sale in seller concessions that was noted and adjusted for in the report.
- Maar Data indicates that this property contains 3250 square feet, and the MLS indicates the property contains 3315 square foot. The report utilizes 3290 square feet, with no explanation provided. Other than size the physical information presented in the report about this property appears to be accurate.
- An adjustment for -\$15,800 for condition. The report notes, "Comp 1 is in similar condition to the subject with exception of the master bathroom was renovated. A comparison of this sale as well as a dated sale with a renovated master bath were compared to sales without similar renovations to develop a 5% adjustment".
- A search of the work file was made to locate the supporting information but it was not located.
- Adjustments were also made for baths, lack of pool, and quartz counter tops. The physical information noted in the report about this property appears to have been properly reported.
- Sale #2 was verified through MAAR data and MLS. The report indicates that the data source was Paragon #9941411 and verification source was noted to be Appr/Assr/Agent. The report also notes this property sold 1/15 for \$310,000. This property was listed on 12/9/2014 for \$320,000 according to MLS #9941411. The physical information presented in the report about this property appears to be accurate.
- Besides a size adjustment, other adjustments were made to this sale for number of baths and granite counter tops. No comments were found in the report and no supporting information was located in the work file.
- Sale #3 was verified through MAAR data and MLS. The report indicates that the data source was Paragon #9928258 and verification source was noted to be Appr/Assr/Agent. The report also notes this property sold 9/14 for \$240,000. This property was listed on 5/14/2014 for \$250,000 according to MLS #9928258. According to the MLS, there was

- \$6,500 associated with this sale in seller concessions that was noted and adjusted for in the report.
- The physical information presented in the report about this property appears to be accurate.
 - Besides a size adjustment other adjustments were made to this sale for age and lack of pool. No comments were found in the report and no supporting information was located in the work file.
 - Sale #4 was verified through MAAR data and MLS. The report indicates that the data source was Paragon #9937982 and verification source was noted to be Appr/Assr/Agent. The report also notes this property sold 12/14 for \$307,000. This property was listed on 10/14/2014 for \$324,900 according to MLS #9937982. According to the MLS, there was \$9,000 associated with this sale in seller concessions that was noted and adjusted for in the report.
 - The physical information presented in the report about this property appears to be accurate.
 - Adjustments were made to this sale for number of baths and size. No comments were found in the report and no supporting information was located in the work file.
 - Sale #5 (Listing) was verified through MAAR data and MLS. The report indicates that the data source was Paragon # and verification source was noted to be Appr/Assr/Agent. The report also notes this property was put under contract on 2/15 for \$282,000. This property was listed on 12/5/2014 for \$289,000 according to MLS ##. According to the MLS, there was \$4,000 associated with this sale in seller concessions that was noted and adjusted for in the report.
 - The physical information presented in the report about this property appears to be accurate.
 - Adjustments were made to this sale for condition, size and lack of pool. No comments were found in the report and no supporting information was located in the work file.
 - The sales utilized in the report under review were all located in subject's general area.
 - The report states in the "Comments on Sales Comparison" (Addend page 1 of 2), "Most weight attributed to comp 1 and 2 as comp 1 is the most recent nearby comparable sale, and comp 2 as it required the least net/gross adjustments and it had an in ground pool, similar to subject . As no sales have transferred in the subject's subdivision since 8/23/2013, significant weight was attributed to the competing, pending sale at comp 5".
 - 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.

- **Reconciliation:** The reconciliation in the report does not reconcile quality and quantity of data used in the approaches to value. The report states, *“Only the Sales Comparison approach to value was applicable to this assignment. The subject is owner occupied; therefore the income approach is not applicable”*. This statement does not provide sufficient reporting and analysis to support opinions and conclusions provided. [SR 1-6(a)(b); SR 2-2(a)(viii)].

Respondent’s Response to Reviewer’s Conclusions

- With regard to the information on the complaint and the subject’s MLS listing with reference to the subject’s “upgrades” not being adequately described and analyzed, i.e., “BRAND NEW CARPET THRUOUT UPSTAIRS, 2012 ROOF, NEW POOL LINER, NEW HVAC & WATER HEATER”; these items are not upgrades as they are typical maintenance issues. Additionally, the reviewer stated that I did not give any consideration to the “new” roof, which, in fact, was 3 years old. Although the subject was well maintained, based on the Fannie Mae description of “updating,” the subject did not meet the requirements to warrant the subject’s market recognizing the condition as updated.
- The reviewer stated that “an appraiser can and must provide any additional information required to communicate an appraisal in a manner that is meaningful and not misleading, including providing sufficient information to enable the client and any other intended user(s) to understand the appraiser’s conclusions regarding the property condition and any updates or remodeling.” The reviewer continues by stating I rated the condition as a C3 and should have provided additional information regarding the rating.
- My client and intended user(s) was a mortgage lending institute, as identified in the report. Fannie Mae’s letter dated 07/13/2014 identified as Uniform Appraisal Dataset (UAD) Overview, states “Through the UAD and UCDP, lenders have a GSE-consistent approach and understanding of appraisal definitions and requirements... (and a common submission portal for submitting appraisal data).” Considering my intended user(s) was identified as such, they have an understanding of UAD condition and quality ratings. Based on the intended user’s understanding of the C3 rating, it is not misleading. Additionally, as the subject did not meet the requirements of updated nor remodeled, commentary regarding such is not applicable, therefore it is not meaningful.
 - Comp 1 was reported as 3290 heated square footage. The square footage was misread and should have been reported as 3250.Four comparable sales and one pending sale were cited. Comps 2, 3, and 4 were in similar well maintained condition with no updating nor remodeling

which would meet the UAD definition of each. However, the master bathroom at comp 1 was remodeled. To develop an adjustment for this superior characteristic, I identified all sales in the subdivision in the past 5 years and analyzed the agent's comments and attached photos. Two dated sales, located in the work file, one of which had a renovated master bath, and one of which did not have an updated nor renovated bath, were compared. An 8.8% difference was noted, however, as the subject's master bath had new tile, faucets, mirrors, and updated light fixtures, the adjustment was lowered to 5%. This 5% was also applied to the pending sale at comp 5. This was in the work file, however maybe not as evident to the reviewer.

- Heated square footage adjustments is developed after deducting all significant attributable characteristics with the exception of square footage. In the subject's market, that figure is between 60% and 70% of the typical sold price per square foot. Although not located in this specific work file, I check this by adjusting the most reliable value indicator. The listing agent provided me with the contract price and concessions to be paid. Deducting concessions (-4,000), land (-40,000), bathrooms (-20,000), parking (-30,000), and fireplace (-3,000); dividing that by the GLA of 2994 is \$61.79, which is attributable to the square footage.
- In considering a dated pool sale in the subdivision, 263 Hound Ridge, and comparing it to two similarly dated sales, the pool adjustment for this specific sale was \$30,000, however, after adjusting the sales without pools, this adjustment increased the adjusted sales prices \$10,000 higher than the sales identified with in ground pools, therefore it was lowered to \$20,000.
- The comp identified at comp 3 was the closest available sale. After analyzing the photos, it was determined that the effective age of this property was noticeably inferior with dated wallpaper, cabinets and pulls, all standard 8 foot ceilings and no whirlpool in the master bath. The age adjustment was developed by comparing this sale with sales cited at the sales comparison approach.
- In regard to the issue of reconciliation, the comment at reconciliation is a summary of the appraisal methods and techniques employed, as required by Standard 2-2 (a) (viii). The quantity and quality of data available and analyzed was interspersed throughout the report, i.e., the information reported at the top of page two, 1004MC, and at "Market Conditions" at the "Neighborhood" section on page 1. Additionally the following comment was made at "Comments on Sales Comparison" regarding specific steps taken to address the availability of sales comparable to the subject as well as my consideration for the sold listings provided at inspection from the listing agent.
 - *"In the development of the value opinion, MLS was utilized to identify similar sales in the neighborhood. The criteria for the MLS search was for properties in the neighborhood boundaries with 2339-3509 sq. ft. with year built range of 1990 to 2000. As noted on the 1004MC and the information reported at the top of page*

two, MLS reported 36 sales which matched this criteria. Only 7 of those sales sold for greater than the contract price. Three of those sales are cited and adjusted. The other four were considered significantly superior in quality and/or condition, and therefore not comparable. None of the 4 most comparable sales identified support the contract price as the adjusted value range was from \$275,750 - \$276,600. The appraiser is not privy to the negotiations of the contract and has no knowledge of whether both the buyers and sellers are informed parties in regard to the neighborhood and comparable sales in the neighborhood. In addition to the research for the closed sales, active/pending listings in the neighborhood were researched. The most relevant listing is cited at comp 5 and is located in the subject's subdivision. The adjusted sales price of that listing does not support the contract price and the principle of substitution applies (definition: "A valuation principle that states that a prudent purchaser would pay no more for real property than the cost of acquiring an equally desirable substitute on the open market.")

- Additionally, at the time of inspection the listing agent provided appraiser with 3 sales. Two of those sales were greater than 30% smaller in GLA than the subject. Neither adjusted to the contract price. The other third sale provided was superior in condition including a completely renovated kitchen with custom cabinets, and therefore not considered a reliable value indicator."

Licensing History:	Registered Trainee	8/21/2000-6/3/2001
	Certified Residential	6/4/2001-Present

Disciplinary History: None.

Reasoning and Recommendation: Respondent has been a Certified Residential appraiser for over 14 years with no prior disciplinary action against her. The reviewer noted that while the appraisal results have not been conveyed in an appropriate manner, the report does contain sufficient information to indicate the appraiser does have an understanding of the appraisal process. As such, Counsel recommends that this matter be **Closed with a Letter of Caution** regarding future appraisals.

Vote: Mr. Johnstone made a motion to accept counsel's recommendation. This was seconded by Mr. Thomas. The motion carried unanimously.

Decision: The Commission voted to accept legal counsel's recommendation.

2. 2015008771

This complaint was filed by an Appraisal Management Company and alleged that Respondent failed to provide detailed commentary regarding the renovation and remodeling of the subject property. Four closed sales and two listings were

utilized; however, required across the board adjustments for location. Two field reviews were ordered, both of which determine that the sales utilized are located in superior markets when more proximate sales considered more appropriate for comparison to the subject were identified. Complainant stated that Respondent continues to defend his comp selection stating sales were selected to bracket the subject's contemporary design and that location/site adjustments address the location differences; however, two reviewers indicate these sales to be superior in location and quality to the subject.

Respondent sent a response to the complaint stating that not including additional commentary describing the renovations, remodeling, or quality of construction and amenities was an oversight. The appraisal software Respondent used automatically moves text from the field to the addendum when the amount of text exceeds the space allotted for the field. As Respondent was typing this section the text was moved to the addendum. As Respondent edited the text it was able to fit into the field but the software does not automatically move the text back. A copy and paste did not get all of the text which left out the commentary that was needed. Respondent stated he does not feel that neglecting this information is a pattern in his reports and that the overwhelming majority of his reports meet or exceed the requirement. Respondent stated that the alternate sales, chosen based on proximity, are located in close proximity to Comp 3 and Comp 4, which were discredited based on location. According to the map, the alternate sales are in the same general area as Comps 3 and 4.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- The appraiser failed to provide sufficient and significant information regarding the details and costs of the renovated improvements so that the significant increase in value from a previous purchase could be explained. The property owners purchased the property approximately 19 months prior to the date of the appraisal for \$765,000. The appraised value indicated in this report is \$2,100,000; this is an increase of \$1,335,000 or 175% in 19 months. The report indicates that market conditions in the area are stable, therefore, the large increase in value must be explained by the quality and amount of renovations performed on the home. Since the client is also questioning the value opinion as being too high, failure to analyze and disclose the details and costs associated with the renovations is a critical omission. [Preamble(line 149-151); Scope of Work Rule(line 390, 396); SR 1-1(b); SR 1-2(e); SR 1-4(b)(ii); SR 1-5(b)]
- There are no land sales or extraction/allocation techniques provided in the report to support a site value opinion. 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. The subject site is valued at

\$600,000 with no support, explanation, or reconciliation. An unsupported opinion of site value is not meaningful to the intended use and is potentially misleading. [SR 2-1(b); SR 2-2(a)(viii); Record Keeping Rule (line 321)]

- No support is found for the substantial adjustments that are made in the sales grid for location, quality, condition, GLA, garage, and amenities. No support for these adjustments is found in the report or the workfile. Across the board, adjustments are not consistent and are, therefore, difficult to understand. [SR 2-2(a)(viii); Record Keeping Rule (line 321)]
- An insufficient reconciliation is found in the sales comparison approach to value. The only statement of reconciliation made in the analysis is in reference to the fact that the adjusted prices bracket the subject's opinion of value. This statement is insufficient to explain how the appraiser arrived at the final value opinion of \$2,100,000 from the wide range of adjusted values indicated by the comparable sales. [SR 1-1(a)(b); SR 2-2(a)(viii)(line 732-734)]
- There is no opinion given for the highest and best use of the site as-vacant. [SR 1-3(b); SR 2-2(b)(ix)]

Respondent's Response to Reviewer's Conclusions

Licensing History:	Registered Trainee	8/10/1998- 5/5/2005
	Certified Residential	5/6/2005-Present

Disciplinary History: None.

Reasoning and Recommendation: The reviewer found multiple USPAP deficiencies within Respondent's appraisal report. Respondent did not respond to the Notice of Violations. As such, Counsel recommends the authorization of a civil penalty in the amount of Five Hundred Dollars (\$500) to be satisfied within thirty (30) days of execution of the Consent Order and a fifteen (15) hour USPAP Course and a fifteen (15) hour Residential Report Writing course to be completed within one hundred eighty (180) days of execution of the Order. Such terms are to be settled by Consent Order or Formal Hearing.

Vote: Dr. Mackara made a motion to accept counsel's recommendation. This was seconded by Mr. Thomas. The motion carried unanimously.

Decision: The Commission voted to accept legal counsel's recommendation.

3. 2015009241

This complaint was filed by a consumer and alleged that the Respondent incompetently performed an appraisal and prejudged the property, resulting in an

undervaluation. The complaint also alleged several misreported property characteristics. Complainant stated that Respondent appraised the parcel to 5 comparable parcels; however, only 1 of the comparable parcels was within the range of the subject parcel. The complaint also stated that Complainant's realtor performed a comparable market analysis on the subject parcel. The realtor came to the conclusion that the subject home price range is worth \$215,000-\$225,000 due to the sold comparable parcels in the last six months. The complaint also stated that attic access is incorrect on the report. Complainant stated he has a walk-in attic with a door, not stairs.

Respondent filed a response to the complaint stating that the attic access on the report indicates that the attic has stairs and a floor. There is not an option that says "walk in attic with a door". The other options available on the appraisal form do not describe the attic in this home. With regard to the allegation of undervaluing the specified property, Respondent stated that the comparable referred to in the complaint is in the subject property's complex, and it was used as a listing. The reason it was not used as a comparable is that as of the date of the appraisal, this property has not closed. In Respondent's opinion, the comparable sales used were most reflective of value as of the date of the appraisal.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- Seller concessions were not reported for sale #2 and incorrectly reported for sale #3. With regard to sale #2, according to MLS and MAAR data, this was a normal sale; however, MLS indicates that there was \$5,200 in seller contributions. This was not reported in the appraisal report. With regard to sale #3, according to MLS and MAAR data, this was a normal sale; however both MLS and MAAR data indicate that there was \$6,500 in seller contributions, which differs from the report. It was also noted in MAAR data that this sale had a second mortgage of \$8,000 at time of sale. Total mortgage amount was \$204,377. This was not discussed in the appraisal report. [SR 1-1(a)(b)(c); SR 2-2(a)(viii)]
- Sales comparison adjustments are not properly supported. There was no adequate reasoning or analysis found in the report to support the adjustments for the bath count, size (GLA), and market adjustments. [SR 1-1(a)(b)(c); SR 2-2(a)(viii)]

Respondent's Response to Reviewer's Conclusions

- With regard to the allegation that the report does not provide sufficient information to enable the clients and intended users to understand the rationale for the opinions and conclusions in the sales comparison approach, Respondent stated the methodology for all adjustments was arrived at based on the appraiser's understanding of the Principal of Contribution, and how it

is applied to the sales comparison approach. In the report, the explanation for these adjustments is incomplete. The complete statement should have stated that the increase in the market was based on data from the 1004 MC Report. The data showed a 12-month increase of 8%. After dividing this 8% by 12 months (3/2014-3/2015), the monthly increase factor was .67%. This factor was applied to the sale month of each comparable to arrive at the percent increase for each sale.

- With regard to the bath count adjustment, Respondent stated the adjustments for the difference in bath count are based on the principal of contribution. The appraiser has estimated a hypothetical market value using the mean adjusted sales price of comparables 1 and 4 (excluding the adjustment for the bathroom for this calculation). The appraiser then found the mean of comparables 1, 3, and 4 (excluding the bathroom adjustment). The appraiser then calculated the difference between the hypothetical market value and the adjusted sales value.

Licensing History: Certified Residential 1/27/2012-Present

Disciplinary History: None.

Reasoning and Recommendation: Counsel recommends the matter be **Closed with a Letter of Caution**, regarding the two allegations made by the reviewer in this matter.

Vote: Mr. Johnstone made a motion to accept counsel's recommendation. This was seconded by Dr. Mackara. The motion carried unanimously.

Decision: The Commission voted to accept legal counsel's recommendation.

4. 2015009561

This complaint was filed by a consumer/real estate agent and alleged that Respondent changed the value opinion to \$125,000, undervalued the subject property per the lender request, after he appraised the property with a value of \$140,000.

Respondent sent a response to the complaint stating that the original report had an appraised value of \$140,000. Revised report #1 was completed to respond to the lender asking Respondent to add comments on prior sale of subject and list what improvements had been made since that purchase. Respondent was also asked to provide one additional comp. under 1,000 square feet in order to support the appraised value. Revised report #2 was completed to respond to the lender to review the following properties that the FNMA Collateral Underwriter had pulled. Respondent considered these properties to be comparable to the subject property

and added them to the report. Time adjustments were made to the dated comps and some of those were the most comparable to the subject property in regards to condition and size. Respondent was also asked to comment on why the MLS data was wrong in regards to comparable two showing it had a three-car garage when in fact it was a two-car garage. Respondent also corrected the typo for the sales price of comparable four from \$149,900 to \$148,900. After adding the comps and considering all of the comparables that the appraised value would be \$125,000. Respondent was never told by the lender that he had to include the additional comparable or asked to lower the appraised value, and he feels very comfortable with the appraised value. A few days after that report was uploaded the lender uploaded a contract addendum signed by both parties for \$125,000. Revised report #3 reflects the updated sales price. The price was never changed to \$125,000 in the report prior to receiving the signed contract addendum that the seller agreed to so the accusation from him that Respondent changed the sales price on the report prior to receiving the signed sales contract addendum is false. All of the reports dated prior to 3/12 reflect the original sales price of \$139,900.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- **Site Value:** An opinion of site value is provided in the cost approach. The following statement is provided in support of the site value opinion: "Site value was taken from tax records." Basing a site value on local tax assessment records is not a recognized valuation method. There are no land sales or extraction/allocation techniques provided in the report or in the workfile to support a site value opinion. 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. An opinion of site value based exclusively on tax records is not meaningful to the intended use and is potentially misleading. [SR 2-1(b); SR 2-2(a)(viii); Record Keeping Rule (line 321)]
- **Unsupported and Unexplained Adjustments in the Sales Comparison Approach:** Adjustments are made in the sales grid for condition (Sale 1), GLA at \$25 per sf, basement area, and driveway parking vs street parking. Sales 5-7 are adjusted for market conditions (time adjustment), yet the market analysis on page 1 of the report indicates that property values in the area are stable. Sale 3 has an in-ground pool but no adjustment is made. No support is found for these adjustments in the report or in the workfile. [SR 2-2(a)(viii); Record Keeping Rule (line 321)]
- **Reconciliation:** An insufficient reconciliation is found in the sales comparison approach to value. Eight sales are used in the analysis with a wide range of adjusted values (approximately \$32,000 which equates to a 29% variance from low to high. Sale 3 sold for \$125,000, but no sale adjusted

to \$125,000 (the final value opinion). The only statement of reconciliation made in the analysis is, "All sales are considered in the value estimated by the direct sales comparison." This statement is insufficient to explain how the appraiser arrived at the final opinion of \$125,000 from the wide range of adjusted values indicated by the comparable sales. 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." [SR 1-1(a)(b); SR 2-2(a)(viii)(line 732-734)]

- The appraiser did not provide an "analysis" of the sales contract. [SR 1-5(line 629); SR 2-2(a)(line 736)]
- The appraiser did not provide an "analysis" of the subject sales history. [SR 1-5(line 631); SR 2-2(a)(line 736)]
- The appraiser did not include, in the certification, a statement regarding any previous performance of services related to the subject within the previous 3 years. [SR 2-3(line 822)]
- The appraiser failed to make a sales concessions adjustment for Comparable 4 after having made adjustments in all other sales where sales concessions were reported. There is no explanation for this omission. [SR 2-1(line 652)]
- **When an opinion of highest and best use was developed by the appraiser, summarize the support and rationale for that opinion:** 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. In addition, an opinion of site value is provided in the cost approach of the report but there is no opinion given for the highest and best use of the site as-vacant. The opinion of site value is an opinion of market value which requires an opinion of highest and best use. Further, the content of an Appraisal Report must contain a summarization of the support and rationale for the appraiser's opinion of highest and best use; this is not provided in the appraisal report under review. [SR 1-3(b); SR 2-2(b)(ix)]
- HUD requires original photos of all comparable sales that were taken by the appraiser in order to show compliance to HUDs requirement for the appraiser to do a drive-by inspection of each sale. It appears that this requirement was not adhered to in this report. I have included the MLS photos of all comparable sales as an exhibit to this report. It appears that the comparable photos are not original but MLS photos. [Competency Rules (lines 352-359)]
- According to the USPAP definition of appraisal review, the review appraiser must develop an opinion regarding the quality of another appraiser's work. The purpose of this appraisal review assignment is to develop such an opinion within the context of the requirements applicable to the original assignment. Standards Rule 3-3 requires that within the reviewer's scope of work, the reviewer is to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the work under review and to develop an opinion as to whether the appraiser's opinions and conclusions

are credible (worthy of belief) and whether the appraisal report is appropriate and not misleading within the context of the requirements applicable to that assignment. The reviewer must provide adequate reasoning for any disagreement with the development or reporting of the original assignment results.

- Based on the reviewer's analysis of the original appraisal report and the revised appraisal reports, as specifically related to USPAP compliance and as described within the body of this report, based on a review and analysis of the appraiser's work file as submitted to the review appraiser, and based on the reviewer's research and analysis of pertinent supporting documentation, the review appraiser concludes that the quality of the appraiser's work under review is deficient in its compliance with the Uniform Standards of Professional Appraisal Practice and, therefore, the credibility of the assignment results is impaired due to the type and extent of non-compliance as specified in this report and summarized above.

Licensing History:	Registered Trainee	8/2/1993-2/10/1998
	Licensed Appraiser	2/11/1998-8/8/2001
	Certified Residential	8/9/2001-Present

Disciplinary History: (201101945-Closed with a Consent Order for 30 hour General Sales Comparison Approach)

Reasoning and Recommendation: The reviewer found that the inconsistencies throughout the reports diminish the reliability and credibility of the reports. Respondent has had corrective education imposed in the past as a result of violations within an appraisal. Counsel recommends the authorization of a civil penalty in the amount of Five Hundred Dollars (\$500) to be satisfied within thirty (30) days of execution of the Consent Order and a fifteen (15) hour Residential Report Writing course to be completed within one hundred eighty (180) days of execution of the Order. Such terms are to be settled by Consent Order or Formal Hearing.

Decision: The Commission voted to accept legal counsel's recommendation.

5. 2015012161

This complaint was filed by a consumer and alleged that Respondent undervalued a property by using a lower value per square foot. The complaint alleged that there were six comparables, ranging from \$174.00 per square foot to \$254.00 per square foot, yet the appraiser valued Complainant's home at \$109.00 per square foot.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- **Value conclusion** of \$350,000 does not appear to align with the data and analysis presented within the report. The report utilizes six (6) properties, two of which are listings and the balance are completed sales. The value range indicated by the six data points is from \$329,000 to \$497,000. Those data points offering the lowest absolute adjustment and net adjustments were sales 3, 4 and listing 5. These properties indicated a value range of \$375,000 to \$497,000. Those sales and listings (1, 2 and 6) which indicated values closer to the concluded value had higher absolute adjustment percentages as well as net adjustment percentages. Assuming adjustments were properly applied, it would be reasonable to anticipate that those properties indicating the lower adjustment ratios would be more indicative of likely selling price for the property being appraised. The following grid summarizes the absolute and net adjustments developed in the appraisal. [SR 1-1(a)]

	Sale 1	Sale 2	Sale 3	Sale 4	List 5	List 6
Absolute Adjustment %	22.34	20.82	11.10	7.12	13.82	23.11
Net Adjustment %	5.29	9.86	0.12	4.42	0.05	9.92
Value Indication \$	350,600	329,000	418,500	497,000	375,000	361,400

- **Location:** The location adjustment applied to Sale No. 4 is a negative \$26,000. This is contrary to the comment section of the report which indicates comparable 4 is located in a similar gated community with similar appeal to the subject's community. [SR 1-1(a)]
- **Site Data:** Sale No. 2 provides a negative \$45,000 adjustment for the land difference between the subject's 5.37 and Sales 23.61 acres. The land size difference adjusted at \$5,000 per acre would be \$91,200 as opposed to the indicated adjustment of \$45,000. The appraisal states in the comments section that adjustments for land size are based on contributory values of \$5,000 per acre. The adjustment, therefore, does not correlate with the comments. [SR 1-1(b)]
- **Amenities:** The subject's shop area, which is essentially 725 sq. ft. of the half story or attic area, is added in the grid at \$5,000 or less than \$7.00 per sq. ft. This area is included in the cost approach at \$60 per sq. ft. or \$43,500. There is no comment or discussion within the appraisal as to the difference in the contribution of this portion of the property. Depreciation estimate only reflects a minimal negative adjustment so that should this area have functional depreciation it is not expressed in the Cost Approach nor explained within the Sales Comparison Approach. [SR 1-1(b)]
- This report appears to lack credibility relative to the value conclusion when the data is considered. It appears that the sales which offer the least, absolute and net adjustments are outside of the range of value concluded.

The value concluded, however, is more in line with those sales which have the higher absolute adjustment and net adjustment and therefore would be considered the least comparable of the data set.

- The reviewer has not inspected the property but has only been able to read the appraisal report, view the photographs, etc. It may be that there are some quality issues, functional issues, design issues, etc. that were considered in opining of the conclusion but those issues are not set out within the appraisal report and therefore the communication of the appraisal does not appear to be credible and in line with the appraisal conclusion.
- The statements within the appraisal indicates that the land values are adjusted at \$5,000 per acre. Comparable No. 2's land adjustment was \$45,000 which differs approximately 100% from the application of the stated value difference in land. This is considered a significant error. Either in the application of the rate per acre acquired or in the adjustment itself.
- The allowance of value difference between the Cost Approach and Sales Comparison Approach for the second level is significant. The addition within the Sales Comparison Approach for the shop area was \$5,000, while this same attribute was given a contribution within the Cost Approach of \$43,500.

Respondent's Response to Reviewer's Conclusions

Value conclusion- Sales three and four do have the lowest gross and net adjustments but are located in an adjacent superior gated community and were used due to an extreme limited number of similar sales in the immediate area of the subject. The gated community is a more established development than the subject and considered superior. The gated community has superior recreation amenities, a full-time guarded entry, and paved roads. The subject has a gravel road with inferior amenities. The subjects' gate entry is a small farm type gate which can easily be walked around or stepped over. To lean heavily upon the sales in the gated community would be misleading. The subject is located in the poorest county in Tennessee. Due to small population and the trend for long term owner occupancy, there is a very limited number of similar condition and quality homes in the county. Sales three and four were used for support and out of necessity due to the extreme limited data in the county and are considered to show the extreme upper value range for the subject property. Sales one and two and the two active listings are located in the county, with sale one being the closest in proximity. In my value determination, I considered the location to be the best influence of value and the sales in the county were given the most consideration in the value indication. Also, the two active listings have an adjusted range of \$375,100 and \$361,400 respectively. Based upon the principle of substitution, a willing buyer would not pay more than they could

- purchase these active listings. Therefore, it was determined the value could not exceed the adjusted range of the listings. Further, the listings show that sales three and four reveal an adjusted value which is higher than the subject's estimate of market value.
- Location- The location adjustment for sale four is correct due to being located in the gated community. The comment below the grid in regards to sale four being in a similar gated community is a typographical error and should apply to comparable five. Comparable five is located in a similar gated community to the subject.
 - Site Date- The site size differences for sale two have been adjusted at \$2,500 per acre due to the larger site size. Sale two was found to have a site value of \$5,000 per acre based on similar sales. This was reviewed but not indicated or clearly defined in the report. All other site differences were adjusted at \$5,000 per acre.
 - Amenities-The subject's shop area is considered a specialty use unique feature such as an in-ground pool or exterior storage building, etc .. , In the case of these items, cost does not equal contribution value. The adjustment for the shop was based on contribution of similar type specialty items. It should be noted, the adjustment was based on contribution of similar items as the specific shop feature was not noted in research in the market or through peer consultation.
 - The value conclusion leaned most heavily on the sales which were considered the most similar in location to the subject and also sale one which is the only sale in the same city as the subject. The sales which have the least adjustments do show the higher value range due to the superior location; however, the active listings show an adjusted value more similar to the indicated value in the report. Based upon substitution, the listings show an indicated value similar to the value in the report.
 - The land value for sale two has already been discussed as adjusted at \$2,500 per acre based upon the size.
 - The cost approach shows a value which is very similar to the indicated market value in the report. This shows additional support that the indicated market value in my report is accurate. The shop area was found to have a higher cost than contribution value which is typical of similar specialty type items.
 - The reviewer has stated they have not physically inspected the subject or comparables. I believe this would help in understanding the location differences and further understand my rationale in the value conclusion. Further, I have included a more recent sale in the immediate market area which is located in a gated community like the subject with similar appeal. Admittedly, this sale did close after the effective date of the report; however, I feel this recent sale shows further support as to the accuracy of my value conclusion.

Licensing History:
4/21/2010

Registered Trainee

9/14/2005-

Certified Residential

4/22/2010-Present

Disciplinary History: None.

Reasoning and Recommendation: Based on the reviewers conclusions and the information provided legal counsel feels that probable cause is indicated that the Respondent failed to summarize necessary analysis within the appraisal report. For that reason counsel recommends the authorization of a civil penalty in the amount of Five Hundred Dollars (\$500) to be satisfied within thirty (30) days of execution of the Consent Order and a fifteen (15) hour Residential Report Writing course to be completed within one hundred eighty (180) days of execution of the Order. Such terms to be settled by Consent Order or Formal Hearing.

Vote: Dr. Mackara made a motion to accept counsel's recommendation. This was seconded by Mr. Thomas. The motion carried unanimously.

Decision: The Commission voted to accept legal counsel's recommendation.

6. 2015013361

This complaint was filed by a consumer and alleged that Respondent did not report mold and mud in the basement, and that there are significant structural issues. Piers are sitting on wood rather than cement. There is a great deal of debris on the ground, which is a breeding ground for termites. The Complainant alleges that he hired a mold inspector and two contractors to come look at the basement, and all agreed that Respondent did not do his job well.

Respondent sent a response to the complaint stating that the subject was appraised and inspected as indicated in the scope of work as requested by his client (the mortgage company). As of the effective date of the appraisal, the cellar/crawlspace appeared to be adequate, but this is from an appraiser and not a home inspector. Respondent stated that as an appraiser, he is a valuation expert. The appraiser does not operate all of the electrical, plumbing, and/or mechanical systems. The appraiser merely observes and does not fully inspect the foundation, floor system, subfloor, roof system, or other structural components. Only a head and shoulders inspection was done, which is required by HUD. The appraiser is not an expert in construction methods and materials. Unless otherwise reported, the subject improvements appeared to be in compliance with zoning, local codes, and generally accepted construction materials and methods. The appraiser makes an economic evaluation of the subject property.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- The assignment under review was submitted to the state as a complaint by the buyer of the subject property. The Complainant alleges that the appraiser did not properly disclose mud, mold and structural damage in the basement. The appraiser alleges that he only performed a “head and shoulders” viewing of the area and, from that perspective, did not see evidence of any of the items mentioned above. The appraiser states in his response to these allegations that he is a valuation expert and not a home inspector and “merely observes and does not fully inspect the foundation, floor system, subfloor, roof system, or other structural components.” Though there is some truth to this statement, the assignment is for FHA insurable purposes which does require the appraiser to pay special attention to “readily observable” property conditions related to the soundness, safety, and security of the property. If the specific items mentioned above existed on the day of the appraiser’s inspection and could have reasonably been seen by the appraiser, assuming sufficient diligence had been performed, then the complaint has validity since failure to observe, disclose, and require repairs is an essential part of the scope of work for any FHA appraisal assignment.
- There is confusion as to whether the property has a basement, cellar, or crawl space. The Complainant calls the area a basement, the appraiser, in the appraisal report, indicates that it is a crawl space, but then describes the area as a cellar/crawl space in his response to the complaint. An exterior picture of the side of the subject property gives the impression that there is more than a crawl space there. MLS #1632063 describes a basement area as being partial/unfinished. A “head and shoulders” viewing is all that would be required if the area is a crawl space; however, if the area is a cellar or basement, then the appraiser, per FHA requirements, would need to personally enter into the area as far as possible to inspect for readily observable items that affect the soundness, safety, and security of the property. If such items exist, they are to be disclosed in the report and repairs required. Since the appraiser admits that he only performed a head/shoulders inspection from the foundation access opening, he admits that he did not enter into the basement/cellar area and, as a result, neglected to discover the above stated conditions affecting the soundness and safety of the property. [Competency Rule(lines 351-359); SR 1-1(b)(lines 501-506); SR 1-2(c)]
- In addition to the stated reason for the complaint, per client requirements, a full appraisal review is performed on the appraisal report submitted to the client dated 05/11/2015 for USPAP compliance. The following report is submitted indicating the results of this review.
- **Unsupported Site Value:** An opinion of site value is provided in the cost approach. The following statement is provided in support of the site value opinion: “Site value from recent sales of vacant sites in the area or

extraction.” There are no land sales or extraction techniques provided in the report to support a site value opinion. 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. An opinion of site value that is unsupported is not meaningful to the intended use and is potentially misleading. [SR 2-1(b); SR 2-2(a)(viii)]

- **Unsupported and Unexplained Adjustments in the Sales Comparison Approach:**

- A market conditions adjustment is made to Sale 1 (sold 12 months prior to the effective date), but no adjustment is made to Sale 3 (sold 11 months prior to the effective date). The stated reason is that “the market has increased since the sale of comparable 1.” However, on the front page of the report the appraiser indicates that property values are stable. The adjustment to Sale 1 is inconsistent with the rest of the report; also, no support is summarized in the report or found in the workfile.
 - A \$50,000 location adjustment is made to Sale 3; no explanation is provided in the report or in the workfile to support the need for the adjustment or the amount.
 - A \$50 per sf GLA adjustment is made along with several other minor adjustments with no explanation or support found in the report or in the workfile. [SR 2-2(a)(viii); Record Keeping Rule(line 321)]
- **Reconciliation:** An insufficient reconciliation is found in the sales comparison approach to value. Five properties are used in the analysis with a wide range of adjusted values (approximately \$83,450 which equates to a 42% variance from low to high. The only statement of reconciliation made in the analysis is, “Near equal weight is given to the comparables.” This statement is insufficient to explain how the appraiser arrived at the final opinion of \$240,000 from the wide range of adjusted values indicated by the comparable sales. 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.” [SR 1-1(a)(b); SR 2-2(a)(viii)(line 732-734)]
 - The appraiser did not include, in the certification, a statement regarding any previous performance of services related to the subject within the previous 3 years. [SR 2-3(line 822)]
 - The appraiser failed to make a sales concessions adjustment for Comparable 3. There is no explanation for this omission. [SR 2-1(line 652)]
 - An opinion of site value is provided in the cost approach of the report but there is no opinion given for the highest and best use of the site as-vacant. The opinion of site value is an opinion of market value which requires an opinion of highest and best use. [SR 1-3(b); SR 2-2(b)(ix)]

- The content of an Appraisal Report must contain a summarization of the support and rationale for the appraiser's opinion of highest and best use; this is not provided in the appraisal report under review.
- According to the USPAP definition of appraisal review, the review appraiser must develop an opinion regarding the quality of another appraiser's work. The purpose of this appraisal review assignment is to develop such an opinion within the context of the requirements applicable to the original assignment. Standards Rule 3-3 requires that within the reviewer's scope of work, the reviewer is to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the work under review and to develop an opinion as to whether the appraiser's opinions and conclusions are credible (worthy of belief) and whether the appraisal report is appropriate and not misleading within the context of the requirements applicable to that assignment. The reviewer must provide adequate reasoning for any disagreement with the development or reporting of the original assignment results.
- Based on the reviewer's analysis of the original appraisal report and the revised appraisal reports, as specifically related to USPAP compliance and as described within the body of this report, based on a review and analysis of the appraiser's work file as submitted to the review appraiser, and based on the reviewer's research and analysis of pertinent supporting documentation, the review appraiser concludes that the quality of the appraiser's work under review is deficient in its compliance with the Uniform Standards of Professional Appraisal Practice and, therefore, the credibility of the assignment results is impaired due to the type and extent of non-compliance as specified in this report and summarized above.

Respondent's Response to Reviewer's Conclusions

- The reviewer mentions that the appraiser is to pay special attention to items that are "readily observable." This was done on the day of the FHA inspection. Observations were done for items related to soundness, safety, and security of the property. No problems were noted as of the effective date of the appraisal. Mud, mold, and structural problems were not seen or readily observable. The items noted by the complainant were only found by a home inspection done by a home inspector after the buyer had already purchased the property. FHA does not guarantee that a home is free from defects.
- The subject is on a crawl space foundation. Cellar was mentioned because when this house was built in the 1930's the access area was probably used as a coal storage area. This area is low and considered a crawl space. Appraiser piers looking in this space would not consider it to be a basement. The MLS mentioned by the reviewer is from an MLS listing posted after the effective

date of the appraisal report that mentions a partial/unfinished basement which is common to see on the MLS on listings for older homes. This does not necessarily mean that the space is actually a basement. The tax record shows the foundation to be a crawl space, there is no access from the interior/first floor, there are 2 side low ground level accesses (one visible from the side, the other through a storage shed attached to the side of the house), there is a dirt floor, the space is unable to stand up in. A "head and shoulders" viewing was done as mentioned in the appraisal which is required by FHA. The foundation was viewed for items that were readily observable and no deficiencies were noted as of the effective date of the appraisal. A more detailed inspection should have been performed by a qualified/licensed home inspector before the house was purchased.

- The reviewer stated that the site value was not supported, but vacant land sales were used and were provided from the workfile. The site value is supported by the land sales provided from the file. This apparently was missed by the reviewer. The appraisal report did not specifically show the land sales on the report, but they are in the workfile. Other factors were also considered since the subject's neighborhood is changing due to the higher demand for closer neighborhoods to Nashville. Houses are being torn down around the site value indicated in the appraisal.
- A wide range of comparables were necessary due to the lack of more comparable sales data. Few comparables were found. The subject was heavily renovated and only a few have been renovated in the subject's immediate area. comparables 1 and 2 in the report are located in the subject's immediate area. As of the effective date of the report the subject market was considered to be stable. The statement is true and supported by the 1004MC and other factors that the market has increase since the sale of comparable 1. Comparable 3 is located in a superior neighborhood. Site value differences were reviewed to estimate the location adjustment for comparable 3. Near equal weight was given to the comparables, because aspects of each comparable are similar to the subject and should be considered closely, Reducing the range was done after adjustments were made. The range was wider that desired, but with the comparables available it was unavoidable. Comparable sales were not found that are better than the sales provided in the report. Comparable 2 was the most recently sold and the most similar in location, upgrades, and renovations. Other aspects of the other comparables were used and near equal consideration was given. Comparables 4 and 5 were competing active listings in the subject's immediate neighborhood that also support the opinion of value showing a trend to more renovated older houses in a stabilizing area.
- The reviewer stated that no statement was made about previous services done in the past 3 years. This was apparently missed by the reviewer. The appraisal states on the first page addendum that, "The subject was not appraised in the past 3 years by the appraiser."

- The reviewer stated that no concessions adjustment or explanation was done for comparable 3. This adjustment is not warranted due to the fact that sales concession are typical in the market. Explanations for this are in the appraisal already in the neighborhood/marketing section of the first page of the URAR and the marketing section on the 1004MC.
- The reviewer states that there is no opinion given for highest and best use as though vacant and that no summary was provided. This must have been missed by the reviewer as well. The first page addendum states under the Highest and Best Use section "The subject's market area, present use, zoning, and other possible uses (if any) were observed and considered. It was determined that the Highest and Best Use of the subject is its present use."
- The reviewer appears to have missed many details in this appraisal. The reviewer did not provide adequate reasoning for disagreements. This appraisal is supported. The allegations from the complainant (not my client) are unwarranted for the scope of work and purpose of this appraisal.

Licensing History:

Registered Trainee	3/15/2001-7/6/2003
Certified Residential	7/7/2003-Present

Disciplinary History: None

Reasoning and Recommendation: The reviewer found that the report is deficient in its compliance with USPAP. As such, Counsel recommends the authorization of a civil penalty in the amount of Five Hundred Dollars (\$500) to be satisfied within thirty (30) days of execution of the Consent Order and seven (7) hours of an FHA course and thirty (30) hours in a Residential Sales Comparison Approach course to be completed within one hundred eighty (180) days of execution of the Order. Such terms to be settled by Consent Order or Formal Hearing.

Vote: Mr. Thomas made a motion to accept counsel's recommendation. This was seconded by Mr. Johnstone. The motion carried unanimously.

Decision: The Commission authorized a Consent Order for a seven (7) hour FHA course to be completed within one hundred eighty (180) days of execution of the Order. Such terms to be settled by Consent Order or Formal Hearing.

7. 2015014891

This complaint was filed by a consumer and alleged that Respondent under-valued a condominium. Complainant alleged that Respondent admitted in his appraisal documents that he based his appraisal mostly on the basis of a condo similar to Complainant's that sold slightly prior to Complainant's appraisal. Unfortunately, Respondent did not bother to find out that the property he used as a comparison had been owned by an elderly lady who did not have the finances to upgrade her

condo. Complainant alleged Respondent used incorrect square footage, reported the number of condos in the association incorrectly, never checked for leaks, completely missed the laundry area, a walk-in closet and a second full bath. Complainant also alleged that Respondent indicated that the complex had made no improvements even though the association has put on 5 new roofs and completely painted the complex and upgraded the landscaping.

Respondent sent a response to the complaint stating that MLS shows the comparable property exterior and interior in similar condition to the subject. It is identical in size and shares a common wall. Respondent stated the subject property was measured at the time of inspection and measurements are correct. Respondent stated he used tax records to obtain condominium information. Respondent stated that he inspected the home according to the requirements of HUD. Due to the subject size and not having a crawlspace or attic, the inspection did not take as long as typical inspections. The appraiser inspected several homes the same day and called the Complainant to verify bathroom count. The comparable sales supported the appraised value. Respondent put more weight in the identical condo located next to the subject property with no adjustments and in similar condition. However, Comparable sales #1 and #3 are similar in age and design/style and support a value of \$90,000 also. Respondent is unaware of past appraised values.

Licensing History:	Registered Trainee	6/20/2003-
9/15/2005	Certified Residential	9/17/2005-Present

Disciplinary History: None.

Reasoning and Recommendation: The reviewer found no violations of USPAP when conducting the review of Respondent's appraisal. On reading the appraisal, it appears that the square footage reported varies somewhat from the tax records; however, the footage difference is minimal. The appraisal states that the property has two bathrooms, although the property sketch does not include a notation of the second bath. The appraisal adjustment grid allows for the bathroom difference. The credibility of the adjustments and the report appear to meet USPAP standards and no violations are indicated. As such, Counsel recommends that this matter be **Closed with no further action.**

Vote: Dr. Mackara made a motion to accept counsel's recommendation. This was seconded by Mr. Thomas. The motion carried unanimously.

Decision: The Commission voted to accept legal counsel's recommendation.

8. 2015015971

This complaint was filed by a consumer and alleged that Respondent (supervisor) falsely reported the size of the property and never used the proper legal description of the property, and that was on factor listed as to the loss of a lawsuit over land discrepancy.

Respondent sent a response to the complaint stating that this complaint is from an appraisal report that was completed for a sale, which transferred 6/4/2004 per courthouse records. Respondent stated he does not have the information from this appraisal assignment, as he is only required to keep records and the corresponding workfile for 5 to 7 years per USPAP requirements.

Licensing History:	Certified Residential	10/4/1991-9/4/1995
	Certified General	9/15/1995-Present

Disciplinary History: (941842, 200504517-Closed; 200900585-Closed with final order for education, \$1,000 civil penalty, and costs)

Reasoning and Recommendation: Considering completeness, adequacy, credibility, etc., the reviewer found no issues with conformance to USPAP. Due to the age of the work, the appraiser does not have the appraisal or workfile regarding this matter. The complainant provided a copy of a portion of the appraisal that was obtained from the lender. The reviewer checked the presented information, i.e. house description and comparable data against the historical public records, and the information presented appears to be correct. As such, Counsel recommends that this matter be **Closed with no further action.**

Vote: Ms. Johnson made a motion to accept counsel's recommendation. This was seconded by Mr. Johnstone. The motion carried unanimously.

Decision: The Commission voted to accept legal counsel's recommendation.

9. 2015004791

This complaint was filed by an Appraisal Management Company and alleged that Respondent's report included inaccurate or misleading subject improvements description, inappropriate comparable sale selection, and inaccurate reconciliation of value. The appraisal report was revised and resubmitted to the AMC approximately six times.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- **Highest and Best Use**—The appraisal reports reflect the present use is the subject's highest and best use but offers no support for this conclusion. This information was not located in the appraisal reports or workfile and if an analysis was not performed by the appraiser in the development portion of the appraisal. [SR 1-3(b); SR 2-2(a)(x)]
- **Exposure Time**—All reports reflect in one area an exposure time of 90 days while in another area reported an exposure time of 120 days. If an opinion of reasonable exposure time was not developed by the appraiser in the development portion of the appraisal then **Standard 1-2 (c)** would also not have been adhered to. In all reports, except for Report B, 90 days is reflected on page 3 and 120 days is reported on page 7. In Report B 90 days is reflected on page 3 and 120 days is reported on page 6. This information is not consistent and is therefore contradictory. [SR 1-2(c); SR 2-1(a); SR 2-2(a)(v)]
- **Intended Use**—All reports reflect in one area the intended use is "for a Refinance-No money out financial transaction" but each report also reflects a purchase transaction on page of the Uniform Residential Appraisal Report. The reports contain contradictory statements with regard to the whether the appraisal is being developed for a purchase transaction or a refinance transaction. [SR 2-1(a)(b); SR 2-2(a)(ii)]
- **Site Section**—In the site section of the appraisal reports the dimensions of the site are not reported. The specific zoning classification is not listed and only "Single Family Ranch" is listed. The lot dimensions were readily available to the reviewer via a free online assessor website. The actual zoning classification is R-1 A Single Family Residential District. The lack of dimensions means the identification of the subject has not been adequately reported. The lack of a specific zoning classification also does not properly identify the subject. The appraisal reports state "Single Family Ranch" which is incorrect. If this was correct the subject is also reported as a 1.5 Story in the Improvements section and thereby would not be in compliance which the report says it is which therefore makes the reports contradictory. R-1A allows for many permissible uses and is not restricted to a "Ranch". [SR 1-1(a)(b)(c); SR 1-2(e)(i); SR 2-1(a)(b); SR 2-2(a)(iii)]
- **Sales Comparison**— Reports D and E contain Comparable Sale #5 as 3409 Sango Crossing with a reported sales price of \$27 4,900. This property actually sold for \$265,900 confirmed through the MLS No. 1525454 and Courthouse Information which is reflected as the Data Source in the appraisal report. In Report F, also known as Exhibit 1 by the Respondent's response to the complaint the Indicated Value by: Sales Comparison Approach reports \$27 4,000 but in the Reconciliation portion of the report the opinion of value is reported as \$265,000. A statement that most weight is given to the sales comparison approach but it was the only approach reported. An additional statement "Comparable 4 was given the most weight" but this sale adjusted to \$247,325. Two reports contain the incorrect

sales price of comparable sale #5. All reports reflected most weight given to sales comparison approach when it's the only approach reported. Report F reflects the value as \$274,000 via the sales comparison approach (the only approach reported) but then states an appraised value of \$265,000. [SR 1-1(a)(b)(c); SR 1-6(a)(b); SR 2-1(a)(b); SR 2-2(a)(viii)]

Respondent's Response to Reviewer's Conclusions

- With regard to highest and best use, the following statements should have been included in the report. The four tests of highest and best use are (1) legally permissible (2) legally possible (3) financially feasible and (4) most profitable. The subject is a legally permissible use based on its current zoning. Also, the lot size, shape and land-to-building ratio allow the present structure and indicates a good utilization of the improvements. Based on current market conditions, the existing structure as a single family residence is it's financially feasible and maximally productive use. The highest and best use, as if vacant, would be to construct a single family residence.
- With regard to the exposure time comment, when an opinion of reasonable exposure time has been developed in compliance with Standards Rule 7-2(c), the opinion must be stated in the report. (Comment to USPAP SR 8-2(a, b, c)(v)) Comparables (1) DOM is 101, (2) DOM is 219 (3) DOM is 67 (4) DOM is 14 (5) DOM is 68. DOM average is 94 days. Reasonable exposure time estimated to be 120 days based on MLS sales data information is incorrect. Page 6 1004 MC average DOM is 73. This information is not consistent and, therefore, contradictory.
- With regard to intended use, on page 1 assignment type purchase transaction is correct. Page 3, purpose of this report is to assist the client in determining market value for home equity refinance transactions is incorrect. This should have been removed from the report.
- With regard to site section, single family ranch should have been R-1. Details of plat map size should have been included in the report.
- With regard to sales comparison approach, comparable #5 was incorrectly listed as \$274,900 and should have been \$265,000. This should have been corrected on page 2.

Licensing History:	Registered Trainee	4/28/2005-7/16/2007
	Certified Residential	7/17/2007-Present

Disciplinary History: None.

Reasoning and Recommendation: Respondent has been a certified residential appraiser for eight (8) years with no prior disciplinary action against him. As such, Counsel As such, Counsel recommends that this matter be **Closed with a Letter of Caution** regarding future appraisals.

Vote: Mr. Johnstone made a motion to accept counsel's recommendation. This was seconded by Dr. Mackara. The motion carried unanimously.

Decision: The Commission voted to accept legal counsel's recommendation.

10. 2015007731

This complaint was filed by a consumer and alleged that the Respondent overlooked items that should have been focused on during his inspection which caused the complainant financial loss. Also, the complainant stated there were more comparable sales available that could have been used instead of the inadequate ones used by the Respondent.

The Respondent stated in response to the allegations that he is approved on the FHA panel and conducted the inspection in accordance with standard operating procedure for a USDA Rural Development appraisal. He stated the property required some repairs to meet the required standards and he noted the property had only one bedroom instead of the two advertised on the listing brief. He indicated all required repairs were digitally imaged with appraiser comments within the body of the report. He indicated he completed the report assuming completion of the repairs required to meet lending requirements. He indicated he appraised the property for \$110,000 with an effective date of November 3, 2014 and a report date of November 6, 2014 and submitted the report to his client. He indicated the property was listed for \$124,900 and under contract as a two bedroom home and the contract included \$5,500 in seller paid concessions. He indicated the property closed for \$110,000 on February 4, 2015.

He indicated on November 19, 2014 the underwriter emailed a series of questions submitted by the son of the seller who had reviewed the appraisal. These questions included one about the subject improvements being less than 80 feet from the portable public water main and the estimate by the listing agent exceeded 3% by \$175 and the subject well water was only 92 feet from the septic tank. The final cost to install was reported to be under \$1,000.

He indicated that the review done by the son of the seller which was the basis of the complaint against him was not performed by a HUD qualified reviewer.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- **Highest and Best Use:** the appraisal report reflects the present use is the subject's highest and best use but offers no support for this conclusion. This information was not located in the appraisal report or workfile and if an analysis was not performed by the appraiser in the development portion of

the appraisal, then USPAP standards would not have been adhered to. [SR 1-3(b); SR 2-2(a)(x)]

- **Site Value/Cost Approach:** there was no summary support for the land value opinion within the appraisal report. There was no information of data provided within the report to support the site value opinion. The URAR Fannie Mae Form 1004 requires the appraiser to submit “a summary of comparable land sales or other methods for estimating the site value.” Simply stating a source is not considered sufficient summarization of the method and techniques. There was a spreadsheet with “Site Valuation” written at the top consisting of eleven land sales located in the workfile. [SR 2-1(a); SR 2-2(a)(viii)]

Licensing History:

Certified Residential

9/24/1991-

Present

Disciplinary History: None.

Reasoning and Recommendation: Respondent has been a certified residential appraiser for over thirteen (13) years with no prior disciplinary action against him. As such, Counsel recommends that this matter be **Closed with a Letter of Caution** regarding future appraisals.

Vote: Mr. Thomas made a motion to accept counsel’s recommendation. This was seconded by Ms. Johnson. The motion carried unanimously.

Decision: The Commission voted to accept legal counsel’s recommendation.

11. 2015018111

This complaint was filed by a consumer and alleged that Respondent was extremely unprofessional and that he and Respondent engaged in an argument when the appraisal was not delivered in a timely fashion. Complainant alleged that Respondent had a police officer escort him to Complainant’s house to deliver the appraisal report to Complainant’s mailbox because he felt threatened, and Complainant found this to be completely unnecessary.

Respondent sent a response to the complaint stating that arguments did take place between he and Complainant regarding the delivery of the subject appraisal. Respondent stated that it is not his practice as an appraiser to call clients every day to give them an update on their particular file, as he typically does not talk to them until he has the appraisal completed. Respondent then calls the client to let them know the appraised value and to find out how to get the report to them, whether through email or regular mail. Respondent admits that there were a few miscommunications regarding the delivery of the appraisal, but that it did not warrant the threats and threatening phone calls made by Complainant.

Respondent claimed at one point that the appraisal had already been emailed to Complainant, it was just the hard copy that had not yet been delivered, and Complainant still continued to threaten.

Licensing History:	Registered Trainee	10/25/1994-11/14/1996
	Registered Trainee expired	11/15/1996-12/16/1996
	Licensed Appraiser	12/19/1996-11/26/2002
	Suspended	11/27/2002-1/2/2003 & exp.
	Licensed Appraiser	2/26/2003-Present

Disciplinary History: (200100967-Closed with Consent Order; 201100434-Dismissed)

Reasoning and Recommendation: Counsel recommends that this matter be **Closed with no further action.**

Vote: Dr. Mackara made a motion to accept counsel's recommendation. This was seconded by Mr. Thomas. The motion carried unanimously.

Decision: The Commission voted to accept legal counsel's recommendation.

Under new business the members discussed the Appraisal Foundation letter and the IAC letter. No votes or action were taken. Ms. Johnson made a motion to cancel the October scheduled meeting. Mr. Johnstone seconded the motion. The motion passed. Ms. Avers indicated that the October meeting would be removed from the public notice calendar.

Having no further business, Mr. Walton adjourned the meeting at 10:40 a.m.