



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

March 9th, 2015
Minutes
First Floor Conference Room (1-B)
Davy Crockett Tower

The Tennessee Real Estate Appraiser Commission met on March 9th, 2015, in Nashville, Tennessee, at the Davy Crockett Tower in the first floor conference room. Chairman Johnstone called the meeting to order at 10:04 a.m. and the following business was transacted.

COMMISSION MEMBERS PRESENT

Mark Johnstone
Norman Hall
Nancy Point
Gary Standifer
Dr. Warren F. Mackara

COMMISSION MEMBERS ABSENT

Tim Walton
Eric Collinsworth
Rosemary Johnson
Randall Thomas

STAFF MEMBERS PRESENT

Nikole Avers, Keeling Gamber, Jennaca Smith, Dennis O'Brien

Chairman Johnstone read the public meeting statement into the record which indicated the agenda was posted to the Tennessee Real Estate Appraiser Commission website on January 23rd, 2015.

ADOPT AGENDA

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

MINUTES

The January 12th, 2015 minutes were reviewed. Mr. Hall made the motion to accept the minutes as written. It was seconded by Mr. Standifer. The motion carried unanimously.

REPORT OF EXPERIENCE INTERVIEWS

Brittnee Clair Netherland requested a 500Hr experience review which was conducted by Ms. Point, who found her reports to be very well written.

David Michael McCullar made an application to upgrade from a registered trainee to a certified residential real estate appraiser. Ms. Point was the reviewer and recommended his experience request be granted. Mr. Hall made a motion to accept the recommendation. This was seconded by Dr. Mackara. The motion carried unanimously.

Adam Lon Hill made an application to upgrade from a registered trainee to a certified general real estate appraiser. Mr. Standifer and Mr. Johnstone were the reviewers who recommended he should turn in two additional reports that were better representations of his current level of experience. Dr. Mackara made a motion to accept the recommendation. This was seconded by Mr. Hall. The motion carried unanimously.

John Carter Fitzgerald made an application to upgrade from a registered trainee to a certified residential real estate appraiser. Mr. Hall was the reviewer and recommended his experience request be granted. Mr. Standifer made a motion to accept the recommendation. This was seconded by Dr. Mackara. The motion carried unanimously.

MARCH 2015 - EDUCATION COMMITTEE REPORT

Dr. Mackara read his recommendations into record as below:

Course Provider	Course Number	Course Name	Instructor(s)	Hours	Type	Recommendation
TREES	1821	Supervising the Trainee Appraiser	R. Oslin, V. Boyd, C. Carter	7	CE	Approve
ASFMRA	1822	Highest & Best Use Seminar	W. Young	8	CE	Approve
ASFMRA	1823	AgWare: UAAR Back to Basics	M. Elder	7	CE	Approve
ASFMRA	1824	Appraisal Through the Eyes of the Reviewer	M. Lewis	7	CE	Approve
Appraisal Institute	1825	Contract or Effective Rent: Finding the Real Rent	T. Hamilton	4	CE	Approve
Georgia Appraiser School	1826	Collateral Underwriter – What You Need to Know	J. Smithmyer	7	CE	Approve
The Spearman Center	1829	Managing Six New Appraising Requirements: What You Need to Know	W. Spearman	7	CE	Approve
Columbia Institute	1832	Fannie Mae/ANSI Update, No. 139	A. Brown, R. Wilson, D. Sever	8	CE	Approve
Evolve Valuation Compliance Services	1833	Understanding FIRREA and the Interagency Guidelines for Appraisal Evaluations	E. Collinsworth	4	CE	Approve
IRWA	1834	Property Descriptions, IRWA Course 902	R. Schreiber	8	CE	
Bryan Reynolds	1835	Fannie Mae CU and You B300	B. Reynolds, C. J. Wells, A. M. Chalos, K. Hardin, R. Norris, T. H. Humphries, S. M. Eady	7	CE	Approve
Bryan Reynolds	1836	Statistics, Modeling and Finance 910	B. Reynolds, C. J. Wells, A. M. Chalos, K. Hardin, R. Norris, T. H. Humphries, S. M. Eady	14 15	CE QE	Approve Approve
IRWA	1837	Alternative Dispute Resolution, IRWA Course 203	C. Johnson	15	CE	Approve
IRWA	1838	The Environmental Process, IRWA Course 606	C. Johnson	8	CE	Approve
IRWA	1839	Introduction to Property/Asset Management, IRWA Course 700	G. S. Tyler	14	CE	Approve
IRWA	1840	Standards of Practice for the Right of Way Profession, IRWA Course 104	R. Schreiber	7	CE	Approve
Greater TN Chapter of the Appraisal Institute	1841	Drone Technology and its Impact on the Appraisal Industry	L. Ellis	4	CE	Approve
Greater TN Chapter of the Appraisal Institute	1842	Valuation by Comparison - Residential Analysis & Logic	J. Atwood	7	CE	Approve

Individual Course Approvals

Licensee	Course Provider	Course Name	Hours	Type	Recommendation
James R. Corbitt (CR-734)	McKissock	Advanced Residential Applications and Case Studies	15	CE	Approve
Philip R. Russ (CG 100)	NC Appraisal Institute	Real Estate Finance, Value and Investment Performance	7	CE	Approve
G. Standifer (CG 28)	AARO	23 rd Fall Conference	14	CE	Approve

Vote: Ms. Point made a motion to accept the recommendations. This was seconded by Mr. Hall. The vote carried unanimously.

DIRECTOR'S REPORT

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

She reported to the Board that our program had been awarded an ASC finding of 'Excellent' as a result of the January 2015 compliance review by the Appraisal Subcommittee.

Since there would be no formal hearing and very few items of business in April, but there were matters on the legal report that would need to be addressed, she recommended that only the local members of the board attend the April meeting with the rest joining by teleconference.

Vote: Dr. Mackara made a motion to accept the recommendation. This was seconded by Mr. Standifer. The motion carried unanimously.

The Appraisal Qualifications Board (AQB) of the Appraisal Foundation had released an additional exposure draft on the Proposed Revision to the 2015 Real Property Appraiser Qualification Criteria and Guide Note 9 (GN-9) and, the Appraisal Standards Board (ASB) of the Appraisal Foundation had released a Summary of Actions related to the proposed changes for the 2016-2017 USPAP. Both summaries were included as additional documents for the Board to review.

Director Avers recommended that Policy number two (2) from the current policy list be removed as it was no longer necessary, having been covered adequately by rule 1255-06-.01 on reciprocity.

Vote: Dr. Mackara made a motion to accept the recommendation. This was seconded by Ms. Point. The motion carried unanimously.

So as not to delay course approvals since the board would not be meeting frequently, Ms. Avers recommended revising Policy number ten (10). She recommended that either:

- a) The language be amended to allow approval of courses for secondary providers that had CAP approval for the primary provider, or
- b) Language to be included in the policy that allowed all courses to be reviewed for consideration of approval by the education commission member and approved on an ongoing basis. A report of these approvals would be given to the Board at each meeting.

Vote: Dr. Mackara made a motion to accept the Directors suggestion that the language read, "The education member of the Commission may review and approve courses. Staff will maintain an education report for presentation to the Commission at public meetings." This was seconded by Mr. Hall. The motion carried unanimously.

To effect timely processing of license renewals that required Board approval of individual course applications, she recommended that the policy language read, "The education member of the Commission may review and approve individual course approval requests submitted by applicants. Staff will maintain an education report for presentation to the Commission at public meetings."

Vote: Dr. Mackara made a motion to have the policy language read as stated. This was seconded by Mr. Standifer. The motion carried unanimously.

A similar consideration of an additional Policy for additional instructor requests for courses already approved, she recommended that the language read, "The education member of the Commission may review and approve additional instructor requests for courses already approved submitted by course providers. Staff will maintain an education report for presentation to the Commission at public meetings."

Vote: Dr. Mackara made a motion to have the policy read as stated. This was seconded by Mr. Standifer. The motion carried unanimously.

With a view towards keeping the credential upgrade applications workflow efficient and timely, the Director requested that the Board consider that once staff had reviewed an upgrade application and determined that it was complete with regard to the education, experience hours and college education, the candidate be allowed to take the exam once an experience interview date with a member of the commission had been set. On checking with the ASC policy managers, they had indicated that many states do not expend review resources until an applicant had passed the examination so it seemed that language in the policy could read, "An applicant may be granted exam approval for the national AQB examinations for licensure/certification once it has been determined by the administrative office of the Real Estate Appraiser Commission that all education and experience requirements as well as application requirements are fully documented".

Vote: Dr. Mackara made a motion to accept the recommended language for the policy. This was seconded by Mr. Standifer. The vote carried by majority with Mr. Johnstone and Mr. Hall in opposition. In conclusion, Director Avers recommended that Policy number eleven (11) be removed as it was redundant to Rule 1255-01-.12 (10) (c) pertaining to the "direct supervision of a trainee".

Vote: Ms. Point made a motion to remove the policy as it was unnecessary. This was seconded by Mr. Hall. The vote carried unanimously.

After the Director's report, the Board members went on record to commend the Director and staff for the excellent rating received in the recent audit by the ASC.

LEGAL REPORT

1. 2014014951, 2014014952

RE-PRESENTATION

This complaint is a re-presentation from the December 2014 Commission meeting, during which the Commission authorized a Consent Order, requiring each Respondent to complete either a General Sales Comparison Approach Course OR a General Highest and Best Use Course within 180 days of execution of the Order. The facts of the matter as presented are as follows:

This complaint was filed by a consumer and alleged that Respondent supervisor and trainee over-valued a property and said that the Respondent supervisor was on vacation at the time of the appraisal, and the trainee was not supervised.

Respondent sent a response to the complaint, indicating that the Complainant attempted to influence his value opinion, indicating the contract price was too high and told him that the Complainant was a licensed appraiser in Texas. The subject property is a mixed-use property which consists of an older three-bay strip center on the front of the tract with multiple storage improvements situated on the rear of the tract. He indicated the prior owner had passed away and the property was under managed and underperforming. The supervisor-appraiser indicated he did not discuss or disclose any of the conversations with the buyer or the client with his trainee, as he did not want him to be influenced by Complainant's attempt to influence value. He indicated when the appraisal was delivered the Complainant was unhappy with the appraised value and was totally unfamiliar with a DCF and did not seem to know that the income approach is based on the current value of future earnings. The value at stabilization which we provided was, of course, even higher.

He wanted the property valued based on the current occupancy, which we did not consider appropriate. The Respondent indicated he was at a total loss as to how the Complainant being in Texas during this entire process, could ascertain that Respondent was on vacation for 10 days. On May 20, 2014, the registered trainee appraiser met a representative of the owner at the property. The representative unlocked the property and left immediately afterwards. The Respondent-supervisor met the Respondent-trainee shortly after the representative left and they spent approximately two hours inspecting the property. He indicated the Complainant's statement is totally untrue and he questions how he would have any knowledge as to the extent of the inspection, as he was not present. After assisting in the overall preparation of the report and reviewing the final product, the Respondent-supervisor placed his signature on the report. He questioned how the Complainant would have any knowledge of my whereabouts or activities while this report was being prepared or when it was signed.

REVIEWER CONCLUSIONS [alleged violations included within brackets]:

Scope of Work: The report fails to properly identify the problem to be solved. The property was appraised Fee Simple, while encumbered by a twenty month lease at below market rates identified in the report as below market, creating both Leased Fee and Leasehold considerations. Neither Leased Fee nor Leasehold positions were addressed in the report and there were no stated extraordinary assumptions or hypothetical conditions employed regarding the leases in force at the time of the appraisal. [SR 1-1(a)(b)(c); 1-2(h); 1-4(d); 2-2(a)(iv)]

- *Improved Sales Comparison Approach: The comparison of improved sales was not included as an approach to value in this report. The reasoning behind this decision was based on the limited amount of comparable sales and the inability to verify an adequate number of sales with at least 1 principal participant. The omission of the sales comparison approach on this basis would not meet the expectations of parties who are regularly intended users for similar assignments and is not what an appraiser's peer's actions would do in performing the same or similar assignment. The scope of work should have been expanded to allow normal verification of sales, the sales presented in the appraisal report and the completion of the sales comparison approach. There was no evidence in the workfile of improved sales research. [SR 1-1(a)(b)(c); SR 1-2(h); SR 1-4(a); SR 1-6; SR 2-1(a)(b); SR 2-2(a)(vii)(viii); Record Keeping Rule, Lines 321-323]*
- *Land Sales Comparison Approach: The report includes a sales comparison approach for land sales used for developing the opinion of site value used in the cost approach. However, there is no discussion or support in the report or workfile for the development or application of comparable land sale adjustments – only statements regarding adjustment amounts and the feature. [SR 1-4(a); SR 2-2(a)(viii)]*
- *Cost Approach: Cost approach narrative refers to reproduction cost, but the cost analysis appears to use replacement cost. Also, given the significant difference in the value indication yielded by the cost approach versus the income approach indicates that there is likely some functional and/or external obsolescence present that might be accounted for in the as-is value of the cost approach. [SR 1-1(c)]*
- *Income Approach: On page 46, six comparable sales were provided with a rental range from \$6.72 to \$10.56 per square foot and an average rent of \$8.90 per square foot. The analysis lacked comparative support as there was no comparison of physical similarity, building tenant mix or age of construction in the development of estimated market rent produces. The report indicated a market rent of \$6.75 per square foot which is substantially higher than current contract rent of \$4.00 per square foot creating a positive leasehold position for the tenant of \$2.75 per square foot for the remainder of the lease. During this period, the value of the landlords leased fee estate combined with the tenant's positive leasehold position produces the indicated fee simple market value for the subject property. These values are not addressed in the report. The rent adjustment to \$5.40 per square foot remains below market rents and perpetuates the leased fee/leasehold positions in the subject property. There is no explanation as to why the subject does not negotiate to market rent. The hypothetical conditions applied to the property in order to raise income levels are not actually present at the time of inspection and directly impact the as-is estimate of value. In taking this approach, a timeline detailing the cost of implementing these improvements and when they took effect should be reflected in the discounted cash flow model. [SR 1-1(a)(b)(c); SR 1-6; SR 2-1(a)(b); SR 2-2(a)(viii)]*
- *Market Rate Indication: The expense ratio is ignored as a crucial unit of comparison for the subject property. The subject buildings are significantly older than the comparable sales and as a result have a higher expense ratio (exceeding 50%) which directly impacts the cap rate for the property. Rather than using a blended cap rate, the lower cap rate was used in the discounted cash flow model which would produce higher values. [SR 1-1(a)(b)(c); SR 1-6; SR 2-1(a)(b); SR 2-2(a)(viii)]*
- *Debt Coverage Ratio Method: The debt coverage ratios listed on page 51 for the average retail and self-storage market range from 1.41 to 1.67. The history and condition of the subject property indicates the property would struggle to be average and as a result, how the local lenders would view this property in regard to the debt recovery margins. The mean debt coverage ratio for the retail and self-storage average markets indicated by the data source is 1.55. Employing this figure in the DCR formula would elevate the cap rate to 13.37% as*

compared to the 10.79% rate used in the report. [SR 1-1(a)(b)(c); SR 1-6; SR 2-1(a)(b); SR 2-2(a)(viii)]

- *Discounted Cash Flow Analysis “As-Is”:* The retail income in year 1 for this two tenant building is presented as \$28,800. There is an inadequate explanation in the report as to the origin/development of this figure and it could not be substantiated using the information provided in the report.

In the discounted cash flow analysis on page 57, retail market rent indicated by the comparable rent analysis was never achieved in years 2, 3, and 4. The highest annual income for the retail space appears in year 3 as \$38,604 which remains below market rents. If the subject is not leased at market rents then by definition the interest appraised is an as-is leased fee estate with a leasehold position, not fee simple estate.

Historical data supporting vacancy analysis is lacking in the workfile. Data supporting narration regarding expenses, maintenance, management, etc. is missing from the workfile. [SR 1-1(a)(b)(c); SR 1-6; SR 2-1(a)(b); SR 2-2(a)(viii)]

- *Reconciliation:* The application of stringent data verification requirements on the sales comparison approach only resulted in its omission. The omission of the sales comparison approach based on sale verification is not considered acceptable when a lower verification was used to develop the income approach.

There is a very significant variation between the value indicated by the cost approach and the income approach that is not accounted for in either approach or the reconciliation. Given the weakness of the data in the income approach and the omission of the sales comparison approach the opinion of value may have been compromised. [SR 1-1(c); SR 1-2(h); SR 1-4(a); SR 1-6; SR 2-2(a)(viii)]

Respondent’s Response to Reviewer’s Conclusions:

The Respondents indicated in response to the reviewer’s conclusions that they believed the scope of work was properly defined for the assignment considering the uniqueness of the property which is 24,990 square foot property of which 6,510 was a mostly vacant strip center and the remainder a mix of storage buildings. They indicated that they attempted to get a written lease multiple times, but according to the response the lease was verbal. They indicated the leases were typically month to month or almost always less than a year and those mini warehouse appraisals are almost always developed as fee simple. They further indicated that any attempt to provide a leased fee estate on a property in which the overwhelming amount of income stream is typically based on fee simple is not considered appropriate and that they never use this approach when appraising mini warehouse properties.

In response to the allegation that the Respondents failed to include the sales comparison approach which may have been necessary for credible assignment results, the Respondents indicated that because of the uniqueness of the property they just could not find sales of properties similar enough to the subject to compare for a credible analysis. They indicated they would have verified the sales if there had been any, but responded there had been none that were similar.

In the response to the allegation that they failed to analyze such land sales necessary to support adjustments made in their site value opinion, they indicated that there were no nearby land sales. The most proximate land sales were 1.23 miles to 10.53 miles from the subject. They indicated that adjustments were subjectively applied to sales based on market experience, not pair sales. They indicated that they made an error in the report by referring to reproduction cost; it should have read replacement costs new. They admitted they should have applied some form of obsolescence in the cost approach, but indicated the cost approach was given no weight in the final analysis.

They disagreed with the reviewer’s conclusions about the income approach because of the subject being a unique property mixed use improvement which was neglected and underperforming. They stated with no similar rents in the immediate area, they were forced to use comparable rents of properties that could be rationally considered a reflection of market rents. They disagree that the subject’s \$4.00 per square foot contract rent could be considered as they could not verify it in writing. They indicated that the rent was low due to the deceased seller’s neglecting the property for three year’s due to declining health prior to his death. They provided additional support from their workfile for the indicated \$5.40 per square foot and adjustment for unfinished area which was inadvertently not sent previously. The Respondents

indicated they didn't know what they reviewer was alluding to with regards to the hypothetical conditions applied to the property. They indicated in their response that they considered this essentially as a new facility with market rents and expenses developed from admittedly limited and marginally representative data. They indicated the market rated was a "blended" cap rated developed from a lender survey. They disagreed with the reviewer's conclusion that the subject property would struggle to be considered "average" and they said they reflected the subject in their choice of market rents and expenses they developed.

They concur with the reviewer conclusion that they income from the retail building should not have been reported as \$28,800. They indicated the correct number should have been \$33,204. They said this changed would not have significantly affected the value opinion.

The Respondents dispute that the retail market resents would not be achieved in years 2, 3, and 4. They admitted that the reviewer was correct that historical data regarding expenses was missing from the workfile as they just do not exist. They said they data was developed from scratch based on verbal information and market data.

Licensing History (Supervisor): Certified General 9/18/1991-Present
Disciplinary History: (199901754 - Closed with no further action)

Licensing History (Trainee): Registered Trainee 5/4/2011-Present
Certified General 9/23/2014-Present

Disciplinary History: None

Reasoning and Recommendation (from December 2014 Commission meeting):

Review and adopt reviewing board member's recommendation.

New Reasoning and Recommendation: After the Consent Order was sent out to both Respondents in the matter, Respondents requested an informal conference with Executive Director Avers and legal counsel, which took place on January 20, 2015. Generally, the Respondents' support presented in the informal conference clarified the information summarized by the reviewer. The clarification showed that Respondents properly developed their reports. There were some minor reporting areas, but it could be argued that they met at least the minimum requirements of USPAP, which is what the Commission is able to enforce. As a whole, the allegations of minor reporting issues appeared to be weak. Respondents demonstrated an above-average educational background and efforts to check to see that they were properly following procedures, rules, and regulations. **As such, Counsel recommends that this matter be Closed with no further action.**

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

2. 2014024581

This complaint was filed by a homeowner regarding a property that is located in a National Historic District which consists of sixty (60) single family homes and two (2) duplexes. The complaint alleged that Respondent's appraisal lacked "due diligence," and that Respondent used inappropriate comparable sales data. In addition, the complaint alleged that the photos taken were outrageous (in particular the five of the back compound holding the HVAC units and the discolored basement wall), Respondent had the size of the building wrong, and Respondent was not consistent in his adjustments.

Respondent sent a response to the complaint stating that as noted in the addendum, market studies reveal no change in value due to time. The three most recent sales from the subject development were utilized as sales 1-3, while sales 4-6 were similar older homes taken from historic neighborhoods. The sales utilized in the report were considered the best sales by Respondent. Sales 1-3 were located in the same subdivision as the subject. Sales price per square foot adjustment has been taken from market and conversations with realtors that work the inner city market area. No attempt was made to skew the subject's value, and the appraiser has not bias with respect to the subject property. Respondent also states

that Complainant's home was measured properly, as Complainant accompanied him while all areas were being measured.

REVIEWER CONCLUSIONS [alleged violations included within brackets]:

The appraisal report/complaint was sent to an expert reviewer for review. The reviewer stated that he read the appraisal and cross checked the comparable sales, etc. The information presented in the appraisal appears to be factual. The reviewer stated he also examined the alternate comparable sales submitted by the Complainant. The analysis and conclusions set out in the appraisal appear credible, and no violations of USPAP were found.

Licensing History: Certified General 10/31/1991-Present

Disciplinary History: (941783 - closed with LOW; 199900871 - Dismissed; 200419455 - Closed w/LOW; 200901273 - Closed w/LOC; 200902249 - Closed w LOW)

Reasoning and Recommendation: The reviewer found no violations of USPAP. As such, Counsel recommends that this matter be **Closed with no further action.**

Note: Mr. Hall made a motion to accept Counsel's recommendation. This was seconded by Ms. Point. The vote carried unanimously.

3. 2014025051

This complaint was filed by a consumer and alleged that Respondent developed his opinion of the value of the subject property inaccurately, due to Respondent utilizing inferior properties. The complaint alleged that three of the properties were substantially less expensive than the subject, and one property was over \$100,000 higher.

Respondent sent a response to the complaint stating that he is shocked by the accusations made by Complainant and disagrees with the allegations. Respondent stated that this property was not listed by a realtor by the seller. Respondent stated that when he asked the seller where he got his asking price, the seller had no clue. The Complainant in this matter is from out of state somehow saw the house and fell in love. Respondent stated that when his report showed the current comparable sales, the Complainant got furious and made the complaint. Respondent stated that Complainant submitted another list of comparable sales; however, Respondent found that they were not comparable. The first two sold over two (2) years ago and were not even remotely in the subject's market area. Respondent stated that his comparable sales were most accurate and that he simply reported the market area.

REVIEWER CONCLUSIONS [alleged violations included within brackets]:

- Sale No. 1 is a short sale and appears to have sold outside of the reasonable limits of market value. This observation is based on the fact that Sale No. 1 transferred at a price of approximately \$55 per square foot of living area, or roughly half of the unit price generated by Sales 2 and 3. It is obvious from reviewing the data that the structure on Sale 1 is as good, or better, than that offered in Sales 2 and 3 and therefore the classification of the sale price generated by Sale No. 1 is very questionable as to representing the typical market value definition. [SR 1-1 (a), SR 1-6 (a)(b), SR 2-1(a)]
- From a supportive standpoint, the land sales and analysis are only represented by a list of transaction prices per acre and then a conclusion. No comments are set out in the appraisal as to why the subject's value is \$6,000 per acre in comparison to the sales that were in the \$2,000 to \$2,500 per acre range or contrarily as to why the price per acre for land was lower than the \$11,667 per acre that was generated by a 15 acre tract. Based on the appraiser's value conclusion for the property, land value is 65% of the total value. That being the case, it would seem reasonable to anticipate a more thorough analysis as to the derivation of land value.
- In consideration of the improved comparable sales, there was adjustment for no land value difference. The appraiser states that the site analysis is made up of location, size and view. Paired sales analysis was utilized and values are equal based on the combination of all three, after an adjustment was made for view contribution, Sale 1 was not adjusted as it is closer in to town but on a smaller lot. For the most part, all of these lots enjoy excess land and, while advantageous to the

owner; do not overall contribute greatly to increase value, as evidenced in Sales 1-3. However, there is no pairing of sales set out or explanation in the derivation of no adjustment to any of the three comparable land areas. This does not seem to be supported. An adjustment based on the unit price of the subject's land value of \$6,000 per acre applied to the acreage differences for the land in three comparable sales utilized would have indicated a difference in all cases ranging from \$83,440 as to Comparable No. 1, \$54,840 as to Comparable No. 2 and \$35,160 as to Comparable No. 3. [SR 1-1 (b), SR 2-1 (a)]

- An alternative way to examine the land issue rests in the indicated land value for the comparable sales if one accepts the idea that there is no difference in land value. If there is no difference in land value, then Comparable No. 1's 5.92 acres would have a value of \$20,000 per acre, Comparable No. 2's value of 10.72 acres would be \$11,000 per acre and Comparable No. 3's 14 acres would be \$8,500 per acre, all exceeding the unit value estimate placed on the subject property. All of these comparable sales appear to be relatively rural in character and to have that margin of difference in per acre value does not seem to be supported or credible.
- Age adjustment for Comparable No. 3, which is shown to be 44 years old, is only \$2,000. This leaves one to have concern over the development of the adjustment amounts. [SR 1-1 (a)]
- The fourth comparable, a listing, was only negatively adjusted \$2,231 for market or sale condition while the sale to list price ration for the market is reported to be 95.4%. Adjustment should have been <\$22,310>. [SR 1-1 (a)]
- Out and separate from the Sales Comparison Approach was a Cost Approach. This method indicated value of \$321,400. This indication, coupled with the unit prices of the comparable sales, leads to a credibility issue relative to the concluded value. [SR 1-6 (a)(b), SR 2-1(a)]

Respondent's Response to Reviewer's Conclusions:

Respondent sent a response to the reviewer's conclusions stating that he would not respond to these potential USPAP violations at this time. Respondent stated he would wait and see if a response becomes necessary later. If needed, he will have a USPAP expert to do a review of the expert's review.

Licensing History: Registered Trainee 3/29/1999-9/23/2001
Certified Residential 9/24/2001-Present

Disciplinary History: (201001706 - Closed with a Consent Order for \$500 and education)

Reasoning and Recommendation: The reviewer found that the inconsistencies throughout the report diminish the reliability of the report, and there is not adequate support for the conclusions rendered. 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 Advanced Residential Applications and Case Studies course and a fifteen (15) hour Residential Appraiser Site Valuation and Cost Approach 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: Mr. Hall made a motion that a fifteen (15) hour Residential Appraiser Site Valuation and Cost Approach should to be completed within one hundred eighty (180) days of execution of the Order. This was seconded by Mr. Standifer. The vote carried unanimously.

4. 2014027811

This complaint was filed by an Appraisal Management Company, regarding an appraisal review that was done by Respondent and contained the following deficiencies: Failure to note the inaccurate subject improvements description, failure to note an adequate analysis and verification of the subject purchase contract, failure to note the inappropriate comparable sale selection, inadequate or misleading reconciliation of value, and inadequate commentary regarding analysis and methodology. The original appraisal and update completed for this purchase transaction were found to be materially deficient and the appraiser was reported to the state, in compliance with Dodd-Frank legislation. Therefore, the client ordered a retrospective field review, and it was assigned to Respondent appraiser.

Respondent sent a response to the complaint stating that with regard to the subject improvements description, the subject was described in the original report as a modular home of comparable quality to frame-built homes. Respondent researched the comparability of modular and frame-built homes and found that in many cases, Fannie Mae does not consider the two to be drastically different in quality. In Respondent's opinion the improvements were described accurately. The client indicates that the subject was not a modular home, but the client did not provide Respondent with specifications or information that would enable him to know anything different as to the materials used. With regard to the contract, Respondent stated he does not recall receiving a copy and stated so in the review. Respondent stated that in hindsight, he should have pushed the client harder to provide one, as it more than likely would have included a list of materials and specifications. With regard to the comparable sale selection, Respondent stated he felt the original appraisal adequately stated that the location of the subject and the unique quality would necessitate sales that were in similar but more distant neighborhoods. Respondent felt the seven (7) comparable sales were adequately bracketed in terms of size and sales price. There were no other similar modular sales available, and, in Respondent's opinion, it was not appropriate to use sales/listings up to twelve (12) miles away. With regard to the reconciliation of value, Respondent stated he does not know how to respond to this issue due to a lack of specificity. With regard to commentary regarding analysis and methodology, Respondent stated that the original report covered the unique nature of valuing a higher quality modular home in this market. Finally, in the event the subject was not a modular, Respondent feels more information should have been provided by the client before sending the assignment. Respondent only saw the subject from the street and did not go inside.

REVIEWER CONCLUSIONS [alleged violations included within brackets]:

- There are several mistakes and misrepresentations within the Sales Comparison Approach of the original appraisal, which were detectable based on a review of the tax records/MLS data and/or deed data. Comparable number 2 in the original appraisal is recorded with land area being less than an acre and a positive adjustment of \$12,000 was made for site differences. In actuality the property contained 14.82 acres that was conveyed with the residence so that the adjustment should be significantly negative as opposed to a positive \$12,000.
- Sale number 3 is listed as a 7.3 acre tract with a small negative adjustment made. This property contained 0.72 acres so that a possible positive adjustment was warranted.
- Comparable number 5 was a listing shown on the original appraisal at \$269,900. At the date of the review, it appeared the property had been reduced to \$249,900. The square footage reported in the appraisal is 1,632 square feet, while the listing indicates 1,432 square feet. This listing is also oriented to the lake, and the write-up included reference to a boat dock, etc. This information is not reported in the original appraisal and is not noted in the review appraisal.
- Comparable number 7 from the original appraisal is a two-story home reported to have 3,024 square feet as opposed to the 2,240 square feet reported in the original appraisal. If the research square footage of 3,024 is correct a significant size adjustment would be required. The original appraisal does not have any size adjustment as the comparable size is reported to be near that of the subject.

[SR 3-1(b); SR 3-1(c); SR 3-2(d); SR 3-3(a); SR 3-4(a)]

Respondent's Response to Reviewer's Conclusions:

Respondent sent a response to the reviewer's conclusions, stating that in looking back over the original report, he did note that he did not pay enough attention to the language on page 3 which indeed does raise questions as to the materials and design on whether the subject is manufactured or modular. This would have raised some red flags, and Respondent stated he would have been driven to gather more information from other sources, namely the lender or the builder. Respondent stated that he realizes that as an explanation and not an excuse. Had Respondent not missed that vital piece of information, the three (3) improved sales suggested would have been more appropriate. Respondent stated that the site size for sale 2 is something else he overlooked. In hindsight, an adjustment for the workmanship would have been appropriate. Knowing now that the subject was not a modular, an adjustment for quality would have been appropriate for sale 4, although since the subject was not a modular, Respondent would have excluded it entirely. The subject's view might have been slightly inferior, but not significant in Respondent's opinion. As for sale 5, the road bisects the property. The water frontage is seasonal. Respondent agrees that the adjustment for the street view for sale 7 does not appear to be appropriate. Respondent stated he was embarrassed at himself to go back over the report a second time and see the oversights he made.

Respondent stated he does not have any excuses, but that he does take pride in his work. Respondent offers his apologies and is willing to do whatever it takes to make things as right as possible.

Licensing History: Registered Trainee 9/7/2001-1/15/2014
Certified Residential 1/16/2014-Present

Disciplinary History: None

Reasoning and Recommendation: The reviewer found several non-compliance issues with USPAP when considering completeness, adequacy, credibility, etc. Respondent admits to his oversights. As such, Counsel recommends the authorization of a Consent Order requiring 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. Standifer. The vote carried unanimously.

5. 2014029031, 2014029032

This complaint was filed against Respondent supervisor and Respondent trainee by a Commission member, who noted various USPAP violations when reviewing three (3) appraisal reports for Respondent trainee's experience interview. The appraisal reports were then sent to an expert reviewer for review. The complaint alleged that the report did not include a scope of work, intended use or intended user statements, definition or its source for the value given, signed certification, etc. There was no discussion of prior involvement with the subject over the last thirty-six (36) months and the trainee was not mentioned as providing assistance with the assignment. The complaint also alleged that the appraisal was completed on a Fannie Mae Form 1004 and the value indicated in the form is an opinion of "market value". A different form should have been used if market value is not being given.

Respondent supervisor sent a response to the complaint stating that Respondents failed to provide the USPAP form which included all of the information when they sent in the appraisal to the client. This form was missing on many of Respondents past land appraisal reports and some of their residential URAR reports as well. Respondent stated it was an oversight which has been corrected; all reports which now leave their office contain either this form or other forms where the proper USPAP compliant information is included. With regard to discussion of prior involvement with the subject over the last thirty-six (36) months and Respondent trainee not being mentioned, Respondent stated this goes back to the recent inclusion of a USPAP identification page, where this information is commonly inserted within all the reports leaving the office at the current time. It was not mentioned within the complaint, but this report was also lacking the Scope of Work statement. Respondent stated again that the inclusion of the USPAP ID page satisfies this requirement as this statement is included on all reports that now leave the office. With regard to the report indicating that it is not a market value appraisal, Respondent stated that the majority of their work is for HUD REO and USDA REO properties for several different clients. In these cases, they specify that Respondent provides the appraisal on the Fannie Mae Form 1004, due to the fact that many times, when these properties are being purchased from HUD and USDA, the original appraisal completed by Respondent's office prior to any contract/offer is the only appraisal needed for the purchase even though Respondent did not complete the appraisal for any future purpose. This is the reason Respondent includes the verbiage in bold type "THIS IS A LIQUIDATION VALUE APPRAISAL. THIS IS NOT A MARKET VALUE APPRAISAL." Respondent believes that this bold typed statement directly on page 2 with the opinion of value, and also on page 3 of the Form 1004 with the value definition is quite sufficient to inform the reader of the nature of the report. Additionally, it is required that Respondent provides the appraisal on the Fannie Mae 1004 so that the report meets all UAD requirements for these loans. Respondent stated that he and his trainee take this matter very seriously and are continuously making strides to ensure that they produce the most professional and USPAP compliant appraisals. Respondent supervisor stated that the response has been reviewed by Respondent trainee, and he concurs with the conclusions herein.

REVIEWER CONCLUSIONS [alleged violations included within brackets]:

Intended Uses—there is a deficiency stated on page 25 as, "...in order to provide a basis for determining

the listing price...for marketing purposes.” page 5 states, "...to evaluate...for a mortgage finance transaction." [SR 1-1(b)(Lines 501-501)]

- Subject’s Market Neighborhood—there is a deficiency in that the neighborhood stated boundaries do not apply to the subject property. [SR 1-1(c)(Lines 507-509)]
- Subject’s Previous Sales—there is a deficiency in that the subject sold 9/30/11 (Just under 3 years prior to the effective date.) It is not presented in the report or the workfile. [SR 1-5(b)(Lines 631-632); SR 2-2(a)(viii)(Lines 735-737)]
- Highest and Best Use—highest and best use is stated, but its analysis is not in the report or in the work file. [SR 1-3(b)(Lines 578-580); SR 2-2(a)(x)(Lines 743-744)]
- Direct Comparison Approach—this approach is not complete, accurate, adequate, and relevant.
- Income Approach Reconciliation—only one approach to value was performed. No explanation was found for omission of the cost and the income approaches to value. [SR 2-2(a)(viii)(Lines 726-728)]
- Report Certification—no statement of previous services. [SR 2-3(Lines 819-820)]
- Possible Ethics Rule-The trainee presented the appraisal for credit experience because he had performed significant professional assistance. However, the trainee’s assistance was not mentioned in the report. The order, presented in the appraiser’s workfile stated, “No trainees or assistants may complete assignment.” This is evidence that the appraiser had motive to purposely omit the trainee’s assistance from the report. If this is not an Ethics Rule violation, then it is a deficiency of SR 2-2(a) (vii) (Lines 722-725). [Possible deficiency of Ethics Rule (Lines 217-218 and Lines 238-240)]

Respondent’s Response to Reviewer’s Conclusions:

Respondent sent a response to the reviewer’s conclusions stating that with regard to bullet one the statement on page 25 is correct in that the appraisal’s intended use is for “marketing purposes”. The statement on page 5 is a pre-printed statement which cannot be removed/edited. The form on which this statement is written is a required form for the client, HUD, and Respondent is not sure how Respondent would be able to reconcile the discrepancy. This is the reason he includes the statement “...in order to provide a basis for determining the listing price... for marketing purposes”; so that it overrides the pre-printed statement. With regard to the subject’s market neighborhood, Respondent stated it is an oversight on his part; the neighborhood boundaries noted do not reflect the subject’s true boundaries. With regard to highest and best use, Respondent stated the report did not specifically state his support for the conclusion of highest and best use of the subject within the report, but proper analysis was performed in accordance with Standard 1-3(b). With regard to the direct comparison approach, Respondent stated he was not familiar with this approach and agrees with the reviewer on this issue. Respondent requests that he be shown where the statement was found so that he may address the issue. With regard to income approach reconciliation, Respondent stated they have begun to include an additional supplemental USPAP addendum which satisfies this and other requirements. With regard to report certification, Respondent stated again that they have begun to include an additional addendum which satisfies this requirement. With regard to the possible ethics rule violation, Respondent stated there is a statement which they normally include in the reports where Respondent trainee has assisted in the completion of those reports. Respondent stated the omission of the statement was accidental and was not intended to deceive anyone. Respondent supervisor stated that Respondent trainee’s assistance on this assignment is certainly allowed by the client. Respondent stated he and trainee have completed numerous assignments for the same client, but that they just failed to include the statement on this assignment.

Licensing History (Supervisor):	Registered Trainee	4/2/1997-12/03/1998
	Certified Residential	12/4/1998-Present
Disciplinary History:	(201301862-Closed with Letter of Warning; 201301875-Closed with Letter of Warning)	
Licensing History (Trainee):	Registered Trainee	6/26/2012-Present
Disciplinary History:	(201301862-Closed with Letter of Warning; 201301875-Closed with Letter of Warning)	

Reasoning and Recommendation: The reviewer found multiple violations of USPAP which would warrant disciplinary action. Respondent admits to omitting multiple pieces of information from the

appraisal report, with no explanation as to why, except to say that it is an oversight. 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 thirty (30) Basic Appraisal Procedures and a fifteen (15) hours Residential Report Writing and Case Studies 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: Ms. Point made a motion to authorize a civil penalty in the amount of one thousand dollars (\$1,000) with the education as recommended by counsel. This was seconded by Mr. Hall. The vote carried unanimously.

6. 2015002441

This complaint was filed by the administrative staff of the Tennessee Real Estate Appraiser Commission against Respondent Appraisal Management Company, due to a notice of cancellation of surety bond, with an effective date of January 15, 2015. Staff sent a letter to Respondent on December 18, 2014, requesting that Respondent provide proof of a valid surety bond in the amount of \$20,000 as required.

Respondent AMC sent a response to the complaint on February 11, 2015 stating that Respondent is no longer doing business as of July 2014, due to the sale of all its assets. Respondent requested in writing that staff remove Respondent from the active list of AMC's, thus, voluntarily surrendering its license.

Licensing History: Registered AMC 7/14/2011-7/13/2015

Disciplinary History: None.

Reasoning and Recommendation: Respondent surrendered its license. As such, Counsel recommends that this matter be **Closed with no further action.**

Vote: Mr. Standifer made a motion to accept Counsel's recommendation. This was seconded by Mr. Hall. The vote carried unanimously.

LEGAL REPORT (SUPPLEMENTAL)

1. 2014030361

This complaint was filed by an Appraisal Management Company and alleged that the report failed to adequately analyze subject sales/listing history and purchase contract. The complaint also alleged inappropriate comparable sale selection, inaccurate or misleading comparable property information, inadequate or misleading reconciliation of value, and inaccurate comparable sales that do not adequately support the opinion of value.

Respondent sent a response to the complaint stating that the subject sales/listing history and contract were analyzed, and the findings were stated in the report. The subject had a previous sale for \$180,000 on 10/31/2012, which was noted on the "analysis of prior sale or transfer history of the subject property and comparable sales." The current opinion of market value is higher than the last transfer in the last 36 months due to increasing market values. Additional comments were added to the addendum in response to the client's request for clarification. This addendum shows manufactured home sale prices have increased in the subject county from the previous year to the effective date of the appraisal. Respondent stated that he realized there were typographical errors in the contract section and that it should have read as follows: "The contract states that personal items are included in this transaction, but not included in value. No seller concessions, no contingencies, and no repairs are noted within the contract. The contract is fully executed." With regard to reconciliation of value, Respondent stated he placed equal weight on all sales. The listings also support the opinion of market value. The opinion of value reflects the mid value range. The subject is a manufactured dwelling situated on multiple acres. Limited manufactured home sales were found of similar size, acreage, and amenities. The intention of the Respondent was to bracket all aspects of the subject per scope of work, not to be misleading. In conclusion, sale 2 was utilized in an effort to bracket subject acreage. In retrospect, Respondent realizes that sale 2 is not a

reasonable market value indicator. Respondent regretfully acknowledges that the report contains errors. In order to avoid such errors in the future, Respondent stated he has implemented additional procedures which include the following: obtaining further clarification of clients' expectations regarding appraising complex properties, seeking peer consultation, stating reports more clearly, etc. Respondent state he strives to complete reports less hastily and be more observant in reporting his findings.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- **Contract:** The contract section of the appraisal, on page 1, did not provide all the terms and conditions of the sale. The appraisal did not state the sales price or contingency to the sales price which stated: Appraisal price not to exceed \$240,000 or under the payoff. However, the appraisal did have this contract information stated in the supplemental addendum but did not analyze the terms and agreements of the sale.
The seller and buyer both have the same last name. There was no mention in the contract section regarding whether or not this was a family sale. The seller is asked to leave the "side by side " refrigerator, stand up freezer, washer & dryer; and the seller is asked to pay a 1 year Home Warranty insurance, were all omitted. [SR 1-2(e)(iii); SR 1-5(a); SR 2-2(a)(viii)]
- **Neighborhood:** Under the neighborhood section One-Unit Housing Trends, the appraisal does not provide support for the opinion of property values, demand/supply and marketing time. The appraisal does not give insight to research of the original market conditions data, and provided no support for the opinions and conclusions shown on page 1 under manufactured housing trends.
The appraiser stated in the rebuttal to the complaint that "the current opinion of market value is higher than the last transfer in the last 36 months due to increasing market values." This is inconsistent to the stable conditions reported in the 1004MC and contradicts the stable property values as was checked in the manufactured housing trends. [SR 1-1(a); SR 1-2(h); SR 1-3(a); SR 1-6(a)(b); SR 2-2(a)(vii)(viii)]
- **Site:** No analysis, support, or statements were provided regarding the highest and best use analysis of the subject property. [SR 1-3(b); SR 2-1(a)(x)]
- **Description of Improvements:** The appraisal shows the subject having 4 barns in the sales comparison approach under amenities, but the appraisal does not offer any dialog or description of any of the barns. According to MLS listings and the CRS tax records, the subject has 2 barns and 1 detached 3 car garage. The appraisal picture addendum shows the 3 car detached garage but no interior or exterior pictures of the building or a sketch showing the dimensions of any of the barns/buildings was presented in the appraisal. [SR 1-3(e)(ii); SR 1-6(a)(b); SR 2-1(b); SR 2-2(a)(viii)]
- **Sales Comparison Approach:** The appraisal does not reflect or explain why the date of sale/time adjustment was not addressed during the rebuttal reports sent to the client. The appraisal does not indicate that the subject property also has a 10 acre stocked lake that was stated in MLS. Therefore, the appraisal did not discuss the potential for building a subdivision, which was also stated in the MLS listing sheet.
Comparable sale 3 was a manufactured home located across a major river in the subject county, but had no supporting information reflecting locational differences/market reaction. Comparable listing 5 was a site built home that was adjusted for its superior all brick exterior, offsets, and interior quality differences, but was not supported or explained. None of the sale adjustments were addressed or supported individually in the original appraisal or the subsequent appraisals provided in the workfile. [SR 1-1(a)(b)(c); SR 1-2(e); SR 1-4(a); SR 1-6(a); SR 2-1(b); SR 2-2(a)(viii)].
- **Cost Approach:** The appraisal lacked support for the opinion of site value. No market sales were provided for support for the land value and there was no summary of the information stated. The appraisal states "no sales were found within 12 months in the development." This is a canned comment and inconsistent with the subject. [SR 1-1(a)(b)(c); SR 1-4(b); SR 1-6(a)(b); SR 2-1(a)(b); SR 2-2(a)(viii)]

Respondent's Response to Reviewer's Conclusions:

Respondent sent a response to the reviewer's conclusions stating that he understands each individual allegation and has taken steps to ensure that each does not happen in future reports. He stated along with the above mentioned additional procedures he is implementing, he is currently taking a class from McKissok.com-The Dirty Dozen which is based on Advisory Opinion 11 of the 2014-2015 edition of USPAP. It covers the twelve elements that must be included in an appraisal report. Respondent stated he is also registered for two classes in August 2015, with the Appraisal Institute-Residential Market Analysis and Highest and Best Use & Residential Site Valuation and Cost Approach. Respondent stated he views this complaint as a learning opportunity and looks forward to the Commission's response with any recommendations for potential growth.

License History: Registered Trainee 12/31/2003-5/11/2006
Certified Residential 5/12/2006-Present

Disciplinary History: None.

Reasoning and Recommendation: Respondent has been licensed as a certified residential appraiser for almost 9 years with no prior disciplinary action against him. As such, Counsel recommends that this matter be **Closed with a Letter of Caution** as to future appraisal reports.

Vote: Mr. Hall made a motion to accept Counsel's recommendation. This was seconded by Mr. Standifer. The vote carried unanimously.

2. 2014030551

This complaint was filed by a fellow appraiser and alleged that Respondent has done an appraisal on a subject property which was located over 50 miles away from Respondent's office. In addition, the complaint alleges Respondent used another city's MLS in his report, which he has no access to. It was also alleged that the appraisal contained a significant number of errors and USPAP violations that include not properly disclosing the listing history, incorrect zoning, incorrect real estate taxes, not reporting that the subject is on a busy street or facing a school, using comparable sales that are superior in quality, inaccurate present land use, and inaccurate marketing and exposure time.

Respondent sent a response containing the appraisal report and workfile only, but no written response.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- The 2014 R.E. Taxes are shown to be \$7,006.00. MAAR indicates \$5,545.85. The County Trustee indicates \$3,119.09 and the subject city indicates \$2,426.76 for a total of \$5,545.85. Based on available public information, the report appears to be in error. [SR 1-1(c)]
- The report indicates that the property view is N or neutral and that the view is residential. The property fronts on the west side of a heavily-traveled, north-south, city traffic artery. The view from the front of the property is of this heavily traveled traffic artery and of a 13 acre complex owned by a church. It appears there is a school located on this property as well. There is no mention of the view from the subject property of these public and private improvements in the report. [SR 1-1(c); SR 2-1(b)]
- Several of the older homes have been demolished and replaced with several side yard structures, as allowed by the size of the site. The report fails to address this information in the first paragraph on page 7, when the highest and best use of the undeveloped site is discussed or in the discussion of the neighborhood description. [SR 2-1(a); SR 2-2(a)(x)]
- The official FEMA website and CRS indicates that the correct effective date of the flood map information is 9/28/2007. The date reported by the appraiser is 2/6/2013, which appears to be in error and misleading based on these sources. [SR 2-1(a); SR 2-1(b)]
- The report and the public records indicate that the property was built in 1960. The actual age on the date of the appraisal was approximately 54 years. The appraisal reports that the effective age is only 20 years and that there have been no updates within the past 15 years.

It appears that a more detailed explanation should be made in the report as to why there is such a discrepancy in the actual age and the effective age of the improvements. [SR 2-1(b)]

- The report indicates that the sale was verified using Courthouse Retrieval System and that the days on the market is unknown. While this listing information is slightly dated, it is available and appears pertinent to the overall analysis of sale 1 as a reasonably recent offer to sale. A more detailed analysis of this information should have been provided in this report to enable the intended user to understand the listing information and the use of this property as a comparable sale. [SR 1-1(c); SR 1-4(a); SR 2-1(b)]
- The appraisal does not report that the subject property is located on a 4-lane road across from a school, nor does it mention or discuss the location of comparable sales 2 and 3 being located adjacent to the front and rear of the new gated community located in close proximity or the high-density shopping areas also located in close proximity. The locations of the two sales have the appearance of being superior residential locations as compared to that of the subject. [SR 1-1(c); SR 1-4(a); SR 2-1(b); SR 2-2(a)(viii)]
- The report indicates the quality of construction of the dwelling is Q-4, while the MLS data source indicates that the quality is Q-3. No adjustment or explanation is made in the report. [SR 1-1(a); SR 1-4(a); SR 2-1(b); SR 2-2(a)(viii)]
- As for the condition ratings, the data used in the report should reflect the data in the MLS system as reported or an explanation as to why this information is deemed incorrect should be provided in the analysis. [SR 1-1(a); SR 1-4(a); SR 2-1(b); SR 2-2(a)(viii)]
- With regard to Sale #1, the report indicates that the above-grade size of the property is 3,521 square feet. CRS reports that the size is 3,272 square feet. The 3,521 size appears to be obtained from the MLS data that is not cited as a data source for this sale. [SR 1-1(a); SR 1-4(a); SR 2-1(b); SR 2-2(a)(viii)]
- With regard to Sale #2, CRS reports the size to be 3,386 square feet. MLS reports the size to be 3,269 square feet, while the appraisal report indicates the size to be 3,276 square feet and sites both CRS and MLS as the data sources. The size used in the report is not supported by the data sources listed and there is no explanation as to the source of the 3,276 square feet size reported. [SR 1-1(a); SR 1-4(a); SR 2-1(b); SR 2-2(a)(viii)]
- Considering the history, the report with an opinion of market value of \$340,000 should provide a detailed explanation and analysis regarding the listing history in regard to the estimated market value. [SR 1-5(a); SR 2-2(a)(viii)]
- The report provides no comment on the source or explanation of the \$99,941.00 of the applied depreciation to the estimated cost new. [SR 1-4(b)(iii)]
- The research, verification, and analysis in the scope of work statement on page 8 of the report was not completed as represented in this statement; specifically, the correct data being presented in the sales, zoning and highest and best use sections of the report. [Scope of Work Rule]

Respondent's Response to Reviewer's Conclusions:

With regard to item #1, Respondent stated taxes he used were from CRS. Respondent stated it appears they were wrong. With regard to item #2, Respondent stated that most building on the heavily-traveled traffic artery are residential. There is a church with a school across from the subject. It is one of the highest priced private schools in the area. Respondent stated he spoke with several peers and most advised that it was a good school and would not have an adverse effect on value, rather, it would help the value. With regard to item #3, the homes on this traffic artery do have some age; however, Respondent stated he found no homes near the subject that have been rebuilt or demolished. The highest and best uses of the dwelling within are still residential. With regard to item #4, the flood map that is used shows the date of 2-6-2013. Respondent stated that the review appraiser should consider updating his source. With regard to item #5, Respondent stated the effective age is 20 years. Respondent stated he arrived at that conclusion after making inspection. The dwelling is better than the typical dwelling with age of 54 years old or effective age of 54 years. With regard to item #7, Respondent's opinion is the subject site location is equal to the comparables. With regard to item #8, Respondents opinion is that after making inspection of property, the quality is Q4 and that the reviewer should not qualify without making inspection because it is misleading. With regard to item #9, Respondent's opinion of rating is made after

making an inspection and that the reviewer should do the same. With regard to item #11, Respondent stated all square footage was considered.

Licensing History: Licensed RE Appraiser 12/31/1991-11/26/2006
Certified Residential 11/27/2006-Present

Disciplinary History: (200902374 - Closed with Consent Order with \$1,000 civil penalty; 200902412 - Closed with Consent Order with \$1,000 civil penalty)

Reasoning and Recommendation: The reviewer found that portions of Standard 1 and Standard 2 of USPAP were not reasonably followed in the preparation and reporting of the appraisal report. Respondent has had prior disciplinary action taken against him. 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. Such terms to be settled by Consent Order or Formal Hearing.

Vote: Ms. Point made a motion to accept Counsel's recommendation. This was seconded by Dr. Mackara. The vote carried unanimously.

Having no further business, Mr. Johnstone adjourned the meeting at 12:10 p.m.