



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

**Board Meeting Minutes for July 11, 2016
First Floor Conference Room 1-B
Davy Crockett Tower**

The Tennessee Real Estate Appraiser Commission met on July 11, 2016 in the first floor conference room of Davy Crockett Tower in Nashville, Tennessee.

BOARD MEMBERS PRESENT: Randall Thomas, Rex Garrison, Eric Collinsworth, Norman Hall, Michael Tankersley, Dr. Warren F. Mackara.

BOARD MEMBERS ABSENT: Timothy Walton, Rosemarie Johnson, Mark G. Johnstone.

STAFF MEMBERS PRESENT: Nikole Avers, Roxana Gumucio, Cody Kemmer, Sarah Mathews.

ROLL CALL/NOTICE OF MEETING

Mr. Thomas, serving as chair in Mr. Walton's absence, called the meeting to order at 9:56 am. Director Avers read notice of the meeting into the record, as follows: "Notice of the July 11, 2016 meeting of the Real Estate Appraiser Commission was posted to the Real Estate Appraiser Commission's website on April 27, 2016."

The Board then welcomed its two newest members, Mr. Tankersley and Mr. Garrison. Mr. Tankersley is a Certified General Appraiser and owner of Tankersley Appraisal in Lewisburg, TN. Mr. Garrison operates Garrison Appraisal Services in the Tri-Cities with a Certified General designation.

The Board also recognized the return of Norman Hall to the proceedings. Mr. Hall had been unable to attend any meetings since last July, though he was sorely missed.

AGENDA

Dr. Mackara motioned to adopt the agenda as written. This was seconded by Mr. Garrison. The motion carried by unanimous vote.

MINUTES

Mr. Collinsworth made a motion to adopt the minutes from the May 16, 2016 meeting as written. Dr. Mackara seconded. The motion carried by unanimous vote.

EXPERIENCE INTERVIEW

Mr. Collinsworth recapped the Board's only experience interview of the morning, Chris Alan Hodge. Mr. Hodge recently completed his first 500 hours of experience as a trainee, and the Board agreed to review his work before his supervisor granted him the ability to perform solo inspections. Mr. Collinsworth felt Mr. Hodge was prepared and, since this interview did not involve exam approval, no vote was required.

EDUCATION REVIEW

The commission then reviewed Dr. Mackara's recommendations for course approvals. The courses passed unanimously, with two abstentions. Mr. Tankersley and Mr. Garrison felt it would be inappropriate to vote on courses 1925 and 1939 which they had been involved with prior to their respective board appointments. The Board then turned its attention to courses recommended for individual credit, which passed by unanimous vote.

DIRECTOR'S REPORT

Director Avers reviewed the board's expenditures and projected budget. As it was her final meeting, Director Avers also gave a brief overview of her time as executive director with the program. The last ten years hadn't always been easy for the profession or its regulators, but she felt she was leaving the program in a good place with its future challenges, such as the regulation of AMCs.

LEGAL REPORT

1. 2016000161

Licensing History: Registered Trainee 1/31/1995 – 5/1/1995
Licensed Real Estate Appraiser 5/2/1995 – 10/6/1999
Certified Gen. RE Appraiser 10/7/1999 – 10/31/2017

Disciplinary History: 200602432 Closed with Letter of Warning.

This complaint was filed by an AMC and alleged that there were serious concerns regards the report's credibility, due in large part of the excessive and seemingly inappropriate quality adjustment to the only two (2) sales in the subject development. The Complainant notes the following alleged deficiencies in the appraisal:

- (1) Missing and/or unsupported adjustments
- (2) Inaccurate or misleading comparable property information
- (3) Inadequate or misleading reconciliation of value
- (4) The most relevant comparable sales do not adequately support opinion of value.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

Identification of the Subject Property. The subject property is not properly identified in the report. The report indicates that the property is located in Shelby County when it is actually located in Fayette County. **[SR 1-1(b)]**.

Sales Comparison Approach.

- o Five sales and two listings were used in the sales comparison approach.
- o Comparable Sale #5 has the incorrect sales data and there was no analysis of the prior sale of comparable #5 was provided. Reviewer stated that comparable #5 was sold in March 2015 and previously sold in October 2014, but no analysis of the prior sale was provided. This appraisal assignment was completed utilizing the FNMA 1004 URAR Report with the intended use for mortgage finance

transaction. As part of the assignment conditions for this type of assignment the appraiser is required to analyze any prior transfers of the comparables within the last year of the date of sale. **[SR 1-1(b)(c); SR 1-5(b)].**

o Sales utilized in the report do not appear to be selected from similar market areas. Adequate reasoning or support has not been provided for the adjustments utilized in the Sales Comparison Approach. Overall, the conclusions presented in the sales comparison approach are considered to be questionable and unsupported, based on the information provided. **[SR 1-1(a)(b)(c); SR 1-4(a); SR 2-2(a)(viii)].**

Site Value/Cost Approach:

o Cost approach was not properly supported. The cost estimates were not supported and there was insufficient analysis and/or discussion on how the cost figures were developed, reducing the reliability of this approach to value. **[SR 1-1(a)(b)(c); SR 1-4(b)(ii); SR 2-2(a)(viii)].**

Reconciliation:

o Final reconciliation was not adequately presented.
o The reconciliation in the report does not reconcile quality and quantity of data used or the applicability and suitability of the approaches used to arrive at the value conclusions. **[SR 1-6(a)(b); SR 2-2(a)(viii)].**

The reviewer stated that the inconsistencies noted above could diminish the reliability of this report. The information provided and the opinions reported in this appraisal report under review do not present adequate support for the conclusions rendered.

Respondent's Response to Reviewer:

Respondent states that the residential property at issue is located in a new neighborhood and this made the valuation and reconciliation unique and difficult. As a result, the comparables used in the appraisal may not have been the best choices after a long and thorough search. However, the Respondents states that under the circumstances, the comparables used were the most similarly situated homes and residential properties available upon reasonable search.

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 One Thousand Dollars (\$1,000) to be satisfied within thirty (30) days of execution of the Consent Order. Such terms are to be settled by Consent Order or Formal Hearing.**

DECISION: The Commission voted to authorize a civil penalty in the amount of Five Hundred Dollars (\$500) to be satisfied within thirty (30) days of execution of the Consent Order, plus require the Respondent take a thirty (30) hour Sales Comparables Approach course to be satisfied within one hundred eighty (180) days of execution of the Consent Order. Such terms to be settled by Consent Order or Formal Hearing.

2. 2016013561

Licensing History: Certified Residential Appraiser 3/23/1992-3/23/2018

Disciplinary History: 201102335 Closed - Consent Order for \$500 and Education

This complaint was filed by a consumer and alleged that the Respondent under-valued a residential property by using inadequate comparable data. Complainant alleges that on January 1, 2016, Respondent completed an appraisal of Complainant's property. Upon receiving the appraisal, Complainant was surprised by the low value of the appraisal. Complainant alleged that in the report, Respondent stated he

was unable to find any home that were “within a one mile radius or sold within the last 3 months” and as such increased the search to a “two mile radius and 12 month.” Complainant stated that some of the comparable sales used were not within the same neighborhood and skewed the data in a very unreasonable direction. Additionally, Complainant alleged that some of the comparable sales were made of different materials (vinyl/wood vs. brick). Complainant alleges appealing the appraisal and the Respondent revised report to include a few missing items but would not strike some of the comparable sales used.

Respondent stated in response that after performing the original, an appeal was filed and at that time the Respondent included additional commentary around the original comparable sales, eight additional comparable sales and a detailed analysis and data interpretation of the new comparable sales. Respondent states that he included market data which in Respondent’s opinion undoubtedly proves that the opinion of value is more than sufficiently support by the most comparable and best available sales in the neighborhood.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

Reviewer stated that the information presented in the appraisal appears to be factual with one exception. The analysis and conclusions set out in the appraisal do not appear credible.

The subject property appears to be somewhat atypical of most of the homes in the immediate area. The complaint appears to measure value based on prices per square foot which tends to distort the value conclusion when using the small homes to generate the unit price. For the most part, the small homes tended to generate a price per square foot of structure area in the range of \$218 to \$225 per square foot. The largest home set out within the sales data was reported at \$197 per square foot. There is a difference in the square footage reported and the base area reported by the tax records indicates this home to have 1,468 square feet which generates \$181 per square foot. The only larger sale reported offered 1,728 square feet and sold at \$238,000 or \$138 per square foot. This home, however, is outside of the immediate area but appears to be newer and offers a larger site. These characteristics would be somewhat offsetting to the property location difference. However, the Respondent’s value conclusions in gross appear to be lower for the subject than that of several smaller homes in the immediate area.

The appraiser appears to put most weight on the comparable which is located near the subject property and offered 1,467 square feet compared to the subject’s 1,682 square feet. This comparable was one of the larger properties available in the immediate neighborhood and had been updated prior to purchase. The property sold in January at \$200,000, was renovated and sold May of 2015 at \$235,000. The Respondent’s adjusted this sale to value indication of \$246,550 for the subject.

Three of the sales cited by the Complainant were utilized as comparables in the revised appraisal. These three sales sold between \$215,000 and \$272,500. The Respondent adjusted these sales to a value indication of \$234,200 to \$290,300 and revised the value conclusion from the original \$246,000 to \$250,000. The gross and net adjustment was lower for the \$290,300 value conclusion set out by Sale No. 10. Value determination is beyond the scope of this review appraisal. The reviewer does not have the opportunity to physically inspect the subject or comparable sales and therefore goes no further toward value estimation than referenced in the above comments.

Comparable Sale #1 - It appears the land area was incorrectly listed and an inappropriate adjustment was made which would, in and of itself, impact the value conclusion utilizing that comparable. **[SR 1-1(b)].**

There were several sales that were immediate to the subject which were not utilized in the original appraisal. These properties tended on whole to be smaller than the subject but their sale prices tended to exceed the value conclusion set out within the appraisal. Upon updating the appraisal, the Respondent added some of these nearby sales where values were adjusted up to \$290,000. Respondent's value conclusion was then increased from \$246,000 to \$250,000. Without onsite work, it is difficult to be more definitive. The value conclusion, however, is less than several of the smaller homes that sold in the immediate area. **[SR 1-4(a)].**

The value conclusion does not appear to meet the test of reconciliation of the quality and quantity of data available within the Sales Comparison Approach. The higher value indications tended to have relatively low absolute and gross adjustments. **[SR 1-6(a)].**

Respondent's Response to Reviewer:

Respondent does not and did not consider the borrower's anticipated value when performing appraisal services. Respondent does not and did not engage in any discussion with the borrower concerning value. The market data provided to the Lender/Client will undoubtedly prove that the opinion of value is more than sufficiently supported by the most comparable, and best available, sales in the subject's neighborhood. The data provided will also show that the "conservative estimated value" of the borrower is excessive and not supported at all by any relevant or applicable market data.

The final estimate of value is not based on a generated unit price. This data was provided as supplemental data to guide the intended user in understanding the market conditions for comparable properties. The relationship is noted, and comprehended by the Respondent, between price per sq. ft. and GLA. Price per sq. ft. is higher in properties located in the 1000sf-1300sf range. As the square footage increases, the price per sq. ft. decreases. To reiterate, the final estimate of value is based on the adjusted sales prices of the best available comparable sales available as of the effective date. To the best of the Respondent's knowledge, no USPAP violation occurred regarding this matter.

Per original appraiser report, all comparable sales, excluding #4 which was provided to bracket GLA adjustments, are located in the neighborhood. Per original report, comparable #4 was included to bracket adjustments ONLY, and is given minimal weight to the final estimate of value due to location outside of the neighborhood boundaries outlined in the URAR. Comparable #4 included at client's request. Minimal weight and consideration of this sale into the final estimate of value does not distort the value conclusion. To the best of the Respondent's knowledge, no USPAP violation occurred regarding this matter.

A statistical market analysis of the comparable sales was completed 02/11/2016. In rebuttal to the reviewer's statement that "value conclusions in gross appear to be lower for the subject than that of several smaller homes in the immediate area", the statistical market analysis clearly confirms that several smaller homes also sold for less than the subject's final estimate of value. Respondent considered all comparable sales in the subject's neighborhood when determining the best available comparable sales. The reviewer is encouraged to refer to the complete statistical market analysis provided in the original appraisal for verification. To the best of the Respondent's knowledge, no USPAP violation occurred regarding this matter.

All comparable sales, excluding comparable #4, are "located near" the subject property. Comparable sale #4's inclusion has been discussed above. The comparable sales are located within one mile of the subject property and fall within the neighborhood boundaries outlined in the URAR. Per reviewer's comments,

the greatest weight is not given to comparable sale #2. This was inferred by the reviewer and not expressed by the Respondent. Per the appraisal report, the final estimate of value is based on the adjusted sales price of the comparable sales utilized in the report. All comparable sales, excluding #4, were given consideration when performing value conclusions. The prior transfer of the comparable sale #2 was noted in the original report. To the best of the Respondent's knowledge, no USPAP violation occurred regarding this matter.

Per the appraisal report, when requested to consider additional comparable sales, Respondent completed a statistical market analysis for the neighborhood and included the best and most comparable sales available as a result of this analysis. Respondent included 8 additional comparable sales from the subject's neighborhood. No undue influence was placed on the Respondent. The final estimate of value is based on the comparable sales provided in this report. To the best of the Respondent's knowledge, no USPAP violation occurred regarding this matter.

Reviewer states "several sales immediate to the subject were not utilized in the original appraisal". The reviewer did not provide supporting data for this claim. Respondent included 11 comparable sales that were immediate to the subject property. All comparable sales analyzed can be confirmed in the statistical market analysis provided in the original appraisal. The final estimate of value is in line with the market data as of the effective date and was provided in the appraisal. To the best of the Respondent's knowledge, no USPAP violation occurred regarding this matter.

MLS states comparable sale #1's dimensions are 231ft x 290ft yielding 66,990 sq. ft. (Or 1.53 ac). Assessor record shows the same dimensions. A birds-eye of the plat shows the property size could be misrepresented by the assessor and MLS. MLS states the property is on an acre lot. The comparable sits on a site that is larger (with a variance that required an adjustment) than the subject's and is located on a highly desired street in the area. Respondent has confirmed the adjustments as consistent with the original report and verified the adjustment as appropriate, valid, and correct. To the best of the Respondent's knowledge, no USPAP violation occurred regarding this matter.

The value conclusion falls within the range of the best comparable sales available as of the effective date. All comparable data has been confirmed as consistent with the report. All comparable sales provided have relatively low absolute and gross adjustments. The value conclusion meets all tests of reconciliation and is in concordance with the best available data that was provided in the work file and original appraisal report. To the best of the Respondent's knowledge, no USPAP violation occurred regarding this matter.

No USPAP violations appear to have occurred during the completion of this appraisal report. The specific items highlighted by the reviewer have been addressed in the original appraisal report. The reviewer's ambiguous remarks cannot be addressed without additional supplemental data or commentary from the reviewer.

Respondent maintains, the statements of fact contained in the appraisal report are true and correct; that the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

Reasoning and Recommendation: Counsel recommends a **Letter of Instruction** pertaining to SR 1-4(a) and 1-6(a).

DECISION: The Commission voted to accept the recommendation of legal counsel.

3. 2016021311

Licensing History: Certified Residential Appraiser 2/2/1992-2/12/2018

Disciplinary History: 201202029 Consent Order for \$1000 and 45 day suspension

This complaint alleged that the Respondent provided and signed an appraisal report while his license was expired. The Complainant alleges that it has come to their attention that the Respondent did not hold an active license at the time of the appraisal in May 2012.

After review by Counsel, it was discovered that the Respondent's license was expired at the time of the alleged appraisal. Respondent stated in response that he admits that the report in question was completed while Respondent's license was expired. Respondent regrets his actions during that time and intends to fully cooperate with the Commission in resolving this matter.

Reasoning and Recommendation: Counsel recommends the authorization of a civil penalty in the amount of **One Thousand Dollars (\$1,000)** to be satisfied within thirty (30) days of execution of the Consent Order. Such terms are to be settled by Consent Order or Formal Hearing.

DECISION: The Commission voted to authorize a civil penalty in the amount of One Hundred Dollars (\$100) to be satisfied within thirty (30) days of execution of the Consent Order. Such terms are to be settled by Consent Order or Formal Hearing.

4. 2016021231

Licensing History: Licensed Real Estate Appraiser 12/10/2007-12/31/2017

Disciplinary History: None.

This complaint was filed by a bank and alleged that the Respondent failed to comply with USPAP. The Complainant alleged that possible deficiencies were identified in the appraisal report and that several of the deficiencies were highlighted in a field review completed on the original appraisal. The Complainant alleges that the deficiencies appear to have resulted in the Respondent's appraisal failing to comply with USPAP and that these deficiencies are material and may have significantly affected the appraisal results. The following is a summary of the Complainant's allegations:

Zoning was inaccurately reported. While single family residential is permitted in both zoning classifications, this goes to show the diligence set forth by the Respondent.

Highest & Best Use is reported as the current use without any description of the analysis performed as required by USPAP.

Comparable sales 1, 2 and 3 are located in a gated community adjacent to a private golf course. This was not adequately analyzed or summarized within the appraisal. In fact, the Respondent did not mention the private golf course at all.

Several other sales from the area were identified in a field review completed on the original appraisal, resulting in a significantly different opinion of value. This leads to concerns of missing market data or analysis.

Respondent commented in the appraisal, "subject's market value is above the predominant value for the neighborhood due to design and appeal, quality of construction and large GLA." There was no analysis of this within the appraisal.

Respondent commented in the appraisal, "However in the 2010 flooding, the clubhouse and golf course in the subject's subdivision were destroyed, therefore in the appraisers opinion negatively affects the subject property." This was not further discussed or analyzed within the appraisal.

The one sale used from the subject development is not supportive of the appraisal results.

Respondent's Response to Allegations: Respondent states he reviewed the field report. The Respondent's responses are as follows:

Respondent states the review appraiser made a \$50,000 adjustment for all comparables that were in a gated community but failed to explain how he or she derived at the number. Respondent stated it appears that since a group of homes are behind two gates on a hinge that a \$50,000 adjustment is warranted when the subdivision is not gated or fenced around the whole.

Respondent stated that none of the comparables inside the gated community have any views at all of the golf course and are certainly not located on the course at all.

Respondent does not agree with the review appraiser that there is no difference in the view with a heavily wooded comp in the golf course subdivision when compared to the more open majestic bluff and river views of the subject property.

Respondent stated that the review appraiser stated that the Respondent's low value range should have also included homes in the \$100,000 range and that the area has more than the more expensive homes that are in the report, Respondent agreed but questioned how low, where do you draw the line. Should Respondent include the homes in the area that are in the \$30,000 range.

Respondent obtained FEMA documentation that states the structure is not in a flood zone and is in flood zone X, this documentation was made part of Respondent's workfile. Respondent stated that the owner of subject property stated that no flood insurance coverage is necessary.

Respondent stated that the golf course subdivision homes are good comparables and the closest for the subject. The golf course is not a private course.

Respondent believes that the appraisal Respondent performed with a value of \$570,000 is in the ballpark for the subject property and that the \$470,000 value by the review appraiser is at a minimum \$100,000 too low.

Respondent disagreed with a lot of the reviewing appraiser's comments.

REVIEWER CONCLUSIONS [alleged violations included within brackets]:

Conclusion:

Reviewer stated that the appraisal report under review is deficient in its compliance with USPAP and, therefore, the credibility of the assignment results is impaired due to the type and extent of non-compliance.

Site Value:

There was no data or analysis found in the report or in the workfile to support a site value opinion. **[SR 2-1, Lines 650-653; SR 2-2, Lines 726-734; Record Keeping Rule, Lines 321-323].**

Sales Comparison Approach

Adjustments are made in the sales comparison approach for location, site, view, quality gross living area, bath count, basement, garage and pool. The rationale for making these adjustments was discussed, but does not provide any data or analysis to support the adjustment amounts, either in the report or in the workfile. **[SR 2-2, Lines 726-734; Record Keeping Rule, Lines 312-323].**

Three sales and two listings were used in the sales comparison approach with a resulting wide range of adjusted values. There is no discussion of reconciliation found in the report. **[SR 1-1(a) & (b); SR 2-2, Lines 732-734].**

Highest & Best Use

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 report. **[SR 2-2, Line 743].**

Certification

The appraiser did not include, in the certification, a statement regarding any previous performance of services related to the subject within the previous three (3) years as required. **[SR 2-3, Line 822; Ethics Rule, Lines 254-259].**

Respondent's Response to Reviewer's Conclusions:

The reviewer found a typo in my report as to how site value was determined, Respondent stated the abstraction method was used, but it should have read extraction method. This method takes all other components off the land, leaving the land only. A bare land analysis was conducted; however, without good enough information that could be used as proof as subject is very unique in the lot backing a river etc. Respondent did not state in the reports addendum that a lot sale search was made with nothing found to prove land value and simply decided in this case to use County Assessors land value.

Adjustments were made for location, site, view, quality of construction, GLA, bath counts, basements and pool. As stated in the addendum of original report, it is the Respondent's opinion due to no paired sales existing in this rural area to allocate out each adjustment made. However these adjustments are common and recognized by the market in every other area appraiser covers and believes that people are generally the same nationwide as what is a positive or a negative for a property. This appraisal under review and subject is a very one of a kind custom home in a rural area and that alone makes this a very hard job to complete with every adjustment made to come directly from the market with a full analysis intact. That being said, the review appraiser making no adjustment for a \$50,000 investment to install an in-ground pool for the subject is ridiculous in this appraisers opinion and should be under review as well.

There is language in the addendum that speaks to the comparables used and why for instance comparable #4 is inferior. Most weight is on the comparables nearest to the value given in the report, Respondent stated he could have wrote another couple of paragraphs about each comparable, but only reported what he thought about reconciliation when valuing the subject in the report. Keep in mind that the Respondent does not dabble in appraising, this is his livelihood and he has a busy office as there was many other appraisals to complete at the time of preparing the appraisal under review, therefore as

always in this fast paced business of appraising; banks will not allow a week for an appraiser to complete an appraisal and certainly would not pay for it. In hindsight Respondent would have written more and taken a week or two to complete appraisal.

The Highest and Best Use is missing the analysis. Respondent stated that he is getting better and evolving as he works and attend classes. Respondent never made the connection that USPAP is broke when the support does not get entered on this line in the report: legally possible, financially feasible, physically possible and maximally productive until my last CE hours had to be updated and I went to class. Respondent has been to many CE classes and this was the first time he heard from any instructor that USPAP is broken when this is not entered or expounded on after you already answer the question in the report, as common sense seems to say after answering a question you should be done, however not in this case.

Respondent included in the addendum the statement regarding any previous performance of services related to the subject within the previous 3 years as required.

The report being reviewed is not a perfect report, as perfect reports do not exist; however, the noncompliance stated by the Reviewer in the Respondent's opinion is not true. Respondent states he would like to be given the opportunity to improve, gain knowledge along the way and evolve in my profession, because if that opportunity is taken from me then what is this business coming to and where is it going from here.

Reasoning and Recommendation: Counsel recommends the authorization of a **Letter of Warning** in regards to the above-referenced USPAP violations and **thirty (30) hours of courses**, a 15 hour Residential Site Value and Cost Approach Course and a 15 hour Residential Report Writing Course, to be completed within one hundred eighty (180) days of execution of the Consent Order. Such terms to be settled by Consent Order or Formal Hearing.

DECISION: The Commission voted to accept the recommendation of legal counsel.

5. **2016022691**

Licensing History: Certified General Appraiser 02/05/1992-02/05/2018

Disciplinary History: 200003479 Consent Order for Corrective Education (USPAP, Appraisal of Income Producing Properties, Highest & Best Use, Sales Comparison Techniques, Market Analysis).

200601830 Consent Order for \$2500 Civil Penalty

201402951 Consent Order for 7 hr. Supervisor Trainee Course and 15 hr. Residential Report Writing and Case Studies Course

This complaint was filed by a consumer and alleged the Respondent under-valued a farm. The Complainant was interested in purchasing a farm. Due to the listing price, the Complainant felt they needed to obtain an appraisal from a licensed or certified unbiased appraiser. Complainant alleges they told the Seller that there could be no conflict of interest on either side. Complainant stated that upon receiving the name of the Respondent from the Seller, the Complainant did their due diligence to ensure there were no conflicts of interest. Complainant stated there was a conflict of interest between the Seller and the Respondent; both were auctioneers. Upon learning of the conflict of interest, the Complainant

chose to get a separate appraisal and then they could compare the two appraisals. The Complainant's appraiser valued the property at \$750,000 and the Respondent appraised the property at \$1.4 million. The Respondent provided documentation for the expert reviewer in response.

REVIEWER CONCLUSIONS [alleged violations included within brackets]:

Residential Appraisal

Sales Comparison Approach was conducted utilizing three (3) sales that sold in the range of \$220,000 to \$345,000. After adjustment, the subject property's value indication ranged from \$217,955 to \$307,675 and Respondent's conclusion was \$300,000 applicable to the residence and five acres.

Cost Approach set out two land sales of 5 acre tracts which ranged in value from \$9,000 to \$14,000 per acre so that the value of the subject's allocated 5 acres was estimated at \$12,000 an acre or \$60,000. Source of cost data is referenced with Marshall & Swift handbook with an effective date of June 2014; it is likely that a more recent effective cost data date was available to a subscriber. Conclusion as to the residential appraisal indicated a total value of \$300,000, of which \$60,000 was allocated to the 5 acres set out for appraisal purposes.

Second Appraisal

The balance of the property was appraised using a narrative summary appraisal and included the remaining 90 acres, a mobile home and outbuildings.

Set out for valuation by cost method was the double wide mobile home and 2 barns. Improvements were estimated to contribute \$139,200 to the total value. The total value conclusion to include the land was estimated at \$1,100,000. Land value was concluded at \$900,000 based on an average rate of \$10,000 per acre. Documentation for land value estimate included three (3) sales for which information was listed to include date of sale, price, size, improvement contribution and calculated price per acre. The information was restated in a sales summary chart with Sale No. 1 indicating \$10,350 per acre, Sale No. 2 indicating \$4,395 per acre and Sale No. 3 indicating \$9,163 per acre. As stated, the conclusion then was \$10,000 per acre for 90 acres.

There were significant flaws made as to the land value conclusion.

Comparable Sales

Sale No. 1 - Located just off Highway 66 on Bryan Road at the Kodak community of Sevier County. Highway 66 is the connector road between the interstate and Sevierville/Pigeon Forge/Gatlinburg. This property is at a location where sewer would be available and the highest and best use would likely be for a subdivision or, at minimum, a highest and best use that would be superior to the subject property. In addition, the area listed of 43.04 acres is incorrect. The sale included two parcels, one of which is omitted from the appraiser write up. The purchase at \$445,500 covered an area of 81 acres which indicated a per acre sale price of \$5,500. This property would likely be considered superior to the subject's location based on location and sewer availability.

Sale No. 2 - Appears to be correct as to the sale price, date, size, etc. so that the price of \$4,395 per acre appears to be confirmed. The same purchaser had bought an adjoining tract of 89.27 acres, which was improved with a 2,336 square foot log home about one year prior to the parcels listed in the Sale No. 2 assemblage. This 89.27 acre tract, improved with the log home, sold at \$417,260 or about \$4,675 per acre to include the contribution of the dwelling.

Sale No. 3 – Confirmed at the price and size stated. This property is located along Montvale Road, south of Maryville, in a rather built-up area. The surrounding properties include subdivisions, some of which have very small sites indicating the availability of sewer and a superior highest and best use for this property compared to the subject. The listing brief for the property indicated that the property had preliminary approval from the planning commission for a 61 lot subdivision. The subject is in a rather rural location not serviced by sewer. It is unlikely that the subject property would have any reasonable potential for a dense residential development.

The result of the Sales Comparison Approach for the land value appears to be misleading.

Ethics Rule

At a minimum, the appraisal appears to violate the statement within the conduct section of the ethics rule inasmuch that the appraisal appears to have been performed in a grossly negligent manner. **[SR 1-1(c)].**

Alternatively, the appraisal appears to point to a land value estimate of \$10,000 per acre as a target as opposed to an analyzed and reasoned conclusion.

Of note, is the misrepresentation of Sale No. 1 and the non-comparable status of Sale No. 3 which both indicated values in the range of that concluded while at the same time Sale No. 2, which appears to be the most similar land transaction presented, was essentially ignored in the value conclusion.

Standard Rules

An appraiser is not to commit a substantial error of omission or commission that significantly affects an appraisal. Sale No. 1 was incorrectly reported and the land value is roughly half of that reported by the sale. **[SR 1-1(b)].**

It appears that the sales were at a minimum negligently collected and analyzed. The result is misleading. **[SR 1-4(a)].**

USPAP standards require reconciliation of the quality and quantity of data available and analyzed. It does not appear that the data collected was analyzed. **[SR 1-6(a)].**

The presentation of the sales which were clearly not comparable or presented in a false or incorrect manner developed a misleading appraisal. **[SR 2-1(a)].**

USPAP standards require the appraiser to summarize the information analyzed the appraisal methods and techniques employed and the reasoning that supports the analysis opinions and conclusions. The listing of three transactions, two of which were reported in the range of \$9,000 to \$10,000 per acre and the other at \$4,395 per acre without any essential discussion as to the applicability or comparability of the sales to the subject. The conclusion was made at the high end of the stated range in value of which one was obviously incorrect. The sale appearing to be most similar to the subject in physical characteristics was essentially ignored as to the conclusion. This combined with the non-comparability of the balance of the sales indicates a misleading report. **[SR 2-2(a)(v)(iii)].**

Respondent Response to Expert Review:

Respondent stated that he had no response to the review and that these were done for a private individual and not a banking institution. Respondent stated that he had information that the purchasing

party had agreed earlier to purchase the subject property for \$1.5 million. Respondent stated he has no personal or business relationship with the Seller.

Reasoning and Recommendation: Respondent's comments about the appraisal being for a private individual and not a banking institution and that Respondent knew the purchase price of the subject property to be \$1.5 million gives the appearance that the Respondent was not acting independently, impartially and objectively in making the determination of value. Counsel recommends the authorization of a **civil penalty in the amount of Five Thousand Dollars (\$5,000)** to be satisfied within thirty (30) days of execution of the Consent Order. Such terms are to be settled by Consent Order or Formal Hearing.

DECISION: The Commission voted to accept the recommendation of legal counsel, plus require the Respondent take a thirty (30) hour Basic Appraisal Principles course and a thirty (30) hour Basic Appraisal Procedures course to be satisfied within one hundred eighty (180) days of execution of the Order. Such terms to be settled by Consent Order or Formal Hearing.

6. 2016022721

**Licensing History: Trainee 08/06/2001-11/05/2003
Certified General Appraiser 11/06/2003-02/28/2018**

**Disciplinary History: 2007082551 Consent Order for \$500 Civil Penalty
2008011891 Consent Order for 2 year suspension of certificate**

This complaint was filed by a consumer and alleged that the Respondent under-valued a residential property by using inappropriate comparable sales data.

The Complainant alleged that Respondent was hired to complete a field review on the subject property. An appraisal had been conducted and valued the property at \$388,000, the Respondent did not enter the home, but merely completed a drive by field review, to which the Respondent stated that the original appraiser's adjustments were too large and arrived at his own value of \$352,000. Complainant alleges that upon reviewing the Respondent's report, Complainant noticed several errors, most tended to be factual errors with the comparable sales Respondent chose that skewed the subject property's value downward. Complainant alleges the following:

Respondent made no mention, nor any adjustment for the recent improvements. Complainant alleges several renovations and updates have been made and this information was contained in the initial appraisal report.

Respondent has some incorrect information on the comparables.

The price per square foot and amenities adjustments are low (\$30/sf GLA) compared to similar homes in the subdivision.

The pool and backyard is one of the main attractions to the home and it is totally private with a deck overlooking, Complainant believes the \$10,000 adjustment is extremely low.

Complainant had issues with several of the comparables used.

Respondent's Response to Allegations:

Respondent stated that Respondent was engaged and conducted a review of an appraisal report dated February 17, 2016, which found the subject property's value to be \$388,000. Respondent performed an exterior observation of the property from the street and also gathered photographs and all necessary information to complete his review. On March 30, 2016, the Respondent issued his opinion as to the value of the property per the appraisal assignment. Respondent stated that review of the initial appraisal revealed inconsistencies and a potential failure to properly value improvements and amenities of the property.

Respondent states that there were three main issues raised in the complaint:

Respondent did not physically inspect the interior of the subject property. Respondent states this is not a USPAP requirement and disclosure was made in the appraisal review report. Respondent states it is common practice with most appraisal review assignments for a reviewer not to inspect the interior of the home. Respondent states in this case, an interior review was not requested by the client.

Factual errors in Respondent's analysis of comparable sales. Respondent utilized the same condition and quality ratings found in the original appraisal report. Respondent's data and verification sources utilized were deemed reliable for credible results and are utilized by the majority of appraisal practitioners in the market. There is a difference in the opinions of the two appraisers. The complaint alleges that Respondent failed to account for net and gross adjustments to the property; it is true that the initial appraiser found far greater value in improvements and amenities than did Respondent. Respondent believes his review more accurately reflects the value for the location of the subject property of the pool, renovations, finished basement, etc. than did the initial appraisal.

Respondent utilized industry recognized techniques such as paired sales data and market surveys to support opinions and conclusions.

REVIEWER CONCLUSIONS [alleged violations included within brackets]:

The reviewer found no issues or USPAP violations within the Scope of Work conducted in the review appraisal.

Reasoning and Recommendation: Counsel recommends that this matter be dismissed.

DECISION: The Commission voted to accept the recommendation of legal counsel.

7. 2016023501 – Respondent 1

Licensing History: Not Licensed.

Disciplinary History: None.

2016023502 – Respondent 2

Licensing History: Certified General Appraiser 12/17/2014-12/31/2016

Disciplinary History: None.

This complaint was filed by an appraiser and alleged unlicensed activity. Complainant alleges that Respondent 2 sent an unlicensed appraiser, Respondent 1, to perform an appraisal on the subject property in Tennessee. Complainant alleges that Respondent 1 is a trainee in Kentucky and is not licensed in Tennessee.

In response to the complaint, Respondent 2 stated that for a short time the Complainant was acting as a subcontractor on a trial basis, assisting Respondent 2 with commercial appraisal work in Tennessee. Respondent 2 states prior to the complaint, the Complainant was working on several overdue appraisal assignments and when questioned regarding the status, Complainant stated that he didn't have enough gas money to inspect one of the properties. Respondent 2 stated that he sent a trainee, Respondent 1, from his office in Kentucky to begin gathering physical data about the property in Tennessee, so the assignment could be performed for the client in a timely manner. Respondent 2 states that both the Respondent 1 and Respondent 2 inspected the subject property.

Counsel has reviewed the documentation provided by Respondent 2 and it appears that Respondent 2 both prepared and signed the appraisal report.

Reasoning and Recommendation: Counsel recommends that this matter be dismissed due to insufficient evidence of unlicensed activity.

DECISION: The Commission voted to accept the recommendation of legal counsel.

NEW BUSINESS

Representatives of the Tennessee Appraiser Coalition (TAC) sought an audience with the board to discuss several issues related to the impending regulation of Appraisal Management Companies. Wells Eady, president, and Creighton Cross, vice president, shared the experience of their members dealing with AMCs and based on their own research made several suggestions for the board to consider regarding liability issues and fee structures. The Board seemed to agree that more research would be needed on the issue of customary and reasonable fees, proposing a possible fee study by contract bid.

There being no other new business, Mr. Thomas concluded the meeting at 12:05 pm.