



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

**Board Meeting Minutes for September 12, 2016
First Floor Conference Room 1-B
Davy Crockett Tower**

The Tennessee Real Estate Appraiser Commission met on September 12, 2016 in the first floor conference room of Davy Crockett Tower in Nashville, Tennessee. The following business was transacted:

BOARD MEMBERS PRESENT: Rosemarie Johnson, Rex Garrison, Mark G. Johnstone, Norman Hall, Michael Tankersley, Dr. Warren F. Mackara.

BOARD MEMBERS ABSENT: Timothy Walton, Randall Thomas, Eric Collinsworth.

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

ROLL CALL/NOTICE OF MEETING

Mr. Johnstone, serving as chair in Mr. Walton's absence, called the meeting to order at 10:11 AM. Interim Director Roxana Gumucio read notice of the meeting into the record, as follows: "Notice of the September 12, 2016 meeting of the Real Estate Appraiser Commission was posted to the Real Estate Appraiser Commission's website on April 27, 2016."

AGENDA

Mr. Tankersley motioned to adopt the day's agenda as written. This was seconded by Ms. Johnson. The motion carried by unanimous vote.

MINUTES

Mr. Tankersley also made a motion to adopt the minutes from the July 11, 2016 meeting as written, which Dr. Mackara seconded. The motion carried by unanimous vote.

EXPERIENCE INTERVIEWS

Mr. Johnstone recapped his interview with Mr. Paul L. Busdiecker. Mr. Busdiecker's interview had been bumped from the last meeting, and he agreed to meet with Mr. Johnstone at his office in Jackson in advance of the September meeting. Mr. Johnstone recommended Mr. Busdiecker for examination.

Mr. Johnstone had also been accompanied by Mr. Garrison and Mr. Tankersley during an interview with Mr. Keith Taylor Fritts. Since each interview was for a Certified General license, Mr. Garrison put forth a motion to accept both of Mr. Johnstone's interviewees for examination. Mr. Tankersley seconded the motion, and it passed by unanimous vote.

Lastly Mr. Johnstone had interviewed Ms. Tabitha Denise Kirk, who was applying for an upgrade to Certified Residential. Mr. Johnstone was pleased with Ms. Kirk's experience log and recommended Ms. Kirk for the exam. Mr. Garrison made a motion to accept Mr. Johnstone's recommendation. Mr. Tankersley seconded the motion, and it passed by unanimous vote.

Mr. Garrison interviewed Mr. Joshua Clay Pierce, who was seeking to upgrade to a State Licensed Appraiser. Mr. Garrison recommended Mr. Pierce be approved for examination. Mr. Johnstone made a motion to accept the recommendation, which Dr. Mackara seconded. The motion passed unanimously.

Mr. Tankersley approved Mr. Timothy Wayne Pennington for examination after a Certified Residential interview. Mr. Garrison made a motion to accept Mr. Tankersley's recommendation, which Ms. Johnstone seconded. The motion was passed unanimously.

EDUCATION REVIEW

The Commission then reviewed Dr. Mackara's latest recommendations for course approvals. Ms. Johnstone made a motion to accept Dr. Mackara's recommendations as written, which Mr. Garrison seconded. The motion passed unanimously. There were no individual course approvals at this meeting.

DIRECTOR'S REPORT

Interim Director Roxana Gumucio introduced herself formally to the Commission, and brought the latest expenditures and budget information for review. She then turned the Commission's attention to the looming AARO conference to take place the next month in Washington, DC. The Commission agreed to send to representatives. Mr. Walton, who had expressed an interest in attending, was not present... so the Commission's newest members, Mr. Garrison and Mr. Tankersley, agreed to check their schedules and attend in his place if possible. Ms. Gumucio then submitted a list of proposed dates for 2017 commission meetings. Dr. Mackara motioned to accept the proposed dates, and Mr. Garrison seconded. The motion passed by unanimous vote.

APPLICATION REVIEW

Mr. Vernon A. Stults appeared before the Commission in the hopes of reactivating his Certified General license as part of his duties at the Property Assessor's Office in Madison County. Assessor Frances Hunley appeared on his behalf and Mr. Johnstone, a Jackson native, spoke about the good work he had seen performed by the office. Mr. Stults presented the Commission with the education he had continued to keep current even after his license lapsed. Those hours would have been enough to keep Mr. Stult's license active in the intervening years, and Dr. Mackara made a motion to waive reexamination and reactivate Mr. Stult's license based on a review of the coursework. Mr. Garrison seconded the motion, which then passed unanimously.

LEGAL REPORT

1. 20150209091

Licensing History:	Registered Trainee	8/15/1994-9/26/2004
	Licensed RE Appraiser	9/27/2004-12/16/2007
	Certified Residential	12/17/2007-Present
Disciplinary History:	201201521 & 201201865	Closed with Consent Order (\$1,000 Penalty and Education)

This is a re-presentation from the December 2015 meeting:

This complaint was filed by a homeowner and alleged that Respondent performed a non-credible appraisal report, due to faulty observations, analysis, and conclusions within the report. The complaint also alleged that Respondent relied upon the wrong city and major job center in his evaluation of would-be home buyers.

Respondent sent a response to the complaint stating that he made some typographical and calculation errors on the grid, and that it is a report that he wished he had not accepted. Upon meeting the Complainant, Respondent stated he was informed that Complainant had already filed a complaint on another appraiser and had to pay for a second appraisal before he closed. Respondent stated that Complainant insisted that the siding he put on the house a couple of years ago should increase the value by \$15,000, and Respondent claims his mistake was trying to explain to him that it could be considered maintenance. Respondent stated that Complainant did not contact him after receiving the copy so that his questions could be answered, and if any minor errors or miscalculations were found that needed correcting. The error on comparable 2 is .012 of a percent, the error on comparable 3 is about .12 of a percent, and a revision could have been made. In the neighborhood description, Respondent claimed he did make the error. Marketability for existing homes continue to remain above average for homes within the subject city, it should have been for homes in the subject county. Respondent claims that Complainant is using his position as an attorney to express his opinion.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- **Conclusions:** *The work under review has substantial errors of omission and commission. Together these affect the results and have a significant effect on the credibility of the assignment. The report lacked substantive content as required in Standard 2 in several areas. Together these indicate that the appraisal report was rendered in a grossly, negligent manner, which is a violation of the Ethics Rule-Conduct Section. [SR 1-1(c); Ethics Rule – Conduct Section]*
- **Scope of Work:** *The heading, Intended Use, reads that the intended user of this appraisal is for internal decision purposes. Obviously, this is an incorrect statement and is considered a violation. [SR 1-1(c)]*
- **Effective Date:** *The effective date is reported to be 23 June 2015. All of the other references to the effective age in the report indicate an effective date of June 22, 2015. It appears that this may be a typographical error. [SR 1-1(c)]*
- **Appraisal Type:** *The report indicates that the appraisal type is Restricted Appraisal Report. According to the information provided in the Engagement Letter, Disc-13, the intended use is the lender and client listed above and any others that may be identified by the lender/client that could have a need to rely on the information contained in the appraisal report. It appears that this is a request for an Appraisal Report not a Restricted Appraisal Report. Also, an Appraisal Report is requested in Number 2 under Anticipated Scope of Work. The same error is made in the heading Appraisal and Report Identification on Report-3. There is additional information in paragraph no. 23 of the Appraiser's Certificate, Report-12, that indicates that this is not a Restricted Appraisal Report, when the paragraph indicates who may rely on the report. It appears that the information regarding the Appraisal Type is inaccurate. [Scope of Work Rule; SR 1-1(c); SR 2-1(a); SR 2-2(Comment)]*
- **Description of process methods:** *The description of the process mentioned reported is partially inaccurate. The report indicates that the sale comparable approach was used, but no mention of the cost approach was provided in this heading. The report does include a cost approach. [SR 1-1(a); SR 2-1(a)]*

- **Reasonable Exposure Time:** *In the third heading, Report-3, the third and the next to last sentences are not completed. [SR 1-1(c)]*
- **Intended User Addendum:** *The paragraph regarding Clarksville, Tennessee and Fort Campbell, Kentucky, Report-5, does not appear to be pertinent to the located in White Bluff and is misleading. [SR 1-1(c); SR 2-1(a)]*
- **Neighborhood:** *The information in the Neighborhood Description, Report-7, appears to refer to a neighborhood in Clarksville, Tennessee. As previously stated in the Intended User Addendum, Report-6, the information does not appear to be pertinent to the property located in White Bluff and is misleading. [SR 1-1(c); SR 2-1(a)]*
- **Site:** *The Dimensions are not provided or referenced as being provided in the report. The information provided is 1.5 ac, which is the same information provided for Area. Further, gas is not marked in this section of the site description. According to the owner and public documents, the site has gas available. [SR 1-1(c); SR 2-1(a)]*
- **Sales Comparison Approach:**
 - *On Report-8, Comparable Sale #1 is reported to have 2 bathrooms, but according to available information has 2.1 bathrooms. No adjustment is needed. No adjustment or explanation is made for the differences in age.*
 - *Comparable Sale #2 is reported to have 2.0 bathrooms, but no adjustment is made to the sale for the inferior half bathroom count. No adjustment or explanation is made for the differences in age. The MLS information, Disc-59, indicates that there 2 fireplaces.*
 - *Comparable Sale #3 is reported to have a similar bathroom count, but an unexplained minus - \$2,500 adjustment is made to the sale. No adjustment or explanation is given for the lack of adjustment for the smaller size of the comparable sale. The MLS information, Disc-62, indicates that there is a fireplace in the recreation room and CRS property report, Disc-63, indicates that the dwelling has a fireplace, but the report indicates that the dwelling does not have a fireplace.*
 - *On Report-13, Comparable Sale #4 is reported to have 3 bathrooms. A -\$2,500 adjustment, which is the same dollar adjustment made to the sales that have only 2 bathrooms, is made to the sale without explanation. This adjustment does not appear to be reasonable without some type of explanation. The same is true for Comparable Listing #6.*
 - *Comparable Listing #5 is identified in the report as being a 1-story dwelling, but the MLS information, Disc-69, indicates the dwelling to be a have a second-story level of 315 square feet and a barn.*
 - *Comparable Listing #6 is adjusted a minus \$5,500 for a larger lot without an explanation. The bathroom count adjustment is questioned as explained above. The MLS information, Disc-73, indicates that the dwelling was renovated.*
 - *The errors, omissions and limited analysis noted in the sales comparison approach tend to indicate that the final conclusion as presented in the report is unreliable. [SR 1-1(b); SR 1-1(c); SR 1-4(a); SR 2-1(a)]*
- **Reconciliation:** *The statement is made that the cost and income approach were not place into this report. The statement is inaccurate and misleading. The cost approach is included in the report as presented on the page identified as Report-9.*

- **Additional Comments:** *The first sentence on Report-9 appears to not be applicable to the subject property. In the second sentence that begins with Neighborhood, the information provided is not complete. In the fifth paragraph, the lot value information is not presented very well and is confusing to the reader. [SR 2-1(a)]*

Market Conditions Addendum (MCA): *There are 2-MCA forms provided in the Disc. The first form is shown on the page identified as Disc-81. This form does not have a report page number, is not complete and is not signed. The second form is shown on the page identified as Disc-190. The information is completed, the page is numbered Report-34 and the page is signed. Some of the information provided on Disc-81 does not correspond to the information provided on Disc-190. The reason that two non-identical forms are provided is not explained. [SR 1-1(c); SR 2-1(a)]*

Respondent's Response to Reviewer's Conclusions

- *Respondent stated that he agrees this appraisal report should not have been sent out to the AMC/Lender. Respondent stated he cannot explain why a final review of the report was not done as he normally does and can only blame himself for this oversight.*
- *SCOPE OF WORK: The heading, Intended Use, reads that, (the intended user of this appraisal is for internal purposes.) Intended User: The intended use of this appraisal is for internal decision purposes. This statement is to tell what the report is to be used for.*
- *EFFECTIVE DATE: Is a typo in the Scope of Work, it should read 22 June 2015.*
- *APPRAISAL TYPE: After reading the engagement letter, this report should have been marked as "Appraisal Report" and not "Restricted Appraisal Report."*
- *DESCRIPTION OF PROCESS METHODS: In the URAR page 3 of 6 the Cost Approach is there.*
- *REASONABLE EXPOSURE TIME: It should read. The estimated length of time. The property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of the past events assuming a competitive and open market. The appraiser has determined the subject property would have to be exposed for one to six months (time frame) on the open market in order to have a market value of the effective date of this appraisal.*
- *INTENDED USER ADDENDUM: A time adjustment and conditions adjustment are not warranted because of the activity of the military base, which is north about 45 miles. When a brigade go overseas for combat or support of combat operation, the sales drop. When a brigade comes back, sales go up, this goes on throughout the year, because of the diversity of the division. Each time one of these military units move. The market changes when the units are here. Soldiers are reassigned all over the world and new soldiers from all over the world are reassigned here making the market fluctuate constantly. It can be a declining market for three to five months, then switch to increasing market overnight according to the movement of the units.*
- *NEIGHBORHOOD: It should have read. "Marketability for new existing homes continues to remain above average for homes within the subject county. This area has seen rapid growth for new homes, schools and major employment.*
- *SITE: A copy of the Deed was placed in the report, page #38. According to the county assessor of property tax records, it shows no gas. The tax card is mark "None" (see tax card), also the Courthouse Retrieval System Data show no gas.*
- *SALE COMPARISON APPROACH: Comparable #1, I was incorrect, there are 2.1 bathrooms according to the MLS. The age adjustment is not made for house within 10 years of the age of the subject, this is not explained in the report, some appraiser only use 5 years.*
- *Comparable #2, There should have been an adjustment upward for \$2500. The age adjustment is not made for a house within 10 years of the age of the subject. This is not explain in the report, some*

appraiser only use 5 years. Talking to the Real Estate Agent the one fireplace was a brick chimney, the other one is a free standing that could easily be removed.

- Comparable #3, There should not have been any adjustment for the half-bath. It shows on the grid there was a \$7500 adjustment for the smaller size in the house. As stated in the Intended User Addendum. The appraiser used the MLS (Real Tracs) records as comparables in this report.
- Comparable #4, The subject has 2.1 bathrooms, comparable 4 has 3 full bathrooms, an adjustment was made for the difference in the negative amount of \$2500 for the bathrooms being smaller. This was also in Comparable #6.
- Comparable #5, The MLS shows a 2.00 house, it also show that the main floor has 1768 square feet with only 315 square feet on the second floor. In my opinion to be a 2.00 story, the upper level should have at least% of the same GLA as the main level of the house. The appraiser missed in the MLS that this property had a barn.
- Comparable #6, The size of the lots, on the third page of the URAR it states, "the appraiser found (4) sales within the market area that are less than 1.88 and more than 1 acres. The appraiser estimates this lots \$27,000. The appraiser found 3 sale within the market area that are less than 3.3 and more than 2.61 acres. The appraiser estimates these lots \$32,500. $\$32,500 - \$27,000 = \$5500$
- RECONCILIATION: The last sentence should have read. The income approach is not placed into this report; because it is irrelevant to the average buyer the income from investment property would be, when they are buying a home.
- ADDITIONAL COMMENTS: These states are to explain, the URAR. Many lenders ask dose. Major Highway, fairway, interstate and divided highway, effect the marketability of the property. This explains to them that it does not in this area.
- NEIGHBORHOOD: Present Land use%: Other is vacant land. Many lenders ask about Present Land Use %. This explains the Neighborhood: Present Land use %, other is vacant land, on the first page of the URAR.
- FIFTH PARAGRAPH: The lot value. This shows that the appraiser used the sale approach to find the lot value of the Comparables.
- MARKET CONDITIONS ADDENDUN (AMC): The only expectation I have is that one of my file copy got mix in with the report I sent to the state. It was not signed. The MCA that when to the bank by email was signed.
- FINAL COMMENTS: This is one report I wish I had never accepted, because when I arrived at Complainant's property, the first thing I notice was the entrance. "Major". See photo. After I introduced myself I asked him what branch of military he served in, seeing that both of us were retired military. I was told United State Air Force Officer as a Major when he retired. We discuss I was retired Army Staff Sergeant. Being an attorney I assumed that as his profession explained to me he was a navigator, not an attorney. We discussed what I did in service, we also discussed the house, during this time he explained to me that he had made a complaint on another appraiser because he found what he thought were errors in the other appraiser's report and he had to pay for a second appraisal before he closed. That is when I should took as a threat if I did have the perfect report he would file a complaint and walk out, but I gave him the benefit of a doubt.
- When Complainant called me one Saturday wanting me to send him a copy of the report, I explained to him that I could not that he must get if from the bank, I could not send him a copy. I also explained to him if he had any questions please call me and I would come to his office and sit down with him and explain. He informed me that he knew all about appraisals and how the bank handled them. Then he started telling me about the siding he put on the house a couple of years ago and that should raise the value by \$15,000. My mistake was trying to explain to him it could be considered maintenances. He explained to me that it raised the value of the property. I explained to all client that maintenance is maintenance. A lamp in your living room has a 20 watt light bulb, burns out, you replace it with a 40 watt light bulb, does

it increase the value, according to Respondent it does. I tried to explain to him that it does not, I stated that something ya'll attorneys can argue in court, then I went further in my explanation. If you put a 100 watt light bulb in the same lamp. It could be over kill because the lamp capacity is only 75 watt. I could tell he was getting upset, by the tone of his voice. I again told him if he had any questions to call me and I would come over to his house or office and go over the appraisal. If he had called me I would have corrected all typos and errors in the report.

- I disagree with parts of his last paragraph that he did not want to place the appraiser under the microscope in his complaint. Sending a letter to the State of Tennessee Regulatory Board, he knew it would put the appraiser and his work under the microscope. Also used his company letter head as an attorney. If he had sent his complaint as a consumer he would not have used his company letterhead.*

New Facts:

On January 21, 2016, Respondent executed the Consent Order and paid the civil penalty of One Thousand Dollars (\$1,000), but had not yet completed the required courses. The required courses were due to be completed by July 19, 2016. Therefore in July 2016, TREAC staff contacted the Respondent to see if he had completed the required courses. The Respondent stated that in May 2016, he spoke with a member of TREAC's staff and surrendered his real estate appraiser's license because he had decided to retire and did not plan to complete the courses.

The Respondent asked Counsel to provide the following statement to the Commission:

After trying and trying to take this course and T.R.E.S.S kept cancel them. In mid-March of this year I decide to surrender/retire or whatever I could do to stop the fluctuation I was having by trying to find other schools that offer this classes in the surrounding states, most all of this school were offering everything else but the require classes. To pay for school that I know longer have an interest and doing this type of work, getting upset over this and be fluctuated all the time, to a point on having a stroke or heart, is not worth it to me. I stop doing appraisal work in mid-March. Also at this time Real Tracs changed it online set up and being fluctuated with it. I decide to retired, draw my Social Security, my military retirement and my disability check from VA. In May, I talk to TREAC staff about retiring or surrendering my license. He stated I could email me on the 25 May 2016 stating that my license were surrender and I could no longer do appraisal work. I have inform all the AMC/Banks that I no longer doing appraisal work and not to send work orders. Please accept the voluntary surrender of my license.

New Recommendation: Due to the facts stated above, Counsel recommends that the Commission **discuss and consider** accepting the Respondent's voluntary surrender (effective May 17, 2016) in lieu of the required education courses.

DECISION: The Commission voted to accept the Respondent's voluntary surrender in lieu of the required education courses.

2. 2016021231

Licensing History: Licensed Real Estate Appraiser 12/10/2007-12/31/2017
Disciplinary History: None.

This is a re-presentment from the July 2016 meeting:

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 noted 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 ball park 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 Reporting Writing Course, to be completed within one hundred eighty (180) days of execution of the Consent Order.*

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

New Information:

After the July 2016 meeting, Counsel spoke with the Respondent in regards to the Letter of Warning and course requirements. Respondent stated that the appraisal took place in 2014 and that in November 2015 Respondent took both of the courses outlined in Counsel's recommendation. Counsel has received documentation that the Respondent successfully completed both courses in November 2015. At this time, Counsel believes it would be over burdensome and pointless for the Respondent to retake these courses, since he has successfully completed both courses in the last year and since the time of the appraisal in question.

New Recommendation: Due to the facts stated above, Counsel recommends the authorization of a **Letter of Warning** in regards to the USPAP violations.

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

3. 2016022231

Licensing History: Certified Residential Appraiser 10/11/1993-10/31/2017

Disciplinary History: 2009010281 Consent Order for \$2,000 and 75 hrs. of Courses (15 hr. USPAP course, 15 hr. Residential Market Analysis and Highest and Best Use course, and 45 hours in Residential Report Writing and/or Residential Applications & Case Studies courses. Additionally, Respondent would be placed on one (1) year probation, where Respondent would be precluded from having any trainees.)

2005017851 Letter of Warning 2002095691 Letter of Warning

2002079451 Consent Order for \$7,000 – Respondent did not inspect the home; sent an unlicensed person to do the inspection

2001010981 Letter of Warning

This complaint was filed by a consumer and alleged that the Respondent undervalued a waterfront property by using inappropriate comparable sales data. Complainant alleged the following:

- Respondent used comparables that are not lakefront, but reported them as lakefront in the appraisal.
- The subject property is a waterfront property that includes a boat dock.
- All comparables used by Respondent are across the street from the lake and do not have a boat dock or lake access.
- After the first appraisal report was prepared, the Complainant submitted 3 comparables to appeal the report. All three (3) comparables were located and within the criteria (sold between April 2015-March 28, 2016; have MLS; 4-30 years old; GLA of 2700-3400 sq. ft.), but are located across the lake from the subject property.
- Respondent did not address the lake frontage issue and disallowed the three (3) comparables stating they were in a different community.
- Respondent changed the value by \$15,000 for a total appraised value of \$405,000; the original value determination was \$390,000.
- An appraisal was performed three (3) years ago with a value of \$520,000.

Respondent stated in response that the original report was submitted to the client on April 7, 2016 and a week later the Complainant called upset about the value of the subject property. The report was revised and appropriate comments were made and submitted on April 20, 2016.

- The subject property is a lakefront property. The original appraisal listed a water view, but did not report that the comparable sales were all lakefront properties. When asked to review the lakefront/dock versus lake view properties, Respondent revised the wording in the sales comparison approach to value to read specifically if the properties were lakefront with or without a dock and if they were simply lake view properties.
- The three (3) sales provided were across the lake from the subject property and the owner is correct in that they within 5-6 miles from the subject "as the crow flies." However, they were located in a different county with different government, different school systems and a different market. For these reasons the Respondent felt the comparables submitted by the Complainant were not considered reliable. Respondent agrees that these would be appropriate supporting sales if sales in the subject's county were supporting a similar result. However, using sales from a different county that are not supported by sales in the same county would be misleading.

- After Respondent responded to the new comparables submitted by the Complainant, the reviewer with the client called to discuss the appraisal with the Respondent and Respondent agreed to expand research specific to the lakefront/lakeview/dock issues. Respondent states that research found two additional sales in the same county as the subject with lake frontage and a dock with supported the adjustment for view and supported the increase in market value. The revised report with the two sales was submitted.
- The final estimate was based on sales in the subject property's immediate market area with both lakefront and lake views.

REVIEWER CONCLUSIONS [alleged violations included within brackets]:

- An appraiser is required to "determine and perform the scope of work necessary to develop credible assignment results". The URAR form used in the subject appraisal provides a boilerplate Scope of Work on page 4 which covers minimum requirements. To be sufficient, the Scope of Work should include the type and extent of data researched and the type and extent of analyses applied to arrive at opinions or conclusions. **[SOW Rule, Lines 388, 396 and 397]**
- A lakefront property appraisal is complex and therefore requires some explanation, supported by relevant evidence and logic, to determine a credible result. It is also important to consider unique significant factors relevant to the valuation of the subject property in the scope of work.
- In the reviewer's opinion, the Scope of Work in the subject appraisal is insufficient to develop credible appraisal results. **[SOW Rule, Line 391 & 392].**
- The type and extent of data researched and analysis applied are both lacking in this appraisal report. As noted later in regarding the Sales Comparison Approach, no specific parameters are cited for the comparable sales selected with regard to location on the lake, frontage or view, etc. The appraiser stated the adjustment amounts for the line-item adjustments in the market data grid but gave no support for the adjustment rates. **[SR 1-2(h); SR 2-1(b); SOW Rule, Line 396 & 397].**

Neighborhood - Market Conditions Analysis:

- In the addenda, the appraiser states that "the overall median sale prices for the subject's market area has increased over the past two years." However, in the neighborhood Data on page 1 of the appraisal report, property values are stated as "stable". **[SR 2-1(a)].**

Site Data

- Site dimensions are not provided in the appraisal; however, dimensions are noted on the property tax assessor's data for Wilson County as follows: 120.9 X 256.2 IRR. The site area is described as 30,928 SF in the original appraisal (0.71 acres) and as 1.16 acres in the revised appraisal report with no explanation of the source for the increase and or respective value difference. The view is noted as "B /Wtr" in the original report site description which reflects a beneficial location and water view. There is no description of site characteristics, water frontage or boat dock in the site improvements description. The revised appraisal includes an update to the site description to "B/Lakefront/Dock" and changes the descriptions in the market data grid to "B/WtrFr" for location and to "B, Lakefront;Dock" for view.
- In the original market data grid for the subject and for all comparables, the location is labeled "B WtrFr" and the view is labeled "B;Wtr". There is no distinction between lake frontage lake view

and no lake view and no adjustment is recognized. This is misleading and not in compliance with USPAP. **[SR 2-1(a),(b)].**

- The boat dock is recognized in the market data grid in the revised report; however, it is unclear as to whether the dock is a site improvement (permanently affixed) and what impact it has on value. No photo of the dock is noted.
- The discrepancy in size, lack of explanation regarding the revision and lack of detail regarding important site attributes and value drivers related to site value for the subject are not in compliance with USPAP in the reviewer's opinion. **[SR 1-1(b),(c)].**

Sales Comparison Approach – Comparables:

- Sales dates for the four sales selected in the original appraisal ranged from April 2015 to December 2015. None of the sales had lake frontage with the exception of Sale 4 which had 26.1 ft. of frontage on the dry banks of a "cove". By comparison, the subject fronts 184' +/- on the lake with dock and access. Lake frontage does not appear to have been considered in the original appraisal report and the selected comps are not representative of lakefront properties in the area when lakefront sales were available.
- As with the subject, the land size calculated for the comparable sales is inconsistent. Some areas are calculated from MLS data, some from dimensions noted on the property tax assessment data. Since dimensions for the land sites for both subject and comparable properties are irregular – and if the acreage cannot be discerned from the warranty deed – it is reasonable to use the GIS map measurement from assessment data or to verify measurement with the owner or property agent. Either way, measurements should be described and sourced to ensure that the information reported is credible. **[SR1-1(c)].**
- Comparable Sale 1 was constructed more recently than the subject (1987) in 2012 and is located in a newer subdivision with HOA dues with different market appeal than the subject neighborhood with rural zonings and no HOA dues noted. Comparable sales of properties constructed less recently were available. Sale 1 is situated on a smaller lot with compared to 1.16 acres for the subject with lake frontage. The subject site area is understated by +/-63% in the original appraisal which adds to the discrepancy and makes the report less credible. No adjustments for land or view were considered in the original appraisal. **[SR 1-1(b)].**
- Comparable 1 previously transacted on January 30, 2015 – three months prior to the sale used. The appraiser did not report the sales history in the appraisal report. **[SR 1-1(b)].**
- An appraiser shouldn't allow assignment conditions required by the lender such as closing dates, number of comparables, etc., to limit the scope of work. The appraiser is responsible to determine the scope of work for the appraisal and to select comparable and make appropriate and well supported adjustments that provide credible results. **[SOW Acceptability; SOW Rule, Line 441-442].**
- The Reviewer conducted a general search using MLS data using very similar parameters and located nine sales of lakefront properties with an average size of 3,290 SF ranging in price from \$349,900 to \$622,000 with a median sales price of \$460,000. Seven of nine of these sales closed within 12 months of the effective appraisal date. The appraiser used one of these sales in the original report (Sale 4) and two in the last revision. A second search using the same criteria for properties with lake views only resulted in 14 sales over the same 18 months with an average size of 3,186 SF and a range in sales price from \$280,000 to \$495,000 with a median of \$360,000.

Sales Comparison Approach – Analysis:

- Line-item adjustments are simply stated in the adjustment grid. The appraiser indicates that individual adjustments are made based on “matched pair adjustments and extractions from the market area,” however, no explanation or support is provided for any of the adjustment rates. **[SR 2-1(b); SR 2-1(a)(iii)].**
- The supporting data was not found in the work file indicating the analysis was not performed. While adjustments rates can't always be directly extracted from the market data available, the report should guide the intended user through the analytical process upon which the adjustments were based. **[SR 1-4 (a); Record Keeping Rule, Line 319-321].**

Sales Comparison Approach – Reconciliation

- Data quality and quantity was not discussed in the report. **[SR 1-6(a)].**

Reviewer’s Conclusions:

- After review, it is the Reviewer’s opinion that the original appraisal and the revised appraisal reports do not comply with USPAP requirements.
- In the reviewer’s opinion, the boilerplate Scope of Work in the appraisal report is insufficient, to develop credible appraisal results. The type and extent of data researched and analysis applied are both lacking in this appraisal report.
- Regarding the sales comparison approach, no specific parameters are cited by the appraiser for the comparable sales selected in the original appraisal with regard to location on the lake, frontage or view, etc. The appraiser does not provide enough information or consideration to the significant elements relevant to the value of this lakefront property. The revised report considers two new comparable sales although no significant detail is provided regarding the update.
- In all of the reports, the appraiser stated the adjustment amounts for the line-item adjustments in the market data grid, but gave no support for the adjustment rates.
- The comparable sales data collected was not sufficient to develop credible results. The information for the subject and for the comparable sales was not reported consistently or accurately and was not analyzed thoroughly.
- The appraiser is careless in reporting information for the subject and for the selected sales.
- The primary complaint addressed in this review is regarding the selection of comparables by the appraiser. Research by the reviewer confirms that comparable lakefront sales were available for use in the analysis.
- Considering the information provided, the appraisal reports reviewed, the appraiser’s response and established protocols, it is the Reviewer’s opinion that the appraiser is not in compliance with USPAP.

Respondent’s Response to Reviewer’s Conclusions:

- The first issue stated by the reviewer was that Respondent violated USPAP by not changing the scope of work. Respondent have reviewed the scope of work provided in the approved 1004 form. This Scope of Work applies to Respondent’s report and the Respondent does not see a violation. Respondent stated that she is the one who determines the scope of work and the approved scope of work on the 1004 form applies to this report. Just because there is an amenity, improvement or view that differs from what is considered typical, that does not immediately require a change in scope of work.

- The reviewer also states that the chief complaint by the Complainant was that the Respondent's comparable sales were inappropriate. The reviewer agreed with this comment. However, the only additional sales provided by either party were from the homeowner prior to the complaint. As stated in response to the complaint, these sales were in a completely different county with different government and different school systems. They were across the lake but there were plenty of lakefront and lake view properties in the same county, on the same side of the lake as the subject. Respondent also provided a CMA of these sales. If the reviewer found my comparable sales to be inappropriate, it is the Respondent's opinion that the reviewer should have provided what he considered more appropriate sales. Respondent would like to also note that the complaint was that Complainant believed the house was undervalued, which Complainant expressed in at least two voice mail messages. Respondent did not respond because she not allowed to discuss value with the homeowner.
- Reviewer states that Respondent didn't provide commentary regarding the new comparable sales; however, there is a detailed paragraph on the addendum explaining the revision.
- Reviewer stated that the Respondent was careless in reporting information about the subject and comparables but does not specifically state what mistakes that were made. Respondent stated that she has reviewed the information and the information is accurate according to respected data sources.
- Respondent states that the reviewer made blanket statements with assumptions that Respondent's comparables were not appropriate without providing any "more appropriate" sales nor does the reviewer state specific mistakes.

Reasoning and Recommendation: Counsel recommends the authorization of a civil penalty in the amount of **Two Thousand Five Hundred Dollars (\$2,500)** to be satisfied within thirty (30) days of execution of the Consent Order and a **thirty (30) day suspension of the Respondent's certification.** 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) hours of Advanced Appraisal courses 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.

4. 2016029301

Licensing History: Certified Residential Appraiser 04/20/2003-12/31/2017
Disciplinary History: 2010014062 Closed with Letter of Warning

This complainant was filed by a consumer and alleged that the Respondent stated in his report that there were plumbing repairs, and Respondent did not provide proof of such repairs. Complainant states she found rust spots and was told that the plumbing was not replaced. Complainant alleges that the original appraisal had multiple gross errors. Specifically, the in the "improvements" section, which listed that the subject property had new light and bath fixtures, a new hot water heater, new hardware and new HVAC system. Complainant alleges this is not true and she notified her lending agent of the errors. Two days later, a revised appraisal was published and the revised version noted "newer" light fixtures, "newer" faucets in the kitchen and bath and all new plumbing under the home to the street in the past year. Complainant at this time asked the listing agent to provide proof of the extensive plumbing repairs and after multiple requests was given none. Complainant called the Respondent to discuss the findings and was told that she was not his client and that no one in Respondent's office could talk to

Complainant. A few months later, when Complainant began noticing rust spots on her clothing she hired a contractor to go under her house and look at the plumbing. The contractor determined that the plumbing had not been replaced.

Respondent stated in response on March 6, 2015, he performed an appraisal on the subject property and no agents or current owners were present. The real estate agent provided the information concerning updates to the subject property, since no one was present upon inspection. Between email and phone conversations, the original appraisal report included the following specific updates: new light and bath fixtures, hot water heater, hardware and HVAC system. This report was dated March 10, 2015. The Respondent was reengaged on March 12, 2015, stating that the borrower had concerns regarding the updates included on the original report. At this time, the Respondent called the real estate agent back to confirm the updates she had originally provided to him. Upon reviewing the work file and confirming with the seller, the realtor informed the Respondent that the HVAC unit and hot water heater were not new, but recently repaired. Additionally, the realtor mentioned a few items that were not included on the original appraisal including the fact that all plumbing under the home to the street was replaced in the past year. Respondent corrected and updated his report and submitted a new appraisal on March 12, 2015. Respondent states that due to the fact that no one was at the original inspection with him, he called the agent to gather information on recent upgrades to the property and that the Respondent was never made aware that the plumbing information provided by the realtor was false or inaccurate. Respondent states that inspecting pipes of a house, especially the underground pipes that connect to the street, are outside the scope of work.

REVIEWER CONCLUSIONS [alleged violations included within brackets]:

- Reviewer made a few notes in regards to the appraisal:
 - (1) Appraiser did note that the appraiser did not include, in the certification, a statement regarding any previous performance of services related to the subject within the previous 3 years as required. **[Ethics Rule, Lines 254-259; SR2-3, Line 822].**
 - (2) Appraiser mentioned in the report that another appraiser had “contributed to the report” but did not summarize the extent of this assistance or stated the name of the personal. **[SR 2-2, Lines 722-725].**
- Based on the reviewer’s analysis of the original appraisal report and the revised appraisal reports, as specifically related to USPAP compliance and as described within the body of this report, based on a review and analysis of the appraiser’s work file as submitted to the review appraiser, and based on the reviewer’s research and analysis of pertinent supporting documentation, the review appraiser concludes that the quality of the appraiser’s work under review is generally in compliance with the Uniform Standards of Professional Appraisal Practice.

Reasoning and Recommendation: Counsel recommends the authorization of a **Letter of Instruction** regarding the above referenced USPAP violations.

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

5. 2016030801

**Licensing History:
History:
Procedure**

**Certified General RE Appraiser 10/31/1991-10/31/2017 Disciplinary
2013023181 Consent Order - \$1000 and 30 hr. Basic Appraisal**

This complaint was filed by a consumer and alleged that the Respondent misrepresented the property and applicable comparable properties. Complainant alleges:

- Appraisal supplied by Respondent was inaccurate and Respondent continued to misrepresent the property in the face of factual evidence.
- Respondent misrepresented the size of the property in the appraisal.
- Respondent was given opportunities to revise or re-measure the property to correct the square footage. The corrected measurements were provided by the home owner and independently verified by a real estate agent.
- Respondent chose comparables which do not represent the property. The property's mailing address is in Soddy Daisy, TN; however, the property is not in the boundary of Soddy Daisy and this was not accounted for in the appraisal. The Respondent used properties as far as 8 miles, all of which are located in Soddy Daisy, TN. Complainant believes that the comparables within the 8 mile radius should be used rather than unjust restrictive nature of the postal code.

Respondent stated that on April 22, 2016, Respondent inspected the subject property. The property was listed through the local MLS with an asking price of \$189,700 and the contract price was \$191,000 with approximately \$5,100 to be paid by the seller for the buyers closing costs. Respondent states that during the inspection there was a slight oversight, which made an estimated GLA difference of approximately 27 square feet. The lender (Respondent's client) never requested a re-measurement, because this was not going to impact the overall value. Respondent states that the lender considered this case closed and requested no further action from the Respondent. Respondent said there was a conversation with one of the realtors from the listing agent's office who said that he had additional sales to support the value, as the market would not support the contract value. The realtor was asked to send the additional sales data to the lender and it would be sent to Respondent, but Respondent received no additional communication from the lender in regards to those sales.

Complainant stated in response to the Respondent:

- Home buyers asked for a second appraisal and re-measuring of the property, as well as the seller of the property;
- Mismeasurement – Item in the original complaint was given as an example, an example where Respondent is 175% incorrect, by his standards the house could be as large as 2968 square foot. Complainant states the house is not as Respondent measured and his poor work standards dictate, but is in fact 82 square feet larger for a total of 1696.
- Complainant states that Respondent would not accept any comparables that were not located in the city of Soddy Daisy.

REVIEWER CONCLUSIONS [alleged violations included within brackets]:

- Square footage error. A review of the submitted sketches indicated that the edited dimensions will not square and lack closure of 0.50 foot on width and 1.25 feet on depth. Reviewer states that the complaint, as to square footage, does not appear credible.
- Location of Comparables. Reviewer stated that the twelve (12) comparables set out in the appraisal include three (3) sales within .50 miles of the property and adjustments do not appear significant.
- Review stated that there were no standards issues.

Reasoning and Recommendation: Counsel recommends this matter be **dismissed**. **DECISION:** The

Commission voted to accept the recommendation of legal counsel.

6. **2016029461**

Licensing History: Certified Residential Appraiser 12/11/2001-10/31/2017

Disciplinary History: 2013018791 Consent Order – 15 hr. Advanced Residential

This complaint was filed by a consumer and alleged that the Respondent undervalued a residential property by using inappropriate comparable data and mismeasurement of the homes square footage.

Complainant alleges the following:

- Respondent performed an appraisal on April 22, 2016.
- Respondent took approximately 25 minutes appraising the 4141 square foot home. The 4141 sq. ft. came from the original specs/new build appraisal.
- Respondent's appraisal report stated the home measured at 3885 sq. ft. and valued the property at \$449,900. When the Complainant questioned the square footage, the Respondent revised the appraisal, stating the subject was 4174 sq. ft. and a value of \$465,000.
- Complainant states the Respondent did not include appropriate comparables in her appraisal.
- The buyer had an appraisal performed as well, in which the value came in at \$489,900.

Respondent's Response:

- Upon arriving at the property, Respondent measured and completed the exterior inspection of the home before knocking on the front door to let the homeowners know she was there.
- Respondent made the mistake of drawing the sketch on the computer and when she looked back at her rough draft, she could see what was done incorrectly and corrected it. Respondent said this was an honest mistake and she corrected it.
- Comparable Selection. Respondent used a six (6) month and twelve (12) month CMA to choose comparable sales and chose the three (3) highest sales from that list. Respondent can only report the data that she finds and arrives at for her final opinion of value. Respondent cannot and will not go outside of the immediate area to find sales to "make" the sales price when there are ample sales available.
- Respondent states that the Complainant could have proceeded with a rebuttal process if they were unhappy, allowing the Respondent to explain the lender guidelines to them.

REVIEWER CONCLUSIONS [alleged violations included within brackets]:

Contract:

- Respondent reviewed the purchase agreement and appropriately states the purchase price is \$489,900 with a scheduled closing date of May 18, 2016. Respondent states that the contract is "typical" but reviewer notes that the purchase price included some furniture, fixtures and equipment (refrigerator, microwave, dishwasher, stove, light fixtures, ceiling fans, shutters and pool table). These items and any potential impact on value should be referenced in the description and explained. **[SR 1-2(e)]**.

Neighborhood - Market Condition Analysis

- Housing trends stated in the neighborhood data section of the appraisal report are inconsistent with those reported in the 1004MC. On the 1004MC form, the data reported by the appraiser reflects generally positive trends as follows: 1) increasing absorption rate; 2) generally increasing median sales price; and 3) declining market times. However, in the neighborhood

data on page 1 of the appraisal report, property values are stated as "stable" and supply and demand is stated as "in balance." **[SR 2-1(a)].**

Improvements:

- Property Characteristics. Respondent reports UAD-defined C2 condition which reflects "no deferred maintenance" and "similar to new construction". The Q3 quality rating selected, appropriately describes the subject as a "residence of higher quality" well-finished, in "above-standard residential tract developments". Workmanship exceeds acceptable standards – upgraded from "stock" standards. However, in the improvements description section, Respondent describes the subject as good quality and better than average condition with "no updates in 15 years." "Less than typical physical depreciation" is attributed to "good upkeep and maintenance." This is more representative of the definition applicable for C3 condition status and likely represents a boilerplate description. This and other inconsistencies within the report detract from credibility overall.
- Effective Age. Respondent estimated effective age at ten (10) years in both appraisal reports. The property was constructed in 2012; the actual age is four (4) years. **[SR 1-1(c)].**

Sales Comparison Approach – Analysis:

- Line-item adjustments are simply stated in the adjustment grid. No explanation or support is provided for any of the adjustment rates. **[SR 2-1 (b); SR 2-2 (a) (viii)].**
- Supporting data was found in the work file for size adjustments, indicating the analysis was performed although no other supporting data was found. **[SR 1-4 (a); Record Keeping Rule - Lines 319-321].**
- While adjustments rates can't always be directly extracted from the market data available, the report should guide the intended user through the analytical process upon which the adjustments were based. **[SR 1-4].**
- A statement only recognizing that an adjustment has been made is not acceptable.

Cost Approach:

- Land value is not well supported. The information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analysis, opinions, and conclusions of land value were not summarized in the report. A land value is estimated at \$65,000 based on a CMA in the appraiser's work file. No analysis was found in the work file. It appears that the appraiser relied on unadjusted land lot listings, some of which were outside the subject development. Two listings were in the subject development at list prices of \$79,900. Reviewers research indicates that four sales in the subject development of six lots in the 12 months as of the effective date ranging from \$59,900 to \$64,000 with a mean price per lot of \$61,083. Two additional lot sales found within +/- two years of the effective appraisal date transacted for \$63,000 and \$63,375 respectively. Respondent states a land value with a reasonable range of values found by the reviewer, use of these closed lot sales in the subject development provides better support for land value within the appraisal report. Supporting data and explanation adds credibility. **[SR 1-4(b)(i); SR 2-1(b)].**
- The measurement error impacts the value differential more in Cost Approach. The 289 SF difference in SF measured determines a 5.1% difference in reconciled value by the Cost Approach. This measurement error is corrected in the revised report although the unit replacement cost estimate is unchanged. An increased unit price may result in a lower cost estimate per SF from the model. Therefore, the cost estimate should be reprocessed with the new measurement using the cost estimating service. The supporting data was not found in the

work file indicating the analysis was not performed. **[SR 1-4 (a); Record Keeping Rule (lines 319- 321)]**.

- Depreciation is overstated. As noted above, an effective age of 10 years is estimated for the subject. Using an effective age/life method, on a straight-line basis and a 50-year economic life, physical depreciation is calculated for the subject at 20% in both reports. With no other changes to the Respondent's method, a four-year effective age would provide a lower depreciation estimate of 8.0% which results in a more significant value difference overall of +/-12.3%. **[SR 1-1(b); SR 1-4(b)(iii)]**.
- For recently constructed properties like the subject, the Cost Approach can provide good support of value. **[SR 1-4(b)]**.

Lender Guidelines:

- In completing the appraisal, Respondent followed lender guidelines which required all sales to have closed within six (6) months and two sales closed within three (3) months of the effective appraisal date. The appraiser is responsible to determine the scope of work for the appraisal and to select comparable and make appropriate and well supported adjustments that provide credible results. Notably, only one of three sales in the original appraisal and one of four in the revised appraisal were within three months with no reference to lender guidelines. An expanded scope of work in the revised appraisal states that *"no sales over one year were used"* which is not consistent with the lender requirements although none were noted in the SOW. Reviewer states that the lender guidelines do not appear to have impacted the search or criteria for selection of the sales comparables. **[SOW Acceptability SOW Rule Lines 441-442]**.

Reviewer's Conclusions:

- Reviewer believes that the selected sales are recent and comparable to the subject.
- Reviewer states that considering the information provided, the appraisal reports reviewed, the Respondent's response and established protocols, it is the Reviewer's opinion that the appraiser rendered an objective and impartial opinion of value.
- Reviewer stated that while the measurement error was corrected, the Respondent violated USPAP by rendering appraisal services in a careless or negligent manner, by making a series of errors that, although individually might not significantly affect the results of an appraisal, in the aggregate affects the credibility of those results. **[SR 1-1(c); SR 2-1(a)]**.
- Reviewer believes that the revised appraisal does not comply with USPAP requirements, based on the inconsistencies and errors within the report with regard to the valuation methods used. The appraisal report also includes minor clerical errors and omissions.
- For reasons stated above, the accuracy and adequacy of the data and analysis is questionable. The reasonableness of the value conclusions of this report are not within the scope of work of this review. It is the Reviewer's opinion that the inconsistencies within the report may have affected the credibility of the assignment results.

RESPONDENT'S RESPONSE TO REVIEWER CONCLUSIONS:

Respondent stated that this was an honest mistake and it wasn't meant to be malicious or deceitful. Respondent did the only thing that she knew to do when a mistake was made and that was to (1) acknowledge that she made a mistake, (2) apologize for making it, and (3) correct it. Respondent cannot believe that USPAP guidelines were meant to punish or condemn an Appraiser for making an honest mistake when all the appropriate measures had already been taken to correct it.

In reference to the cost approach, since the dwelling was originally figured at almost 3900 square feet, Respondent had already utilized the figures for a 4,000 square foot dwelling. There was no need to change those figures for 4174 square foot dwelling, as Marshall & Swift doesn't make a difference for increments less than 200 sf. The Respondent stands by her final opinion of market value and believes that she was spot on.

Reasoning and Recommendation: 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 are to be settled by Consent Order or Formal Hearing.

DECISION: The Commission voted to authorize a Letter of Instruction regarding the above-referenced USPAP violations.

7. 2016035251

Licensing History: Certified Residential Appraiser 05/22/1998 – 02/28/2017

Disciplinary History: None.

This complaint was filed by a consumer and alleged that the Respondent undervalued his residential property. Complainant alleges that he recently contracted to sell his home for \$120,000 and the Respondent appraised the property at \$116,000. Complainant states that the Respondent explained that when you have a knowledgeable seller and buyer and they have reached an agreement on the price of the home, that established market value. Complainant states that using comparables from months ago distorts the value of the home and if a buyer and seller agree on a price, the appraiser should honor that price unless there is an unusually large gap between the contract price and value determined by comparables.

REVIEWER CONCLUSIONS [alleged violations included within brackets]:

No summary or support was found in the Respondent's report or workfile for conclusions related to the market analysis or adjustments related to the sales comparison approach. The conclusions stated in the appraisal report appear reasonable, but not supported. **[SR 2-2(a)(viii); Record Keeping Rule, Line 319].**

The reviewer concludes that the quality of the appraiser's work under review is in compliance with USPAP, except for the minor violations stated above. The reviewer believes that the indicated violations are not of sufficient degree to undermine the overall credibility of the appraisal.

RESPONDENT'S RESPONSE TO REVIEWER CONCLUSIONS:

Respondent stated that in the "Additional Comments" section of the appraisal report, the subject is located in a rural community and there were only 16 total sales in Cornersville in the prior 12 months with a sales price range of \$14,000 to \$285,000. The 1004MC illustrates that there were only three comparable sales in the MLS, plus one sale that was located on tax records for a total of four sales and no competing listings as of the effective date of the appraisal. Respondent states that the limited data makes regression analysis unreliable and therefore the Respondent used other methods in order to arrive at adjustments in the sales comparison approach.

Respondent states that one method is buyer interviews. In addition to being a Certified Residential

Appraiser since 1998, Respondent has been an Affiliate Real Estate Broker since 1995 and when Respondent has the opportunity to show houses to prospective Buyer's, she interviews them regarding their perspective of market value as it relates to individual market items. If the Buyer is at the property Respondent is appraising, she may also interview them regarding their viewpoint of how much a particular item contributed to the value of the property. If speaking to a group of Realtors in an educational format, Respondent will also survey the Realtors gathering on their experience in dealing with buyers and sellers. This is information gathered directly from market participants and can be found in the company's database.

Another method is using the depreciated cost approach. In rural markets, this is considered to be an appropriate method of making market adjustments. The garage, porch/patio/deck and other improvement adjustments are based in part from buyer interviews, which are supported by the depreciated cost of these amenities.

Paired sales analysis is also utilized to analyze data to arrive at an adjustment, such as GLA. Another technique used by appraisers is to take the Sales Price of each comparable, deducting the site and site improvements and dividing by the GLA to arrive at a sales price per gross living area of just the residence. The adjustment made for square foot differences is generally one-half of this number. Although this technique is not as scientific, most buyers are not using scientific methods and this can be used for support of an adjustment. In the subject appraisal, the adjusted sales price per gross living area ranged from \$63 to \$77 per square foot with a median of \$70/sf after removing the site and other site improvements from consideration. This would indicate an adjustment of \$35/ sf was appropriate ($\$70 \times 50\% = \35). This supports the \$35/sf adjustment that was made to the comparables as they differed from the subject.

Reasoning and Recommendation: Counsel recommends the authorization of a **Letter of Instruction** regarding SR 2-2(a)(viii) and Record Keeping Rule, Line 319.

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

8. 2016041081

Licensing History: Certified Residential Appraiser 10/29/2004 – 10/31/2016

Disciplinary History: None.

This complaint was filed by a real estate agent and alleged that the Respondent never sent the report even after many emails and phone calls. Complainant alleges that his lender was to receive an appraisal report from the Respondent on June 20, 2016, but this report was never sent or received. Complainant states that Respondent has not returned any emails, phone calls or any other attempts to contact and rectify the situation.

Respondent stated the appraisal was ordered on June 7, 2016 and the contact name provided by the AMC was the borrower, Complainant. Respondent contacted the Seller to schedule an inspection, which was scheduled with the Seller on June 15, 2016. Respondent states that the property was in a rural location and there was a lack of sales similar to the subject and Respondent has to expand search for sales, therefore causing the Respondent to do a lot of travelling. Respondent said the AMC was aware that the Seller did not permit the inspection until June 15, 2016. Respondent states the time to locate, verify sales and property information in this rural market did not permit Respondent to finish this report in this length of time.

Reasoning and Recommendation: Counsel recommends this matter be **dismissed**. **DECISION:** The Commission voted to accept the recommendation of legal counsel.

9. **2016040461**

Licensing History: **Certified Residential Appraiser 08/29/1996 – 12/31/2016**

Disciplinary History: **None.**

This complaint was filed by a real estate agent and alleged that the Respondent did not submit a completed report even after 45 days. Complainant alleges that an appraisal was ordered on April 1, 2016 for a property in Strawberry Plains, Tennessee. It has now been 45 days and counting and the Respondent has yet to submit a completed report. Complainant is the buyer's agent in this transaction. Complainant alleged that neither the AMC nor the mortgage broker can get the Respondent to finish the report. Respondent has submitted several incomplete reports, despite being given clear instructions on which clerical errors that needed to be fixed.

Respondent states that on April 7, 2016 he accepted an order from the AMC and completed the inspection on April 12, 2016. The contract was contingent on the removal of debris, which had been pushed into a hole on top of a bunch of other debris. On April 13, 2016, Respondent sent the inspection report to the AMC and it was agreed that the report would be completed "subject to" and it would be the responsibility of the contractor or expert of their choosing to say it was cleaned up right, Respondent said this is not uncommon or unusual. Based on the Respondent's response, there appears to be some disagreement between the Respondent, real estate agents and the AMC. Respondent states that none of them wanted to get a contractor, but wanted the Respondent to uncheck the subject in the box, to which Respondent stated that he was an appraiser not a contractor or environmental guy.

REVIEWER CONCLUSIONS [alleged violations included within brackets]:

- The reviewer concluded that the Respondent's appraisal report included no violations of USPAP.

Reasoning and Recommendation: Counsel recommends this matter be dismissed.

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

10. **2016042691**

Licensing History: **Certified General Appraiser**

Disciplinary History: **2013009201 – Consent Order for \$1000 and Education
2015020881 – Pending (Formal Charges Authorized)**

This complaint was opened administratively by the TREAC staff after receiving a letter from the Mississippi Appraiser Board which indicated that the Respondent changed the dates reflected on his temporary license card. The letter from the Mississippi Appraiser Board states the following:

- Respondent received a temporary license in Mississippi on or about June 15, 2015.
- A complaint was filed with the Board alleging that they had been unable to get in touch with the Respondent to obtain a copy of his temporary permit card for a specific assignment.
- Respondent did not place his temporary MS permit number adjacent to his signature on the subject appraisal report.
- Once the client received a copy of the Respondent's MS permit card, it appeared that the Respondent had changed the dates reflected on the card.
- Subject appraisal report was prepared and transmitted on May 19, 2015, which is prior to the

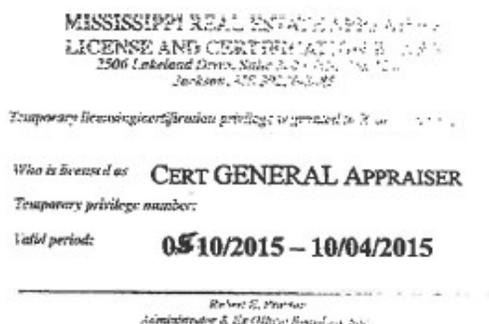
date of issuance of his MS temporary permit card.

Respondent stated the following in his response:

- Contacted on or about the first week of March 2015 about appraising a condo in Mississippi.
- Respondent said he was engaged by telephone on March 10, 2015 and followed up request on March 11, 2015 (document was provided).
- On March 10, 2015, Respondent contacted Mississippi Appraiser Board about the Temporary Permit and the urgency. Respondent filled out the application and mailed it along with a check on March 10, 2015.
- Respondent proceeded to start the appraisal process of gathering data and went to inspect the property on March 19, 2015.
- Respondent prepared a report as requested by the lender and sent it in with a statement stating that the MS State Certification had been applied for. Respondent said after the report was sent to the lender there was an issue regarding the correct address of the property, which was corrected and resubmitted.
- Respondent received several calls from the lender regarding the MS certification. Respondent contacted the MS office and they denied ever receiving the application or check.
- Respondent went to the post office in Tennessee and determined that the letter had not been delivered to Mississippi office. Respondent resent the letter and received a certificate on or around the first of June.
- Respondent had the license card scanned and sent it to the lender.
- Respondent states that he did not alter the certification and it must have been something on the glass when it was scanned. Respondent states it would not make any sense to change the date from 6/10 to 5/10 as both were after the appraisal date.

Counsel has reviewed all of the documents provided and made note that on the subject appraisal report, the "effective date of appraisal" was 5/19/2015 and that it appears from reviewing the MS temporary cards provided by the MS Appraiser Board that the Respondent changed the date on the card. I have included a redacted copy of the MS temporary permit cards below.

MS Temporary Permit Card provided to client by Respondent:



MS Temporary Permit Card provided by the MS Appraiser Board



Reasoning and Recommendation: Counsel believes this is a violation of T.C.A. § 62-39-326(4) and 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 place this complaint on litigation monitoring pending the outcome of the current Mississippi Appraiser Boards investigation.

11. **2016042451**

Licensing History: Certified Residential Appraiser 12/12/1991 – 12/12/2017

Disciplinary History: None.

This complaint was filed by a consumer and alleged that the Respondent reduced the value of his land by over \$20,000. Complainant alleged that she received an appraisal in April 2016 and immediately brought to the attention of the lender that the appraisal had errors. Complainant says the lender assured her that the errors did not affect the value of the property. Complainant states that the value had been reduced by over \$20,000 from an appraisal that was performed four (4) years ago. Complainant asked for the comparables to justify the value and was promised them because she didn't believe the value had gone down, but to date the Complainant had received no comparables and kept getting excuses until the refinance closed. Complainant feels the value of her property was artificially kept low and that the value appraised was within \$1,000 of the value projected when inquiring on the loan.

Respondent states that he appraised the property using the same techniques and thought processes with which he prepared all his appraisal reports. Respondent states he did not know the value from the previous appraisal and even if he had known that value it would not have affected his valuation. Additionally, Respondent states he did not know that the Complainant had been quoted a value by her lender and said that would have had no bearing on his valuation. Respondent provides two main issues in the report that he would like to expand on to explain how he arrived at his value.

- (1) Cost Approach – Respondent looked at the acreage sales prices in the area and did not add these to the report as comparables because he did not view them as good comparable sales, they showed that the vacant acreage market was not good in the subject area at the time of the report. Considering the lack of good market data, in the Cost Approach Respondent valued the land by use of allocation by abstraction and the land value fell in

the range indicated. Respondent stated that the sales comparison approach was relied on, letting the market speak and generally is the most accepted approach to value with exception of new construction.

- (2) Sewer vs. Septic System – Respondent states that he did not give more value for the land with sewer vs. septic system.

Respondent states that when he does appraisals for mortgage transactions, he has no information on what loan to value ratios are needed for lower rates to the applicant.

REVIEWER CONCLUSIONS [alleged violations included within brackets]:

- Land value was not estimated by a recognized method. Abstraction of depreciated cost for improvements from the concluded value by the sales comparison approach is indirect and does not rely on specific land transactions. This methodology would always yield cost approach to indicate the same value as the sale comparison approach. **[SR 1-1(A)].**
- The appraisal failed to properly identify the characteristics of the property as to availability of sewer and zoning. Additionally, the appraisal appears to incorrectly identify the land area. **[SR 1-1(B)].**
- The appraisal fails to recognize the property being located within the city limits, subject to zoning and having sewer as well as an incorrect land area appears to indicate that the property was prepared in a careless or negligent manner. **[SR 1-1(C)].**
- The property's location, legal and economic attributes were in error as to identification. The property is located within the limits of Plainview and is serviced by sewer and zoned rather than not zoned. **[SR 1-2(E)(i)].**
- Appraiser did not collect, verify and analysis all information necessary for credible assignment results. **[SR 1-4(B)].**

RESPONDENT'S RESPONSE TO REVIEWER CONCLUSIONS:

- Land Valuation – Respondent states that it is true that the abstraction method does not rely on specific land transactions, but in the Respondent's original response to the complaint, he showed in his notes where he had indeed looked at land sales in the area. Respondent states that the preponderance of the subject value is in the improvements, so the Sales Comparison Approach using similarly improved property sales should have been and was given primary emphasis. The Cost Approach was not relied on. It was used to check the Sales Comparison Approach and when applying a reasonable cost per square foot and depreciation to the improvements, it illustrated that the land value remaining was credible, and within the range of value found in the vacant land sales in the area.
- Respondent states that with regard to the other four (4) bullet points above that the crux of this matter appears to be the fact that the original report showed the subject as not having sewer and did not report the property being inside the city of Plainview, Tennessee, which has zoning. That is all true, but Respondent attached the public record, which he used to prepare the report. First, the address shows a Corryton address and not a Plainview address, an indication that the property is in Union County outside any city limits. Additionally, the tax section shows no city taxes were paid for tax year 2014 or 2015, which Respondent states further verify that no city government for the subject property. Respondent also stated that the public record clearly indicates an individual sewer system (a septic system) and not public sewer. Lastly, the public record shows 11.72 acres for the subject tract size and that was used in the report. Respondent request that the Commission consider the fact that he was not furnished a survey plat of the property for this report, so the public record must be used to ascertain tract size.

Reasoning and Recommendation: Counsel recommends the authorization of a **Letter of Warning** in regards to the above-referenced USPAP violations.

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

NEW BUSINESS

There being no other new business, Mr. Johnstone concluded the meeting at 11:19 pm.