

DISCIPLINARY REPORT

July 12, 2012

AB 08-130 On May 17, 2012, the Board approved a settlement with Donald W. Manuel, Certified Residential Appraiser in a case to end an appeal of an administrative order involving a residential appraisal. The Board and the Respondent agreed to a private reprimand and the assessment of a \$600 administrative fine due in 30 days. The violations are: There were several errors in the report: on page 1, the site section, Licensee makes a statement “No zoning is typical and there is no evidence that the market reacts negatively to this.” And then lists the zoning as RS1. Also on page 1, the site section, Licensee failed to report that gas was available to the site. On page 1, improvements section, Licensee reports an incorrect room count. On page 2 of the sales grid Licensee reports the wrong room count for subject. On page 7, sales grid, comparable 4, Licensee made a positive location adjustment when he meant to make a negative adjustment. There is no explanation why the cost and income approaches were excluded. **Violation: 1-1(c), 2-2(b)(viii), USPAP 2008-2009 Edition.**

AB 10-53 On May 17, 2012, the Board approved a Consent Settlement Order in the case of David Andrew Farmer (T01642) for violations in the preparation of a residential appraisal report while in the supervision of Donald W. Manuel. Farmer is required to complete thirty (30) hours of basic appraisal education with exams. The course cannot be used for continuing education to renew his license. He is also required to pay an administrative fine of \$1000. The violations are: The copy of the Respondent’s written report was not signed by the Mentor or by the Trainee. The Respondent’s work file did not contain data, information, and documentation necessary to support the opinion of site value reported in the written report or the adjustments for site and boathouse, dock, etc utilized by the Respondent in the sales comparison approach. Respondent did not demonstrate the understanding and ability to correctly employ the technique of abstracting market driven adjustments from paired sales based of the documentation submitted by Respondent as support for the adjustment of gross living area in the sales comparison approach. The Respondent’s site value for the subject site was not supported and resulted in an under valuation of the subject site. The Respondent’s adjustment for site in the sales comparison approach was inconsistent by using an under valued and un-supported site value for the subject and un-supported assumed values for the comparable sales resulted in an inconsistent opinion of value for the subject. Respondent utilized an effective age of 20 years for a house that had an actual age of 30 years. Respondent had stated in his report that the house was in “average condition” and was “dated” and there was no mention in the report or work file of any remodeling or updating. Respondent did not verify the comparable sales utilized in the sales comparison approach with a party to the transaction. Respondent did not analyze all information to produce credible results by not analyzing the site values of the comparables utilized. Respondent used sales that were not the closest and most comparable sales available to the Respondent. The Respondent ignored sales of vacant water front properties that were closer and more comparable to the subject, and some of the sales utilized by the Respondent were sales of

properties without actual water frontage and several were very far removed from the subject's location. The Respondent did not analyze the agreement of sale, only listed facts that were in the contract such as sales price, date of the contract and sales concessions. There was no analyzes as to the motivation of buyer or seller, no analyses if both parties were well informed or well advised, no analyses as to reasonable exposure to the open market or if the price was influenced by special or creative financing. The Respondent's written appraisal report is based on unsupported opinions and conclusions for the Respondent's opinion of site value or for the adjustments made in the sales comparison approach for site and therefore is not accurate and is misleading to a reader of the report. Respondent's report submitted to the Real Estate Appraisers Board had a certification included in the report but was not signed. **Violation: Ethics Rule- Record Keeping; 1-1(a); 1-1(b); 1-3(a); 1-4(a); 1-4(b)(i); 1-5(a); Standard Rule 2; USPAP 2010-2011 Edition.**

AB 10-54 On May 17, 2012, the Board approved a Consent Settlement Order in the case of Donald W. Manuel R00. Manuel is publicly reprimanded and is assessed an administrative fine of \$600. His Mentor status is surrendered and he may no longer supervise Trainee appraisers. The violations are: The copy of the Respondent's written report was not signed by the Mentor or by the Trainee. The Respondent's work file did not contain data, information, and documentation necessary to support the opinion of site value reported in the written report or the adjustments for site and boathouse, dock, etc utilized by the Respondent in the sales comparison approach. Respondent did not demonstrate the understanding and ability to correctly employ the technique of abstracting market driven adjustments from paired sales based of the documentation submitted by Respondent as support for the adjustment of gross living area in the sales comparison approach. The Respondent's site value for the subject site was not supported and resulted in an under valuation of the subject site. The Respondent's adjustment for site in the sales comparison approach was inconsistent by using an under valued and unsupported site value for the subject and un-supported assumed values for the comparable sales resulted in an inconsistent opinion of value for the subject. Respondent utilized an effective age of 20 years for a house that had an actual age of 30 years. Respondent had stated in his report that the house was in "average condition" and was "dated" and there was no mention in the report or work file of any remodeling or updating. Respondent did not verify the comparable sales utilized in the sales comparison approach with a party to the transaction. Respondent did not analyze all information to produce credible results by not analyzing the site values of the comparables utilized. Respondent used sales that were not the closest and most comparable sales available to the Respondent. The Respondent ignored sales of vacant water front properties that were closer and more comparable to the subject, and some of the sales utilized by the Respondent were sales of properties without actual water frontage and several were very far removed from the subject's location. The Respondent did not analyze the agreement of sale, only listed facts that were in the contract such as sales price, date of the contract and sales concessions. There was no analyzes as to the motivation of buyer or seller, no analyses if both parties were well informed or well advised, no analyses as to reasonable exposure to the open market or if the price was influenced by special or creative financing. The

Respondent's written appraisal report is based on unsupported opinions and conclusions for the Respondent's opinion of site value or for the adjustments made in the sales comparison approach for site and therefore is not accurate and is misleading to a reader of the report. Respondent's report submitted to the Real Estate Appraisers Board had a certification included in the report but was not signed. **Violation: Ethics Rule- Record Keeping; 1-1(a); 1-1(b); 1-3(a); 1-4(a); 1-4(b)(i); 1-5(a); Standard Rule 2; USPAP 2010-2011 Edition.**

AB 10-118 On March , 2012, the Board approved a Consent Settlement Order in the case of Howard T. Richardson, III, R00892, a reciprocal licensee from Georgia. The terms of the Consent Settlement Order are that Respondent is publicly reprimanded, must complete a course on the appraisal of manufactured housing and is assessed an administrative fine of \$3375. The violations are: Licensee failed to identify FHA's decision to provide mortgage insurance on the real property that was the subject of the appraisal report as an intended use. Licensee appraised the site that was a section of a larger tract of property, which Licensee appraised without sufficient information to identify the actual site being appraised. Licensee failed to prepare, develop and communicate an appraisal report/assignment according to the appraisal standards of HUD/FHA, which were required as part of the Scope of Work. Licensee's appraisal report failed to contain sufficient information, to allow the intended users to understand the scope of work performed or not performed. Licensee certified as to having access to the necessary and appropriate data sources to competently complete the assignment. Licensee failed to disclose the lack of geographical competency in performing the appraisal assignment. Licensee appraised a site that was a part of a larger tract of property, which Licensee appraised without sufficient information to identify the actual site. Licensee failed to develop a credible highest and best use of the subject property, where the elements of comparison could be analyzed. In the Cost Approach, Licensee used obsolete cost data, failed to calculate the fireplace as an amenity and failed to adjust cost data with a multiplier. The estimated cost new of the improvements were non credible. The miscalculations of the non credible estimated cost new of improvements resulted in a non credible analysis of the accrued depreciation. In the Sales Comparison Approach, used sales as Comparable #1 and #2 that were land/manufactured home packages and were not actual manufactured home on land sales. (*not exposed to the real estate market as a single unit*). Comparable #3 was a site built/stick built home when sales of manufactured homes were available within the area. Licensee failed to state and analyze, complete and accurate sales data within the approach. Comparable #4 is a sale outside of the subject area and sales were available within the area. Licensee developed a Market Condition Addendum without data to support the opinions of the overall market trend.

In the Site/Zoning Classification, Site/Zoning Description, and Zoning Compliance sections, stated and indicated the zoning as No Zoning. The zoning was SR (Suburban Residential), which does not permit manufactured homes and Licensee did not disclose the illegal proposed use in the report. In the Site/Highest & Best Use section, indicated the highest and best use would be as proposed per plans and specifications when proposed use was not legal for the site. Licensee failed to provide an analysis of the

private access easement to the subject property which was stated as an alley in the appraisal report. Licensee failed to prepare, develop and communicate an appraisal report with an acceptable Scope of Work. The credibility of the report was affected because the report did not comply with HUD/FHA's appraisal standards for a credible assignment results. Licensee failed to develop a supported opinion of highest and best use. Licensee indicated the highest and best use as proposed per plans and specifications. The zoning of the Subject property would prevent the installation of the manufactured home that was the subject of the appraisal assignment. The zoning would prevent the element of legally permissible being available for the highest and best use of a manufactured home being installed on the property per proposed plans and specifications.

Licensee failed to state and analyze, the actual location element of comparison for the Subject and comparables. Licensee stated rural and failed to provide an analysis of the actual location element of comparison. Licensee stated the view as street for the Subject and comparables. Licensee failed to provide information on the actual view and analysis of the surrounding properties around the Subject and comparables. Licensee failed to provide an analysis when the total room count and bedroom count was different between the Subject and the comparable or provide a reason for the lack thereof. For Comparable #3 of the Sales Comparison Approach/Basement-below grade, failed to analyze the square footage of the basement and the bedroom and bath that was below grade according to the data source. Licensee stated "open parking" for Comparables #1 and #2 in the Garage/Carport section. Licensee failed to provide the analysis of a garage/carport being present or not and the analysis thereof. Licensee, in Comparable #4/Site section, adjusted \$12,000 for the comparable having a superior site (4 acres +/-) to the Subject's site (1 acre +/-). The adjustment was not supported by Licensee's workfile nor the real estate market. Licensee, in Comparable #4/Actual Age section, adjusted \$2,000 for Comparable #4 having an actual age of 17 years and the Subject being new construction. The adjustment, for the \$2,000 difference in the actual age of the manufactured homes, was not supported by the appraiser's workfile nor information provided within the appraisal report to explain only a \$2,000 adjustment. Licensee adjusted Comparable #4 for a fireplace(\$1,000) and the comparable and the subject have fireplaces. Licensee also did not analyze and/or adjust Comparable #4 for the fenced pasture area, which provided an amenity to the horse barn on the property. Licensee failed to provide an opinion of site value by an appropriate recognized method and technique in the Cost Approach.

Licensee used obsolete cost data, failed to calculate the fireplace as an amenity and failed to adjust cost data with a cost multiplier. The estimated cost new of the improvements was not credible. Licensee stated the contract (agreement of sale) was a standard mobile home contract with seller paying 6% in closing cost in the Contract section. The appraiser failed to analyze the contract also included the seller furnishing or contracting for and the buyer financing (paying for) the grading for a pad for the manufactured home, water lines, new septic system & perk test, grading & gravel for a driveway, rock skirting, hook ups-water, sewer & power, FHA foundation and all necessary permits & inspections with seller paying construction interest along with the 6% closing cost. Licensee, in the Supplemental Addendum (page 2), provided comments about the sales contract. Licensee stated the seller was paying 6% closing cost, lot development, grading, water lines, new septic tank, rock skirting, water and septic hook up, FHA foundation and all necessary permits and inspections. Licensee failed to clarify the lot

development, grading, water lines, new septic tank, rock skirting, water and septic hook up, FHA foundation and all necessary permits and inspections were to be furnished or contracted for by the seller and the buyer financing (paying for). Licensee failed to provide an analysis of the perk test, driveway-grading & gravel and power hook up being furnished or contracted for by the seller and financed (paid for) by the buyer. The construction interest was to be paid by the seller was not analyzed. Licensee analyzed a 2011 manufactured home within the appraisal assignment/report, when the manufactured home sold within the contract was a 2010. Licensee, in the Contract/Contract Price section, has the contract price of \$103,000, which did not reflect the \$93,086.83 cash purchase price provided in the buyer and manufactured home dealer's contract.

Licensee failed to reconcile the quality and quantity of data available, which was analyzed or not analyzed within the Sales Comparison Approach and the Cost Approach. Licensee failed to recognize the data available and use this data to develop the credible approaches to value within the appraisal report. Licensee failed to use the recognized methods and techniques necessary for a credible value conclusions, within the appraisal assignment. *(Licensee failed to prepare and develop a credible appraisal assignment for a FHA appraisal.)*

Licensee, in the Subject/Real Estate Taxes section, stated a tax amount that was not supported by the information available at the time of the appraisal. The property that was the subject of the appraisal assignment was part of a larger parcel and an accurate ad valorem tax was not calculated. Licensee provided no information as to the amount being estimated or reasoning for the amount being stated. Licensee within the appraisal assignment/report, analyzed the manufacture home as a 2011, when the contract has the manufactured home as a 2010. Licensee, within the appraisal report, referenced the manufactured home contract as a standard mobile home contract. Licensee used outdated terms (mobile home) and was not the accurate terms to describe a manufactured home. Licensee, in the Contract section, failed to fully explain the content of the agreement of sale (contract) for the manufactured home. The contract information provided was misleading to the intended user/reader as to the analysis of the content of the contract. Licensee, in the Contract/Contract Price section, has the contract price of \$103,000, which did not reflect the \$93,086.83 cash purchase price provided in the buyer and manufactured home dealer's contract. Licensee, in the Contract/Manufacturer's Invoice section, indicated the manufacturer's invoice was analyzed. According to Licensee, the invoice was not available to be analyzed. Licensee failed to explain the invoice was not available and Licensee indicated information that was not accurate. Licensee, in the Neighborhood/Location section, indicated the location as Rural. The immediate area where the Subject is located has the amenities of being located within a city, which does not support Licensee's indication of the Subject being in a rural location. Licensee, in the Neighborhood/Neighborhood Boundaries section, stated boundaries of a neighborhood where the Subject was not located within. The area described was to the north of the Subject area. Licensee, in the Neighborhood/Neighborhood Description section, provided a comment the Subject lies in a rural area of the county and was within 15 minutes of two cities. The Subject is located within one of the cities and would not be considered to lie within a rural area of the County. Licensee, in the Site/Zoning Classification, Site/Zoning Description, and Zoning Compliance sections, stated and indicated the zoning as No Zoning. The zoning was SR (Suburban Residential), which

would not permit the installation of the manufactured home that was the subject of the appraisal assignment. Licensee failed to develop a supported opinion of highest and best use. Licensee indicated the highest and best use as proposed per plans and specifications. The zoning of the Subject property would prevent the installation of the manufactured home that was the subject of the appraisal assignment. The zoning would prevent the element of legally permissible being available for the highest and best use of a manufactured home being installed on the property per proposed plans and specifications. Licensee, in the Site/Utilities & Off Site Improvement comment, provided a comment “There is no public sewer available to the subject and it would not be feasible to connect to.” According to the City, public sewer is available and a property owner is required to connect to the public sewer. Licensee, in the HUD Data Plate section, indicated the HUD Data Plate/Compliance Certificate and HUD Certification Label were attached to the dwelling. The manufactured home was a proposed construction and not yet built/installed. Licensee, in the HUD Data Plate section, stated the date of manufacture as 2011, when the manufactured home dealer’s invoice has the manufactured home as 2010. It is unclear how a 2010 model home would be manufactured in 2011. Licensee, in the Improvements/Exterior Description/Materials/Condition and Interior Description/Materials/Condition section, stated the condition of the materials as good, when the manufactured home was a proposed construction. Licensee, in the Improvements section, indicated the home was on a permanent foundation, the towing hitch, wheels and axles had been removed and the home was permanently connected to a septic tank or sewage system and other utilities, when the home was a proposed land and manufactured home package with the home not being delivered and set up at the time of the appraisal. Licensee, in the Sales Comparison Approach, provided information on the comparables properties offered for sale and comparable properties sold within the past twelve months within the subject neighborhood. The information provided was not credible and was misleading due to Licensee failed to have access to the necessary and appropriate data sources to provide accurate and credible information. Licensee, in the Sales Comparison Approach/Analysis/Comments (Comparable #4 addendum) and Summary of Sales Comparison Approach sections, provided comments of the comparables being considered the most recent, similar closed sales in the subject market area. Comparable #3 was a site built/stick built home and not a manufactured home similar to the Subject. Comparable #4 was located approximately 50 miles (according to the appraisal report) to the west in a completely different market area. Licensee, on URAR page 6 of 7 #8, certified to not using comparables sales that were the result of combining a land sale with the contract purchase price of a home that has been built or will be built on the land. Licensee use land/manufactured home packages as sales for Comparable #1 and #2, which were not exposed to the real estate market as a single unit. In the Supplemental Addendum section, Licensee stated FMLS as the source of the active listings shown within the appraisal report. According to Licensee, FMLS was a typo error that should have been just MLS. Licensee failed to provide active listings within the appraisal report, which resulted in the comment not being accurate. Licensee, in the Market Condition Addendum, indicated the analysis of the overall trend as stable with median comparable sales days on market, median comparable list price and median sale price as % of list price being also indicated as declining. Licensee failed to indicate a clear and accurate analysis when both stable and declining was indicated. Licensee, in

the Market Condition Addendum section, stated n/a in the grid section of the inventory analysis. Licensee stated stable and/or declining in the overall trend section. It is not clear as to how Licensee could arrive at a credible analysis of the overall trend, when no data was available to be analyzed.

Licensee, in the Subject/City section, Sales Comparison Approach/Subject/Address section and elsewhere within the appraisal report, stated the city mailing address of the Subject property. Licensee failed to provide information to the intended user/reader the Subject was physically located within the city limits of another city. Licensee, in the Neighborhood/Present Land Use %, stated 60% other present land use but failed to provide information as to the actual present use of the land. Licensee, in the Site/Dimensions section, provided a comment “see survey” for site dimensions when no survey was provided within the appraisal report. Licensee, in the Site/View section, stated the view as stree and failed to provide the other view which was residential and vacant/unimproved (woods, open area). Licensee, in the Site/Off-site Improvements/Alley section, provided information of a private ingress and egress easement for a driveway. Licensee failed to provide an analysis of the private ingress and egress easement for the Subject within the appraisal report Licensee, in the Cost Approach/Source of Cost Data section, stated the source of the cost data was Marshall and Swift. According to Licensee, Home Depot was also used as a source of cost data. Licensee failed to state Home Depot as a source of cost data and provide this information for the lender/client to replicate the cost figures and calculations for the Cost Approach. In the Sales Comparison Approach/Data Source(s) section, used the term “Lender closed” as the data source for Comparable #1 and #2 which does not provide information as to “which” lender closed the loan and provided the sales data information to Licensee. Licensee, in the Sales Comparison Approach/Verification Source(s) section, stated “Field” as the verification source. The term “Field” does not provide a source or the manner by which the sales information was verified Licensee, in the Sales Comparison Approach/Prior Sale-Transfer History section, stated current, which does not provide the actual effective date of the data source used to verify the prior sale/transfer history of the Subject and comparables. Licensee, in the Sales Comparison Approach/Comparable #4/Actual Age section, adjusted \$2,000 for Comparable #4 having an actual age of 17 years and the Subject being new construction. Licensee failed to provide information, within the appraisal report, to support the \$2,000 adjustment for the 17 year difference in the manufactured homes. Licensee, in the Comparable Photo Addendum/Comparable #4 section, provided a MLS photo of the comparable and failed to provide information to explain the photo was a MLS photo not taken by Licensee. Licensee, in the Comparable Photo Addendum/Comparable #4 section, failed to provide a photo of the comparable taken by the appraiser to provide evidence of an exterior inspection of the comparable at the time of the appraisal. Licensee, in the Location Map addendum, failed to provide a street level map where the actual location of the Subject and comparables would be identifiable to the intended user of the appraisal report. Licensee stated the intended use is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction and failed to state the additional use is to support FHA’s decision to provide mortgage insurance for the transaction. Violations: ETHICS RULE; COMPETENCY RULE; SCOPE OF WORK RULE; 1-1(a); 1-1(b); 1-2(b); 1-2(e); 1-2(e)(i); 1-2(e)(iv); 1-2(h); 1-3(a); 1-3(b); 1-4(a); 1-4(b)(i); 1-4(b)(ii); 1-5(a); 1-6(a); 1-

6(b); 2-1(a); 2-1(b); 2-2(b)(ii); 2-2(b)(iii); 2-2(b)(vii); 2-2(b)(viii); 2-2(b)(ix); USPAP, 2010-2011 Edition.

Letters of Warning were issued on the following investigations for the discrepancies indicated. This disciplinary action will be considered in any future discipline proceedings:

AB 11-31 To a Certified Residential appraiser for a residential appraisal where the following violation was cited: Effective age of 15 years for an 84 year old residence was not supported by the report. Tax records are not an acceptable method of estimating site value even though extraction method was also used. Standard Rules 1-4(b)(i), 2-2(b)(viii), USPAP, 2010-2011 Ed.