

# The APPRAISER

Bulletin



VOLUME 6 NO. 3

A Publication of the Alabama Real Estate Appraisers Board

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## Gary Carter

Gary Carter is the newest State-At-Large member of the Alabama Real Estate Appraisers Board. This Board member is from Munford, AL and a graduate of Jacksonville State University in Jacksonville, AL.

Gary is a business owner and has done some real estate development. He also serves as a Talladega County Commissioner.

## Supervisor/Trainee Policy Set

In the last newsletter we published a proposed list of policy requirements for both supervisors and trainees to follow. The proposed policy was prompted by a continuation in the pattern of complaints received at the Board, which indicates that in many instances trainee appraisers are not receiving appropriate guidance and direction from their supervisory appraisers. We asked for written comments on any aspect of the proposed policy. A total of eighteen responses were received. The most frequently occurring objection was that a trainee should not lose accumulated credit when they change supervisors. This provision was eliminated from the draft. Other modifications were made based on the comments received. The finalized lists of responsibilities are published on page 2 of this newsletter. We wish to thank all of the licensees who offered input. The policy will be effective 2-1-03. Exceptions to any aspect of the policy must be requested and justified in writing and approved by the Board. Registration forms will be mailed in December for completion and return to the Board.

## USPAP Changes for 2003

At a public meeting held in July 2002, the Appraisal Standards Board of the Appraisal Foundation adopted changes to USPAP that will become effective January 1, 2003. For most real property appraisers, the most significant changes deal with:

- Reporting of prior sales of the subject property,
- Appraisal review assignments,
- Updating of prior appraisals.

USPAP has always required appraisers to analyze prior sales and current listings of the subject property. Under the current requirement, appraisers must analyze sales of the subject property occurring within the past year on one-to four family properties, and over

the past three years for all other property types. **Effective January 1, 2003, real estate appraisers will be required to analyze sales occurring within the past three years for all subject properties, including one-to-four family homes.** If a property has sold more than once, then all sales must be analyzed.

Some organizations have supplemental standards that require additional analysis. For example, Fannie Mae requires an appraiser to analyze the last sale of the subject and the last sale of all comparables, regardless of when the sales occurred. Assignments for some federal agencies require a ten-year sales history.

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## Responsibilities of Supervising Appraiser

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1. The supervising appraiser shall be a Certified Residential, Certified General or Licensed Real Property Appraiser and must be qualified to perform the type of appraisal being supervised.
2. The supervising appraiser shall be responsible for training the Trainee in the proper development and reporting of the appraisal **in accordance with USPAP**.
3. The supervising appraiser will inspect with the trainee the interior and exterior of each piece of property involved in the **first 100** appraisal assignments.
4. The supervising appraiser will carefully review the report and accept full responsibility for its contents before signing the report as being independently and impartially prepared **in compliance with USPAP**.
5. A supervising appraiser shall:
  - a. Immediately, within thirty (30) days, inform the Board of the name and address of his/her Trainee(s).
  - b. Immediately, within thirty (30) days, notify the Board when supervising appraiser/trainee relationship is terminated.
6. The supervising appraiser shall review and sign the experience log required to be kept by the Trainee and maintain a copy in his/her records.
7. Upon request, the supervising appraiser shall provide the Board a copy of any appraisal report that the trainee signed under his/her supervision.
8. Diligent adherence to USPAP guidelines is mandatory in all areas of responsibility.
9. Any violation of these responsibilities can result in the revocation of supervisory status or other disciplinary action.

## Responsibilities of Trainee Appraiser

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1. The Trainee must work under the direct supervision of a Certified Residential, Certified General or Licensed Real Property appraiser.
2. The Trainee must maintain an experience log on a form provided by the Board. The supervising appraiser must review and sign the experience log each month.
3. The Trainee must inspect the interior and exterior of the property and fully participate in the appraisal process in order to receive experience credit.
4. Assure that the supervising appraiser reviews the appraisal report and signs as supervisor. The Trainee must sign the report or in the alternative the appraisal report must detail his/her involvement.
5. A Trainee appraiser shall:
  - a. Immediately, within thirty (30) days, inform the Board of the name and address of his/her supervisor(s).
  - b. Immediately, within thirty (30) days, notify the Board when supervising appraiser/trainee relationship is terminated.
6. A Trainee can have no more than three (3) supervisors at a time unless unique circumstances are approved by the Board on a case-by-case basis.
7. A Trainee must disclose their trainee status in a manner that is not misleading.
8. Diligent adherence to USPAP guidelines is mandatory in all areas of responsibility.
9. Any violation of these responsibilities can result in disciplinary action.



# Appraisers Who Have Not Renewed

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Brenda P. Arnold	T00929	Robby E. Morgan	T00234
Robert S. Arnold	T01103	William D. Newell	T01154
Tunde O. Bankole	T00937	Cheri M. O'Bryant	T00696
Karen K. Beane	T01084	Thomas J. Oakes	T00797
Phillip D. Bennett	T00814	David H. Ogden	T00853
Nicole M. Bozone	T01118	Diane E. Osborne	T00970
Thomas F. Bradley	T01031	Valerie J. Overton	T01038
Matthew C. Brittingham	T00845	Gregory R. Patin	T01047
James B. Brown	T01112	Amy M. Pepper	T00861
Mark E. Bryant	T00414	Paul A. Pullen	T00783
Michael D. Burrow	T00812	James L. Reeves	T00801
Joseph F. Cannon	T00689	Linda A. Reinhardsen	T00986
Kenneth E. Carroll, Jr.	T00571	James M. Robinson	T01125
William G. Clem	T00933	Lester M. Rogers	T00700
Rebecca C. Clifton	T01116	Synetta F. Rossell	T00932
Michael L. Coggin	T00988	James L. Saunders, Jr.	T00781
John W. Cook	T01092	Thomas C. Sawyer, Jr.	T01115
Sharon J. Craft	T01124	Michael D. Scott	T00939
Brent M. Craig	T01160	William J. Shaver	T00841
Todd E. Crawford	T00586	Stanford E. Smith	T01005
Debra P. Daniel	T00837	Suellen Smitherman	T00873
James R. Davis	T01141	Anjanette Spencer	T00912
Susan G. Dawes	T00638	Nancy L. Sproat	T01109
Thomas W. Dawes	T00659	Richard E. Stedham	T00648
Brooks C. DeLaney	T00998	Gregory Y. Stewart	T00779
Gregory J. DeMike	T00936	Robert E. Strickland	T00675
Rebecca A. DeMike	T00944	Kenny Thompson	T00852
Robert M. Dern	T01035	James C. Trout	T01091
Brenda E. Driver	T01060	Glenda C. Turlington	T00857
Lisa K. Ferguson	T01015	William S. Vaughn	T00999
Mary C. Foster	T01059	Eugene Warren, III	T00842
Barry J. Foust	T00552	Jake Williams	T00669
Moses Fryer	T00815	Eric L. Wolfe	T01093
Pamela G. Gamble	T00088	Tommy E. Young, Jr.	T00370
Carlos L. Gonzalez, Jr.	T00645	Rebecca A. Darden	S00036
Gregory Green	T01121	Judy F. Franks	S00006
Caryn J. Hall-Woerner	T01992	A. Wesley Stapleton	S00016
Erik C. Hallmark	T01156	Joseph W. Steele	S00062
Angela M. Headley	T00955	Brigid K. Bynum	L00056
Matthew T. Heinecke	T01061	Lawrence S. Lee	L00132
Caryn M. Herfurth	T00105	James Lott	L00216
Lori R. Holley	T01068	J. Brian Porter	L00044
James T. Hulsey	T01043	Charles E. Storrs	L00166
James B. Jones	T00903	Clark R. Williams	L00138
Daniel E. Kemp	T01077		
W. Scott Listuon	T00716		
Terry L. McBride	T00574		
Michael H. McCracken	T01075		
Jimmy D. McKay	T01120		
Colin P. McKern	T01055		
Garreth Moore	T01170		

# Appraisers Who Have Not Renewed *Continued from page 3*

Linda J. Adams	R00426	Ronald J. Zielke, Jr.	R00361
Leighman M. Berryhill	R00028	James L. Bradford	G00033
Jeannie R. Brown	R00042	Newell W. Brigham, III	G00599
Roy R. Counts	R00602	Terry J. Broussard	G00590
Perry C. Covington	R00075	Gene Dilmore	G00026
Brenda K. Deerman	R00493	Gregory P. Eidson	G00605
Robert G. Enslin, Jr.	R00562	William R. Finlay	G00098
James F. Fitch, III	R00477	Steven G. Jahncke	G00571
Bruce R. Glenn	R00499	Thomas E. Kabat	G00537
Lisa W. Goode	R00108	P.E. Lamey	G00565
Lester F. Gunnin	R00428	Tony F. Lewis	G00263
Virginia P. Gunnin	R00427	Patricia K. Love	G00262
Myra M. Horton	R00532	Chester C. Patterson	G00515
Thomas M. Horton, Jr.	R00141	Weldon R. Payne	G00253
Donna R. Huey	R00662	Michael A. Pritchard	G00578
W. Ellis Ingram	R00446	David W. Skidmore	G00170
Bonnie L. Johnson	R00598	Jeffrey A. Thompson	G00591
H.C. Johnson, Jr.	R00155	Carl R. Thornton	G00581
John W. Knight	R00340	Leonard O. Turner	G00396
Ann H. Lindquist	R00608	Sherry L. Watkins	G00613
Jerry W. McGee	R00405	Constance C. Whitworth	G00380
Robert L. Meador, Jr., D.M.D.	R00688	John W. Wilkins, Jr.	G00604
Steve D. Seaman	R00417	Cheryl L. Worthy-Pickett	G00584
Donald W. Shelton	R00652	Tommy E. Young	G00118
Gordon E. Sprouse	R00247		
Jeffrie L. Stiles	R00670		
James N. Thames	R00259		
Brenda S. Thompson	R00650		
Charles T. Thompson	R00345		
William D. Ulmer	R00266		
George W. Whiting, Jr.	R00556		
Leonard C. Wyatt	R00289		

## License Non-Renewal

Above is a complete listing of appraisers who did not renew their license for the period 10-1-02 through 9-30-2003. The following is the text of a certified letter, which will be mailed to each of them detailing the status of their license and ineligibility to perform appraisals:

Your renewal fee for the license year 10-1-02 thru 9-30-2003 has not been received. It is imperative that you understand the status of your license. You are not authorized to do appraisals after 9-30-02 without a current license. Appraisals made without a current license may be subject to disciplinary action or prosecution as a Class "A" Misdemeanor under State Law.

Between 10-1-02 and 3-31-2003 the renewal of your license requires the payment of a \$50 late fee in addition to regular fees. After 3-31-2003 the late charge for renewal is \$250 in addition to regular fees. If the renewal fee for the license year beginning 10-1-02 is not paid by 9-30-2003 your file will be closed.

Please remember that a 15-hour USPAP course with examination must be successfully completed at least every six years as part of the continuing education process.

Let me know if we can provide additional information or assistance in connection with the foregoing.

# DISCIPLINARY REPORT

The Alabama Law requires the Board to regulate the conduct of appraisers in Alabama. The Board's Administrative Rules outline the procedure for handling complaints. The Uniform Standards of Professional Appraisal Practice provide the basic ethical standards for which appraisers must comply. Appraisers should carefully note the following violations, which resulted in disciplinary action by the Board.

**AB-99-26 and AB-00-37** – On June 12, 2002, a Letter of Warning was issued to a Trainee in connection with the appraisal of a single-family manufactured home. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: A thirty-foot easement to the subject property is not analyzed. Reconstruction Cost values in the Cost Approach are obtained from the wrong category in Marshall & Swift. Four poultry houses across the street and vacant and deteriorated manufactured and site built homes beside the subject property should be reflected in external depreciation.

**AB-99-35** – On August 2, 2002, a Letter of Warning was issued to a Certified General in connection with the appraisal of a single-family residence in which he/she signed as the supervisory appraiser. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: Licensee failed to address location adjustment to Comparable #5 for being surrounded by a John Deere Tractor dealer and Shop. The comparable had limited site accessibility and almost no view except for the tractor sales lot in front of the residence. Comparable #3 was adjusted for Basement and Finished Rooms Below Grade, but no basement existed in Comparable #3 or the subject property.

**AB-99-64** – On August 2, 2002, a Letter of Warning was issued to a Certified General in connection with the appraisal of a single-family residence in which he/she signed as the supervisory appraiser. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: Comparables #1 and #3 were adjusted positively for differences in room count. Both should have been adjusted negatively. In the Sales Comparison Approach, Licensee utilized sales that exhibited significant dissimilarities to the subject with respect to Location, Condition, Room Count, and Recreational Amenities to the exclusion of sales that were more comparable. **AB-99-65** – On August 2, 2002, a Letter of Warning was issued to a Trainee in connection with the foregoing.

**AB-99-66** – On August 2, 2002, a Letter of Warning was issued to a Certified General in connection with the appraisal of a single-family residence in which he/she signed as the supervisory appraiser. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: Licensee reported an incorrect parcel number for the subject property and included the wrong tax map exhibit when illustrating the location of the subject property. Licensee inaccurately measured the subject property at the time of inspection and reported the square footage as 1,999 s/f when in fact the correct square footage was 1,766 +/- s/f. **AB-99-67** – On August 2, 2002, a Letter of Warning was issued to a Trainee in connection with the foregoing.

**AB-99-68** – On August 2, 2002, a Letter of Warning was issued to a Certified General in connection with the appraisal of a single-family residence in which he/she signed as the supervisory appraiser. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: Comparable #2 and #3 were adjusted for differences in car storage when both properties were similar to the subject property and have no car storage. In the Sales Comparison Approach, Licensee inappropriately arrived at the Sales Comparison Approach value by averaging all three of the comparables adjusted values. **AB-99-69** – On August 2, 2002, a Letter of Warning was issued to a Trainee in connection with the foregoing.

**AB-00-09** – On August 15, 2002, a Certified General signed a Consent Settlement Order in connection with the appraisal of an unimproved tract of land, which he/she signed as supervisory appraiser. Terms include a **private reprimand**, a \$900 administrative fine, and proof of successful completion of a Board approved 40-hour Highest and Best Use Analysis Course with exam, a Board approved 40-hour Income Capitalization course with exam and a 15-hour USPAP course with exam. Discrepancies include: Licensee failed to identify the intended use of the appraisal report and the intended users. Licensee failed to employ those recognized methods and techniques that are necessary to produce a credible report by omitting detail necessary for the reader to understand the

reasoning employed by the Licensee. The intended use of the appraisal assignment was for use in litigation and lacked sufficient analysis for that use. The Supervisor failed to provide the supervision necessary for the Trainee to develop and communicate a report in conformity with USPAP. **AB-00-10** – On September 17, 2002, a Trainee appraiser signed a Consent Settlement Order in connection with the appraisal of an unimproved tract of land. Terms include a **private reprimand**, a \$400 administrative fine, and successful completion of a Board approved 15-hour USPAP course with exam. Discrepancies include (same as AB-00-09).

**AB-00-20 and AB-00-103** – On June 21, 2002, **Edward E. Meadows (L00067)**, a Licensed Real Property Appraiser entered into a Consent Settlement with the Board in connection with the appraisal of single-family residences. Terms include a **public reprimand**, an \$800 administrative fine, and successful completion of a Board approved Highest and Best Use Analysis course with exam. The discrepancies identified include: (AB-00-20) Licensee failed to fully disclose neighborhood development trends, recent re-zoning of properties in very close proximity to the Subject, and existing business zoning of the blocks surrounding the Subject block. Licensee failed to clearly disclose re-zoning of surrounding properties to RIP (Residential, Institutional, Professional Offices). The factual information could support the probability of a land use change had a reader been given full scope of the land use in the Subject's immediate area. (AB-00-103) Licensee failed to disclose the existence of an abandoned apartment building located adjacent to the subject property and an abandoned house down the street.

**AB-00-37** – On May 16, 2002, **Herbert Bradford (R00038)**, a Certified Residential signed a Consent Settlement Order in connection with the appraisal of a residential property. Terms include a **public reprimand**, a \$1,225 administrative fine, and successful completion of a Board approved 15-hour USPAP course with exam. The discrepancies identified included: failed to disclose the existence of a railroad track located parallel to the rear property line of the subject and address potential negative effect upon value. Failed to accurately analyze and report the sales history of the subject; failed to accurately analyze the current Agreement of Sale; failed to perform the subject appraisal without impartiality.



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# DISCIPLINARY REPORT

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objectivity, and independence, and without accommodation of personal interest. Licensee owns the Realty Company that was selling the subject property. Failed to provide proper supervision for a Trainee Appraiser.

**AB-00-43 and AB-00-44** – On June 18, 2002, **Robert G. Andrews (G00084)**, a Certified General signed a Consent Settlement Order in connection with the appraisal of single-family residences. Terms of the consent settlement order include a **public reprimand** and a \$300 administrative fine. The discrepancies identified include: On the supplemental attachment HUD Form-2508 the requirement for repair certification was not properly reported. Licensee checked that all on-site improvements were acceptable completed when in fact they were not completed. Licensee represented that repair requirements were complete when some were not and money was escrowed for completion of the repairs.

**AB-00-64** – On August 13, 2002, a Letter of Warning was issued to a Certified General in connection with the appraisal of a single-family residence in which he/she signed as the supervisory appraiser. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: Licensee reported conflicting information in the report about his/her inspection of the property. Licensee used Comparable Sales from superior neighborhoods approximately 20 miles away without adjusting for location when similar sales which could be adjusted for size were available in the Subject's market area. **AB-00-65** – On August 13, 2002, a Letter of Warning was issued to a Trainee in connection with the foregoing.

**AB-00-68, AB-02-08, AB-02-16 and AB-02-43** – On August 20, 2002 **Mark Gordon (R00543)**, a Certified Residential signed a Consent Settlement Order in connection with four residential appraisals. Terms include a **public reprimand**, and an \$850 administrative fine. Discrepancies include: Utilization of Comparables outside the subject's neighborhood and inconsistent adjustments and mathematical errors in the Sales Comparison Approach. Incorrectly charged external depreciation to the subject in the Cost Approach instead of functional depreciation; failed to adjust for the functional depreciation in the Sales Comparison Analysis. Acknowledged he was not completely impartial and objective in the determination of his opinion of value by acknowledging that the clients predilection

to "cut" values influenced his value to be higher than otherwise. Failed to include a complete Appraiser's Certification in accordance with Standards Rule 2-3. Originally appraised the subject property "subject to" the garage completion, but later changed the appraisal to reflect an "as is" value.

**AB-00-73** – On September 17, 2002, a Letter of Warning was issued to a Licensed Real Property Appraiser in connection with the appraisal of a single-family residence. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: Licensee failed to disclose readily observable physical deficiencies in the Subject property in the form of cracks in the brick veneer and block foundation that were readily observable with the cursory inspection. Licensee incorrectly reported the basement area of comparable sale #2 to be 675 s/f finished and 672 s/f unfinished, when in fact the correct measurements of the finished area was 1018 s/f and the unfinished area was 672 s/f.

**AB-00-78** – On June 12, 2002, a Letter of Warning was issued to a Trainee in connection with the appraisal of a single-family residence. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: The claim in the addendum of a scarcity of comparable sales in the subject neighborhood is not substantiated. The Investigator found five water view alternate comparable sales in the subject's immediate neighborhood that predated the appraisal report. There were numerous errors such as: sales or financing concessions not reported or analyzed; adjustments for lot characteristics based on inappropriately developed site value; failure to recognize a difference between waterfront and water-view lots.

**AB-00-82 and AB-01-85** – On September 17, 2002, a Letter of Warning was issued to a Trainee in connection with two appraisals of single-family residences. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: Used the Tax Assessor value for the site value in the cost approach. Failed to report and analyze an existing sales

contract. Licensee failed to recognize and adjust for personal property included in the purchase price.

**AB-01-11** – On October 5, 2002, a Certified Residential signed a Consent Settlement Order in connection with the appraisal of a single-family residence in which he/she signed as the supervisory appraiser. Terms include a **private reprimand**, a \$1250 administrative fine and completion of a Board approved 15-hour USPAP course with exam. Discrepancies include: Failed to identify the subject as a manufactured home. All comparables utilized in the appraisal are site built and appear superior in location, quality and market appeal. Licensee failed to state under which option the appraisal report was prepared. Licensee failed to include the certification statement required by Alabama Code. **AB-01-12** – On September 16, 2002, a Letter of Warning was issued to a Trainee in connection with the foregoing.

**AB-01-13 and AB-01-24** – On August 15, 2002, **Joseph Steele (S00062)**, a State Registered Real Property Appraiser signed a Consent Settlement Order in connection with the appraisals of single-family residences. Terms include a **public reprimand**, a \$2,575 administrative fine, and proof of successful completion of a Board approved 40-hour Fundamentals of Appraisal course with exam and a 15-hour USPAP course with exam. Discrepancies include: **AB-01-13** – Licensee reported the GLA square footage as 2,554 s/f, the total adjusted area reported by the Tax Assessors office. The appropriate square footage to report was the base area of 1,872 s/f, as reported by the Tax Assessors office. Licensee failed to properly inform the client that the subject appraisal report was limited appraisal – restricted report and of his departure from the specific requirements for the development and reporting of an appraisal. Licensee failed to accurately identify his client. Licensee failed to accurately describe and analyze Comparable Sale #1. Licensee failed to report that the Comparable was a water front lot and had a pool and deck. Licensee violated the Code of the State of Alabama by performing a Real Estate Appraisal without the benefit of an appropriate real estate appraisal license. **AB-01-24** – Licensee failed to analyze and report the prior sale of the subject property on December 1, 2000 and the foreclosure sale of the subject property on April 18,



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2000. Licensee violated the Code of the State of Alabama by developing and communicating a Real Estate Appraisal for a Federally Regulated Institution without the benefit of an appropriate real estate appraiser license. Licensee failed to address why the subject that sold for \$43,000 three months prior to the appraisal would have a market value of \$81,000 at the time of the appraisal.

**AB-01-42 and AB-01-43** – On September 19, 2002, the Board issued an Order **revoking** the appraisal license of **Elrick Harris (R00527)**, a Certified Residential Real Property Appraiser, for a period of two years after which the licensee shall be entitled to apply for reinstatement of his license. The violations identified in both cases are as follows: Comparable sales utilized in the Sales Comparison Analysis of the appraisal report were fabricated. Licensee failed to respond to request for information by the Board during the investigation of the complaint.

**AB-01-46** – On August 8, 2002, a Letter of Warning was issued to a Certified Residential in connection with the appraisal of a single-family residence in which he/she signed as the primary appraiser. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: Licensee selected comparable sales outside the subject's immediate neighborhood when there were sales in that neighborhood that were equally comparable and could have resulted in a lower opinion of value. Licensee failed to accurately state the lot size, lot shape, and the correct zoning for the subject property. Licensee failed to consider the applicability of the Cost and Income Approaches to value.

**AB-01-54** – On August 15, 2002, **Milton Holley (G00248)**, a Certified General signed a Consent Settlement Order in connection with review of the appraisal of a 1.48-acre tract of land. Terms include a **public reprimand**, a \$400 administrative fine, and proof of successful completion of a Board approved 15-hour USPAP course with exam. Discrepancies include: Licensee failed to report or disclose the nature, extent and detail of the review process undertaken. The review report only stated that a review of the appraisal report had been made and that no errors were found. Licensee failed to set forth the opinions, reasons and conclusions are required in Standard Rule 3-1(c, d, e, and f) in the reporting of the subject appraisal review. Licensee failed to include a signed certification as required by the Uniform Standards of Professional

Appraisal Practice. Licensee failed to include the signed certification as required by the State of Alabama. Licensee failed in his review to correctly apply recognized methods and techniques necessary to produce a credible appraisal review.

**AB-01-62** – On May 31, 2002, a Letter of Warning was issued to a Certified Residential in connection with the appraisal of a single-family residential property. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: In cost approach calculated the entire basement area of 1269 square feet on one line, then broke out 689 square feet of the basement area and calculated again on the "Garage/Carport" line. Failed to adjust for a half bath in the basement area. **AB-01-63** – On May 31, 2002, a **Letter of Warning** was issued to a Trainee in connection with the foregoing.

**AB-01-64** – On August 8, 2002, a Letter of Warning was issued to a Certified Residential in connection with the appraisal of a single-family residence in which he/she signed as the primary appraiser. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: Licensee utilized sales that exhibited significant dissimilarities to the subject with respect to Location, Quality of Construction, and Condition. These sales were utilized instead of sales that were more comparable in terms of Location, Quality of Construction, and Condition and would have provided a better indication of value.

**AB-01-69** – On August 8, 2002, Letter of Warning was issued to a Certified Residential in connection with the appraisal of a single-family residence in which he/she signed as the primary appraiser. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: Licensee utilized sales that exhibited significant dissimilarities to the subject with respect to age, design, condition and amenities. These sales were utilized instead of sales that were more comparable and would have provided a better indication of value. Licensee reported the subject property with garage and utilized the square footage to determine the Cost Approach value and the Sales Comparison Approach value when in fact, the subject

property never had any type of car storage.

**AB-01-86** – On September 18, 2002, a Letter of Warning was issued to a Trainee in connection with the appraisal of a single-family residence. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: Licensee inaccurately reported property has public sewer access when it has an individual septic system. Market data for the subject neighborhood and for the neighborhood where comparable sales are located indicates that Licensee did not use reasonable diligence in researching and making adjustments in the sales comparison approach. Licensee failed to recognize or address that the subject GLA might be super adequate with resulting functional obsolescence for its neighborhood.

**AB-01-94** – On May 31, 2002, a Letter of Warning was issued to a Certified Residential in connection with the appraisal of a residential property in which he/she signed as the supervisory appraiser. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: Performed the appraisal "subject to" repairs being completed, but did not indicate the nature of the repairs. Appraisal report reflected inconsistent statements as to whether or not the supervisory appraiser inspected the subject property. Failed to analyze in the Sales Comparison Approach the effects, if any, of external depreciation cited in the Cost Approach. **AB-01-95** – On May 31, 2002, a Letter of Warning was issued to Trainee Real Property Appraiser in connection with the foregoing.

**AB-02-09** – On May 31, 2002, a Letter of Warning was issued to a Certified General in connection with the appraisal of a single-family residential property. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: States actual age of subject property as 23 years in one place and 14 years in another. States that subject has 2.5 baths when the house has 3.5 baths. Work file sketch reflects an enclosed "Florida Room" with dimensions of 15' x 25'. The formal sketch with the appraisal reflects the area as open with dimensions of 23' x 20.5' x 9'. Failed to include the required Alabama Board certification statement.

**AB-02-11** – On May 9, 2002, a Letter of Warning was issued to a Certified Residential in connection with the appraisal



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of a single-family residence. The disciplinary action will be considered in any future discipline proceedings. Discrepancies include: Licensee disclosed a pending Agreement of Sale for the subject property, but failed to analyze the contract in reaching the value opinion. Even though Licensee stated in the reconciliation that the sale located closest to subject, with the least adjustments and lowest adjusted value was the most comparable to the subject, he/she used the sale with the highest adjusted value as the opinion of value. Licensee failed to accurately state the report date.

**AB-02-23** – On August 2, 2002, a Letter of Warning was issued to a Certified Residential in connection with the appraisal of a single-family residence in which he/she signed as the primary appraiser. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: Licensee reported that the subject property included a septic tank. The subject

property was connected to the public water system and never had a septic tank. Licensee supplied incorrect photographs for Comparables #4 and #6.

**AB-02-31** – On June 27, 2002, a Letter of Warning was issued to a Certified Residential in connection with the appraisal of a single-family residence. This disciplinary action will be considered in any future discipline proceedings. Discrepancies include: Licensee failed to identify the client and other intended users. Licensee failed to provide a legal description, even though he/she stated twice in the report that it was included. Licensee made no mention in the report of a singlewide manufactured home apparent in the photo of the subject's street. Licensee states that the report is a "Self Contained" report, but provides information consistent with a Summary report.

**AB-02-45** – On September 19, 2002, **Michael Davis (T00777)**, a Trainee signed a

**Voluntary Revocation Consent Order** in connection with the appraisal of a single-family residence in which he signed as the primary appraiser. The revocation became effective immediately upon acceptance by the Board and extends for a period of two years after which the Licensee will be eligible to apply for reinstatement of his license.

Disciplinary actions are based on all of the circumstances developed on a case-by-case basis, including the nature and severity of the offenses involved, prior disciplinary history and findings in support of a conclusion that the respondent has been rehabilitated. Violation descriptions may be summarized in instances where they would become repetitive. For these reasons cases may appear similar on their face yet warrant different sanctions.

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## GAO Study of Regulatory System

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**Washington, DC** – The General Accounting Office (GAO), the investigative arm of the U.S. Congress, has been asked to conduct a study of the national real estate appraiser regulatory system.

The request for study was made by Senator Paul Sarbanes (D-MD), Chairman of the Senate Banking, Housing and Urban Affairs Committee and Senator Zell Miller (D-GA), a member of the Committee.

Specifically, the request is for the "the General Accounting Office to prepare a study assessing both the state and federal appraisal systems as set forth in Title XI of FIRREA." Title XI of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) was enacted by Congress in 1989 as a result of the significant losses experienced by financial institutions in the 1980's. Title XI created a unique regulatory system for real estate appraisers that involves federal oversight by the Appraisal Subcommittee; licensure and disciplinary action at the state level through real estate appraiser boards; and private sector expertise for standards and qualifications by the Appraisal Foundation.

The Senators are requesting that the GAO study be comprehensive in nature and focus on several specific aspects of the regulatory system. These include, but are not limited to: an evaluation of the functions of the Appraisal Subcommittee, state appraiser boards and The Appraisal Foundation; an evaluation of the fee system associated with the National Registry of appraisers; an evaluation of the fees charged for training and qualifications for state licensure; the impact of the regulatory system on helping to reduce mortgage fraud; the impact of the increased use of automated valuation models (AVMS) on homebuyers, lenders and the secondary market; and a review of training and qualifications for state licensure to ensure that competent appraisers are used for mortgage transactions.

Source: *The Appraisal Foundation*

# Education

OCTOBER 1, 2002- SEPTEMBER 30, 2004

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Appsal Applics (15)  
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310 Basic Income Capitalization (39)  
320 Gen. Applics (39)  
330 Apartment Appsal: Concepts & Applications (16)  
\*410 Standards of Prof. Practice, Part A (16)  
\*420 Standards of Prof. Practice, Part B (8)  
\*Must be taken in conjunction with  
Course 410, to receive *Licensure credit*  
430 Standards of Prof. Practice, Part C (16)  
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510 Advanced Income Capitalization (40)  
520 Highest & Best Use & Market Analysis (40)  
530 Advanced Sales Comparison & Cost Approaches (40)  
540 Report Writing & Valuation Analysis (40)  
550 Advanced Applics (40)  
600 Income Valuation Of Small, Mixed-Use Properties (16)  
610 Cost Valuation of Small, Mixed-Use Properties (16)  
620 Sales Comparison Valuation of Small, Mixed-Use Properties (16)  
700 The Apprsr as an Expert Witness: Preparation & Testimony (16)  
705 Litigation Appsg: Specialized Topics & Applics (16)  
710 Condemnation Appraising: Basic Principles & Applic (16)  
720 Condemnation Appraising: Advanced Topics & Applics (16)

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Principles of Rural Appraisal Internet (A-201) (44)  
Rural Business Valuation (16)

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800 Separating Real & Personal Property from Intangible Business Assets (16)  
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Residential Demonstration Appsal Report Writing (7)  
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Appsal Inst. Residential Database Trng. (3) (On-line)  
Appsal of Nursing Home Facilities (7)(On-line)  
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# “Drive-By” Appraisals - Update

The Alabama Real Estate Appraisers Board takes the following position on the issue of Drive By Appraisals.

The determination of the extent of inspection to be performed is the responsibility of **APPRAISER**, not the **CLIENT**. The appraiser has the obligation and the responsibility to determine the extent of inspection required. Note: The Conduct Section of the Ethics Provision states that “An appraiser must not communicate results in a misleading or fraudulent manner. An appraiser must not use or communicate a misleading or fraudulent report or knowingly permit an employee or other person to communicate a misleading or fraudulent report.” USPAP, pg. 7 (2002 edition).

Uniform Standards of Professional Appraisal Practice (USPAP) Rule 2-3 requires the use of the following statement or one similar in content. “I have (or have not) made a personal inspection of the property that is the subject of this report. (If more than one person signs the report this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the property)”. (This Standards Rule contains binding requirements from which departure is not permitted). USPAP, pg. 30 (2002 edition).

The fee for the assignment of a “drive-by inspection”, where only an exterior inspection is requested by the client, is often less than that for an interior/exterior inspection based appraisal. **The fee for an appraisal should never be the determining factor in the depth of preparation of an appraisal report.** The decision as to whether both an interior and exterior inspection or just an exterior inspection is necessary to properly complete an appraisal is the appraiser’s decision alone and cannot be dictated by the client

## USPAP Changes for 2003 continued from page 1

Because a violation of a supplemental standard is also a violation of USPAP, an appraiser must be aware of, and comply with, all supplemental standards that apply to an assignment.

STANDARD 3 in USPAP addresses appraisal review assignments. In the past, this Standard applied only to real property and personal property assignments. It has been modified to apply to all appraisal disciplines. Changes were also made to clarify that in a review assignment, just as in an appraisal assignment, the reviewer must decide the appropriate scope of work. Also, if the reviewer derives a value opinion that differs from the value opinion in the original report,

**An appraiser accepting a job from a client who only requests an exterior inspection of the subject property must document, in the appraisal file, that an interior inspection was unnecessary to properly complete the appraisal.** Should an exterior inspection, combined with other reliable data, failed to provide sufficient information to perform the appraisal, the appraiser has a duty to perform an interior inspection or to withdraw from the assignment. It is the appraiser’s job alone to determine the amount of inspection necessary to properly complete an appraisal.

The Alabama Real Estate Appraisers Board will allow appraisals completed with exterior only or drive-by type subject property inspections, such as those reported on Fannie Mae Forms 2055 and 2065 and Freddie Mac Form 704, as long as they comply with USPAP requirements. It is the responsibility of each individual appraiser to decide if the scope of the appraisal assignment can be performed without an interior inspection of the property and still meet the USPAP requirements.

Remember that the documentation and market data requirements, as well as the liability incurred in the preparation of these reports is not lessened with the use of these forms. Complete documentation must be maintained in the appraiser’s file if not reported on the forms used. For this reason, **the Board strongly suggests that all appraisers include a written statement of their rationale for the omission of an interior inspection in each appraisal file where only an exterior or drive-by inspection was completed.**

Each appraiser should read and understand the Advisory Opinion AO-2 found on page 127 of the 2002 addition of USPAP.

then the reviewer’s analysis must be presented in a format that is consistent with the content of at least a Summary Appraisal Report.

Advisory Opinion 3 was changed to clarify that an “Update” of an appraisal is simply a new appraisal. When performing an “Update” an appraiser must comply with all the Rules, STANDARDS, and Standards Rules that apply to any other appraisal assignment. Again, appraisers must also be aware of any supplemental standards that apply.

Source: Appraisal Foundation

# ASB State Advisory Bulletin

This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. The ASB USPAP Q&A is issued to inform appraisers, regulators, and users of appraisal services of the ASB responses to questions raised by regulators and individuals; to illustrate the applicability of the Uniform Standards of Professional Appraisal practice (USPAP) in specific situations; and to offer advice from the ASB for the resolution of appraisal issues and problems.

**QUESTION:** For a real property appraisal, I know that USPAP requires an appraiser to develop a reconciliation of the approaches to value that are used in an assignment. Does USPAP require the appraiser to reconcile the data utilized within each approach to value?

**RESPONSE:** Yes. Standards Rule 1-5(c), a binding requirement, states,

*In developing a real property appraisal, an appraiser must:*

reconcile the quality and quantity of the data available **and analyzed within the approaches** used and the applicability or suitability of the approaches used.

*Comment: See the Comments to Standards Rules 2-2(a)(ix), 2-2(b)(ix), and 2-2(c)(ix) for corresponding reporting requirements (Bold added for emphasis)*

**QUESTION:** Is the main function of USPAP to protect appraisers?

**RESPONSE:** No. The first paragraph of the PREAMBLE states;

*The purpose of these Standards is to establish requirements for professional appraisal practice, which includes appraisal, appraisal review, and appraisal consulting, as defined. The intent of these Standards is to **promote and maintain a high level of public trust** in professional appraisal practice. (Bold added for emphasis)*

Although the main purpose is not to protect appraisers, appraisers do receive significant benefits and protection from USPAP. It establishes requirements for impartiality, independence, objectivity, and competent performance. Because of these standards, appraisers who comply with USPAP are viewed as unbiased

professionals whose work is worthy of public trust.

**QUESTION:** USPAP requires appraisers to report the scope of work undertaken in each appraisal assignment. The detail required varies by reporting option. Is there a similar requirement for an Appraisal Review assignment?

**RESPONSE:** Yes, Standards Rule 3-2(c), a binding requirement, states:

*In reporting the results of an appraisal review, the reviewer must:*

*state the nature, extent, and detail of the review process undertaken (i.e., the scope of work) identified in accordance with Standards Rule 3-1(c); (Bold added for emphasis)*

**For further information regarding USPAP Q&A, please contact:**

**Jim Park  
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