

DISCIPLINARY REPORT

November 21, 2013

AB-10-12 – On September 19, 2013, the Board approved a Consent Settlement Order with a Certified Residential Appraiser where the Licensee agreed to a private reprimand, an administrative fine of \$2835 to the Board, completion a 15 hour USPAP course and a 15 hour sales comparison course and six months probation. The Licensee surrendered his Mentor status. The violations in the report are as follow: Licensee used and analyzed comparable sales from superior subdivisions/developments without analyzing the differences in elements of comparison between the Subject and the sales used as comparables within the appraisal report. Licensee failed to report or analyze sales available from within the subdivision/ development where the Subject is located in the Sales Comparison Analysis Approach of the appraisal report. Licensee failed to state a reason for the exclusion. Licensee failed to state the analysis (market adjustment) for the difference in the actual age of the Subject and comparables or state a reason for the lack of an adjustment for actual age in the Sales Comparison Analysis Approach. Licensee made a +\$12,500 adjustment for the absence of a fence and pool for Comparable #1 in the Sales Comparison Analysis and according to the stated data source (MLS), the Comparable is fenced and has a pool. The adjustment for the pool and fence was not supported. Licensee failed to report and analyze a lake view, water frontage and private pier for Comparable #3 in the Sales Comparison Analysis. Licensee adjusted Comparable #3 for a fence, which was not supported by the stated data source (MLS). Licensee analyzed sales from superior priced subdivisions/developments as comparable sales in the Sales Comparison Analysis Approach. Licensee failed to state the analysis of the different elements of comparison between the Subject and the comparable sales used within the appraisal report. Licensee indicated in the Subject section of the appraisal report, the Subject had not been offered for sale or sold within the twelve months prior to the effective date of the appraisal. The Subject property was offered and sold within the prior twelve months. Licensee stated the Zoning and Zoning Description as SR-1 Single Family, when the Subject is located in an unincorporated area with no zoning. Licensee stated “None” for gutters and downspouts in the Improvements section of the appraisal report, when the home had partial gutters and downspouts. Licensee failed to accurately state the address of Comparable #1 in the Sales Comparison Analysis and Comparable Photo Addendum. An accurate address would have been obtained by a diligent inspection of the comparable. Licensee stated the city/zip code for the Subject and Comparable #3 as the same city/zip code, when Comparable #3 was located within a different city/zip code. Licensee stated a prior date of sale for the Subject that was not accurate and also stated one amount for the sale price in the grid of prior sale information with a different amount for the sale price in the analysis of the prior sale. Licensee stated the data source for Comparable #4 as MLS Closed and then stated the comparable was a pending sale. The accurate data source would be MLS Pending or MLS. Licensee stated a date of sale of Comparable #4 as 02/01/2007, when the comparable had not sold.

(pending sale) Licensee indicated the research **did not** reveal any prior sales or transfers of the subject property for the three years prior to the effective date of the appraisal and then stated a prior sale in the prior sales history grid.

Licensee failed to provide sufficient information, for the intended user to understand the effective age of an average condition home built in 1996 and appraised in 2007 would have an effective age of 3-5 years. Licensee failed to provide the complete list of verification sources in the grid of the Sales Comparison Analysis. Licensee failed to state the complete address of Comparable #2, within the appraisal report. Licensee failed to provide information about the sunroom's square footage being included in the GLA of Comparable #4. Comparable #1 & #3 were less than 1/3 of the Subject's actual age. Comparable #2 was 1/10 of the actual age of the Subject. Licensee failed to state a reason for the lack of an adjustment for the difference in actual age between the Subject and comparables. Licensee stated a comment in the Summary of Sales Comparison Approach, "Comparable 3 previously had an incorrect fence/pool adjustment. The correct \$10,000 adjustment amount is applied to this report." The appraiser did not provide a reason or information, within the appraisal report, to explain why the comment was stated in the summary. Licensee failed to provide support/information (actual method used) for the opinion of site value used in the Cost Approach. Licensee failed to include the Alabama certification as required by the Alabama Real Estate Appraisers Act.

Violation: Standards Rules 1-1(b), 1-2(h), 1-4(a), 2-1(a), 2-1(b), 2-2(b)(vii), USPAP, 2006 Edition.

AB 12-05 On September 19, 2013, the Board approved a Consent Settlement Order with a Certified Residential Appraiser where the Licensee agreed to a private reprimand and an administrative fine of \$600 to the Board. The violations in the report are as follows: The subject condition is reported and analyzed as C4, "The improvements feature some minor deferred maintenance and physical deterioration due to normal wear and tear. The dwelling has been adequately maintained and requires only minimal repairs to building components/mechanical systems and cosmetic repairs. All major building components have been adequately maintained and are functionally adequate." Physical inspection of the subject thirteen (13) days after the date of the appraisal show several areas of rotted wood and peeling paint. It is unknown if the rotted wood is a result of water damage or termite infestation. It is impossible to determine if repair would be cosmetic only without further inspection. The house was built in 1940 according to tax records. Licensee estimated an effective age of 13-15 years. The physical deficiencies of the rotted wood, peeling paint and poor condition of a portion of the metal roof do not support the effective age. Licensee's estimate of accrued depreciation is not credible because remaining economic life based on an effective age of 13-15 years. Considering the condition of the multiple areas of rotted wood of unknown origin and other unreported items of deferred maintenance, the accrued depreciation applied is not credible. Licensee made numerous references to the house having a concrete slab foundation when a crawl space was reported on page 1 of the URAR. The photos in the Photo Addendum were mislabeled. A photo of the rear of the home is labeled as the front of the home and a photo of the workshop is labeled the rear of the home. **Violation: Standards Rules 1-1(c), 2-1(a), USPAP, 2010-2011 Edition.**

AB 12-26 On September 19, 2013, the Board approved a Consent Settlement Order with Certified Residential Appraiser Reuben Bullock, R01155, where the Licensee agreed to pay an administrative fine of \$875 to the Board. The violations in the report are as follows: In the Sales Comparison Approach, Licensee failed to list and analyze the sales concessions reported by the data source. In the Cost Approach, Licensee failed to analyze the cost of the appliances reported in the Improvement section in the total estimate of cost-new. Licensee chose a mortgage lending report form for a report the client intended to use in divorce litigation. Licensee stated the intended use for divorce litigation but did not strike out all the references in the preprinted form to mortgage lending. Licensee did not strike the mortgage lending terminology and provisions from the preprinted form. Licensee provided comments that insinuated membership in the Appraisal Institute when Licensee was not a member. Licensee did not analyze the sales concessions for Comparable #1, Comparable #2 and Comparable #3. In the Neighborhood/Neighborhood Boundaries section, Licensee described a neighborhood that failed to include the subject location. In the Summary of Sales Comparison Approach comments, Licensee stated Comparable #1 was the closest in size to the Subject when Comparable #3 was the closest. In the Additional Comments section, Licensee stated the summary appraisal report was prepared under Standard Rule 2-2(a) instead of 2-2(b). In the Present Land Use %/Other section, Licensee failed to provide information as to what the 15% other land use was. In the Sales Comparison Approach/Comparable #1, Comparable #2 and Comparable #3/Concessions sections, Licensee failed to state the concessions and analyze the concessions. Licensee failed to provide support/data of the information used to develop the opinion of site value in the Cost Approach. **Violation: Standards Rules 1-1(a), 1-1(b), 1-2(b), 1-4(a), 2-1(a), 2-1(b), USPAP, 2012-2013 Edition.**

AB 12-55 On September 19, 2013, the Board approved a Consent Settlement Order with a Certified Residential Appraiser where the Licensee agreed to a private reprimand, an administrative fine of \$2,500 to the Board. Licensee surrendered his Mentor status. The violations in the report are as follows: Licensee certified that he performed a complete visual inspection of the interior of the Subject property, when Licensee did not perform the interior inspection. Licensee provided a Scope of Work, which included a complete visual inspection of the interior of the Subject property that Licensee did not perform. Licensee certified that he did not knowingly withhold any significant information from the appraisal report and to the best of Licensee's knowledge, all statements and information provided within the appraisal report were true and correct. Licensee withheld significant information from the lender/client in reporting that he performed the interior inspection when Licensee knowingly did not perform an interior inspection of the Subject property. Subject property is located within a planned development and comparables were located inside and outside of planned developments. Licensee failed to analyze the developments and all the amenities for the Subject and comparables. Licensee failed to completely identify all the characteristics and attributes of subject property located within a planned development. Licensee reported the streets were public, when the streets were private. Licensee failed to identify the restrictive covenants associated with the planned development. In the Additional Comments sections, the trainee appraiser's contributions to the appraisal assignment were not clear. Licensee

used the term “and/or” several times in the contributions, which resulted in the comment being unclear what the trainee appraiser contributed. Licensee failed to provide the complete dimensions of the Subject property; failed to provide an analysis of the HOA fees and development amenities of the Subject and comparables that were located within a PUD; provided information the site value is based on recent land sales in and/or near the subject market area and failed to provide the supporting data/information used to arrive at the opinion of site value; provided a comment explaining exposure time with a reference to 2010-2011 USPAP, when the report was in 2012; provided comparable photos that were MLS photos and not photos actually taken by Licensee and failed to disclose the source of the comparable photos. Licensee failed to explain the reason the Income Approach was not applicable and excluded from the appraisal assignment. **Violation: Ethics Rule Conduct, Standards Rules 1-1(a), 1-1(b), 1-2(e), 1-6(a), 1-6(b), 2-1(a), 2-1(b), 2-2(b)(vii), 2-2(b)(viii), USPAP, 2012-2013 Edition.**

AB 12-68 On September 19, 2013, the Board approved a Consent Settlement Order with a Michael L. Murphree, Licensed Real Property Appraiser L00121 where the Licensee agreed an administrative fine of \$875 to the Board. The violations in the report are as follows: Licensee had no data to support adjustments made in the sales comparison approach to value. Licensee failed to perform the research for comparable sales that were needed to produce a credible assignment. Licensee bypassed sales of potential comparable more proximate to the subject that would produce a different value opinion than the sales selected. Licensee failed to utilize more comparable sales that were available that would produce a more credible opinion of value. Licensee reported that the subject neighborhood was in balance with average demand and that values were stable. The Licensee includes a Market Condition Addendum that was generated utilizing a 5 mile radius. This 5 mile radius takes into consideration a number of neighborhoods with higher priced properties and water front properties. On this addendum, the Licensee repeats that the subject neighborhood was in balance with average demand and that values were stable. The Licensee does not discuss the number of foreclosures and REO sales in the immediate vicinity of the subject property. For the year preceeding the effective date of the appraisal there were eight sales within one mile of the subject and of those eight sales, four were REO sales. Three of the REO sales were the most proximate sales to the subject property. Licensee made an unsupported assumption that the subject 25 year old home had an effective age of 5 years. Licensee used MLS as his verification source for comparable sales. Consequently, he did not verify the sales the used as comparables. MLS is a data source, not a verification source. Verification is with a party to the transaction. The Licensee failed to utilize sales that were available that were more comparable to the subject and would produce a more credible opinion of value. Licensee reported a prior sale of the subject but failed to analyze the prior sale, only listing the date of sale and the sales price. The Licensee reported that the subject neighborhood was in balance with average demand and that values were stable. The Licensee includes a Market Condition Addendum that was generated utilizing a 5 mile radius. This 5 mile radius takes into consideration a number of neighborhoods with higher priced properties and water front properties. On this addendum, the Licensee repeats that the subject neighborhood was in balance with average demand and that values were stable. The Licensee does not discuss the number of foreclosures and REO sales in the immediate

vicinity of the subject property. For the year preceeding the effective date of the appraisal there were eight sales within one mile of the subject and of those eight sales, four were REO sales. Three of the REO sales were the most proximate sales to the subject property. Licensee failed to utilize more comparable sales that were available that would produce a more credible opinion of value. Licensee failed to provide sufficient information to support that the effective age was 5 years when actual age was and 25 years. **Violation: Record Keeping Rule, Scope of Work Rule, Standards Rules 1-1(b), 1-4, 1-5(b), 2-1(a), 2-1(b), USPAP, 2012-2013 Edition.**

AB 12-69 On September 19, 2013, the Board approved a Consent Settlement Order with a Certified Residential Appraiser where the Licensee agreed to a private reprimand and an administrative fine of \$1400 to the Board. The violations in the report are as follows: The Licensee stated that the site value in the cost approach was developed from “Data was used from County Records and MLS, to estimate site value. Opinion of site value is based upon recent vacant land sales for the market area.” There was no data or reference to the data found in the work file to support this statement. Included in the special instructions from the client to the Licensee were: “Do Not Proceed if a clear unobstructed photo of the front of the subject property cannot be obtained” and “Subject property information cannot be verified through public records.” The Licensee did not attempt a current photo of the front of the property and since the subject was recently remodeled and Licensee’s exterior inspection in heavy rain prevented Licensee from noticing that the current appearance of the subject and the MLS photo were not the same. The subject is a one story residence according to property tax records and MLS and the remodeling added a second story so that subject was as two story house at the time of the assignment. This resulted in appraisal results that are not credible. The Licensee’s exterior only inspection was so deficient that Licensee did not realize that the subject property was a two story residence instead of the one story residence indicated by MLS and property tax records. Licensee did not inspect the subject property significantly to recognize that the public tax records and MLS info was no longer correct and therefore the Licensee did not produce credible assignment results. Licensee used a photo of the subject property from MLS without identifying that it was an MLS photo and without realizing that the photo no longer accurately depicted the subject since remodeling added a second level to the residence. Licensee also utilized out dated public tax records that did not have the correct square footage and room count since remodeling added a second story to the residence. Assignment instructions had informed Licensee that County records did not contain reliable information about the subject. **Violation: Record Keeping Rule, Scope of Work Rule, Standards Rules 1-1(b), 1-2(h), 2-1(a), USPAP, 2012-2013 Edition.**

AB 13-14; AB 13-16 On September 19, 2013, the Board approved the voluntary surrender of license from Certified Residential appraiser Dennis R Price, R00840. Licensee elected to surrender his license rather than have an investigation of the two appraisals.

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 13-22 A Letter of Warning was issued and Licensee was assessed a \$250 administrative fine for the appraisal of a single family dwelling where Licensee failed to verify, with a party to the transaction, the comparable sales utilized by the licensee in the Sales Comparison Approach. Licensee failed to verify the comparable sales and failed to report this information in the appraisal report. Licensee failed to report the results of the analyses made on the contract on the subject property, instead listing some facts such as contract price and such and reporting the contract was “Typical” but not summarizing the actual analysis of the contract. **Violation: 1-4(a), 2-1(b), 2-2(b)(viii), USPAP , 2008-2009 Ed.**