

DISCIPLINARY REPORT

July 16, 2015

AB 12-56 The Board approved a Consent Settlement Order on May 21, 2015 where the David Wayne Sumners, G00805, agreed to a public reprimand and an \$6,000 administrative fine. This Consent Settlement Order agreement was reached in settlement of an administrative hearing. The violations in the report are: Licensee failed to exercise reasonable diligence to discover the true nature of the terms he used in analysis and applied the wrong label to the terms, indicating a higher level of credibility to intended users of the appraisal. Licensee did not attempt to talk with the legal owner of the property to verify if an option to purchase existed or whether the property was listed for sale. Licensee failed to recognize that he inferred a higher degree of credibility to the analysis by the use of an EXTRAORDINARY ASSUMPTION instead of a HYPOTHETICAL CONDITION. Licensee communicated a misleading report by incorrectly applying the label of “Extraordinary Assumption” instead of correctly labeling certain matters as “Hypothetical Condition”. If Licensee had exercised due diligence in completing his research for the assignment, he would have discovered or should have discovered that the basis of the “Hypothetical Condition” was false. Experienced users of appraisal services assign different levels of credibility to information used in analysis based on the label used by the appraiser. Licensee based his analysis on an unsigned lease that provided for rents significantly in excess of the local market and on a sales contract between parties with no ownership interest in the property and ignoring an active and long term listing of the subject for a much lower price than the terms of the unsigned sales contract between parties with no ownership interest. Licensee ignored comparable sales and rent data in closer proximity to the subject that indicated a lower rental rate in the immediate market than the un-signed lease indicated. Licensee used the un-signed lease rental rate in his analysis to arrive at the value.

Licensee selected sales that were not comparable to the subject in terms of size, age, location and utility and were located in other market areas and made unsupported adjustments to these comparable sales without market support indicating that Licensee did not understand or correctly employ the Sales Comparison Approach and the Income Approach to value. Licensee relied on an un-signed lease and the word of the lessee that lessee had a lease/purchase agreement for the property but failed to obtain a copy of said agreement or verify the existence of said agreement. Licensee then classified the existence of the lease as an Extraordinary Assumption instead of a Hypothetical Condition when additional research would have shown the appropriate label to apply to the terms. The use of an Extraordinary Assumption did not result in a credible analysis. Licensee had no market data or other documentation to support or justify adjustments made to comparables utilized in the Sales Comparison Approach to value. Licensee failed to verify the comparable sales utilized with a party to the transaction, licensee only used data sources as a verification source.

Licensee failed to obtain and analyze historical expense data for the subject property nor did the Licensee collect comparable market data for operating expenses in this market area. Licensee failed to research and report a current listing for the subject at the time of the assignment at a much lower price than the proposed sales contract. Licensee utilized

unsigned lease and sales contracts that were between parties that had no ownership interest in the property. One party claimed to have a lease/purchase agreement but licensee never obtained a copy of the supposed agreement but relied heavily on the unsigned lease and sales contract to formulate the opinion of value. **SCOPE OF WORK RULE, Scope of Work Acceptability, COMPETENCY RULE, Standards Rule 1-1(a), 1-1(b), 1-2(f), 1-4(a), 1-4(c)(i), 1-4(c)(ii), 1-4(c)(iv), 1-5(a), 2-1(a), USPAP, 2008-2009 Ed., §34-27A-20(a)(6), Code of Alabama, 1975.**