

DISCIPLINARY REPORT

July 17, 2014

AB-13-33 – On May 15, 2014, the Board approved a Consent Settlement Order with a Certified General appraiser Ray Brannum where Licensee agreed to pay an administrative fine of \$1,000 to the Board. The violations in the reports are as follow: The assignment was a Market Value appraisal. Licensee only considered sales of REO / Foreclosed properties and the work file did not contain data to determine if a condition of sale adjustment should have been made. The work file did not contain records of comparable sales of non- REO properties so it is assumed that only REO properties were considered as comparable sales. Licensee did not perform the income approach because the business had been closed for a substantial period of time demonstrating a lack of understanding of the use of the income approach in this assignment. Licensee developed an opinion of highest and best use for the subject and then used sales in the comparison approach of properties with uses different than Licensee’s opinion of highest and best use for subject. This indicated that the licensee did not correctly employ the Sales Comparison Approach. Licensee committed a substantial error of omission by not performing the income approach because the business had been closed for a substantial period of time. Licensee failed to analyze the comparable sales utilized that would produce a credible assignment result. The comparables were REO properties that did not meet the definition of Market Value used in the appraisal and the condition of sale should have been analyzed. Licensee has no support or justification in the appraisal report or the licensees work file for the depreciation utilized. There is also no discussion, support of justification in the report or work file for the depreciated value of furniture utilized in the final value of the Cost Approach. Licensee analyzed and reported the Highest and Best Use of the subject property as one thing but used comparable sales and cost data from properties with different use to develop the opinion of value reported in the report. Licensee reported on the cover page the report that a “limited appraisal report” was performed. It was also noted that in the cover letter the licensee states that “A full report with the Assumptions and Limiting Conditions follow”. It was also noted that in the licensees report under the Assumptions and Limiting Conditions section the licensee states “This Appraisal Report is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Limited Appraisal Report” the same statement is made on page 10 of the report under section titled “Type Appraisal and Report”. The licensee states that the income approach was considered but because the business “had been closed for an extended period of time” was not used. An appraisal measures future benefits in to a present value, therefore a business not being operational for an extended time is not a valid reason for not doing an Income Approach. **Violations: SCOPE OF WORK RULE, Standards Rule 1-1(a), 1-1(b), 1-4(a), 1-4(b)(iii), 2-1(a), 2-2, 2-2(b)(viii), USPAP, 2012-2013 Ed.**