



**Alabama Real Estate Appraisers
Board**

VOLUME 25 NO. 1

THE APPRAISER BULLETIN

SUMMER 2023

NEW PUBLIC PORTAL

The Alabama Real Estate Appraisers Board is excited to announce that you may now use our public portal at:
<https://alreab.imagetrendlicense.com/lms/public/portal#/login>.

You can use the portal for:

- Initial, upgrade and reciprocal appraiser application submissions
- Appraisal Management Company application submissions
- Appraiser license and AMC renewals
- Temporary Permit applications
- Printing license certificates and wallet cards
- Address/Business changes
- Exam results
- Payments
- Complaints against appraisers, AMC'S and education instructors

Education and Instructor applications will continue to be submitted using the current applications and mailed to the Board Office. We will announce the go live date for Education in the near future. The Renewal link will be added soon for any late renewals from 2022-2023 and will be available August 1st for 2023-2024 renewals.

Please note that correspondence received from the new licensing system will come from a noreply@ImageTrend.com address.

Please contact us at (334) 242-8747 with any questions.

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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 of the Board.

AB-20-14 and AB-20-17 On March 17, 2022, the Board approved a Consent Settlement Order with Certified Residential Real Property Appraiser **Sean Hollis, R00701**, on a residential appraisal report with two revisions. The appraiser agreed to pay an administrative fine of \$2,200.00 and complete a 15 hour USPAP course with proctored exam. The violations in the report were: Licensee did not give the client requested support and justification for the comparable sales selected or the adjustments made to the sales in the sales comparison approach to value. The client questioned whether the sales used supported the licensee's opinion of value and why similar sales more proximate to the subject were not utilized. Licensee submitted a revised report that did not address the questions about sales used and whether the sales supported the value opinion. When the client received a FNMA Repurchase Demand Letter and again asked the licensee to address the selection of sales and support for the adjustments to the sales, both issues FNMA and the client had with the report. Licensee eventually responded to the client "Appraiser has been appraising in this area for over 20 years and stands behind this appraisal. No changes needed." Again, the client contacted the licensee and asked for further detail, substantiation or explanation of the issues noted by FNMA and the client. The licensee then submitted a revised report to the client with several changes but did not address the comparable sales selected and the adjustments made to these sales. licensee submitted 3 reports to the client, the original report signed and dated October 4, 2018, a revised report signed and dated October 10, 2018 and a revised report signed and dated November 19, 2019. All the submitted reports had an effective date of value as of October 2, 2018. It was also noted that the licensee's submission to the Boards request for the appraisal reports and licensee's work file contained only one of the reports submitted to the client and that being the revised report dated November 19, 2019. It was noted that the licensee's workfile submitted to the Board did not have information and documentation necessary to support the appraiser's opinions and conclusions and his compliance with USPAP.

Licensee reported an opinion of site value for the subject property and stated it "was obtained through market extraction which was supported by MLS lot sales in subject area.' but licensee gives no data or analyzes to support this value. Licensee did have some MLS printouts in the work file but no analyzes of these sales.

***THE ALABAMA REAL ESTATE APPRAISERS BOARD DOES NOT
ACCEPT ANONYMOUS COMPLAINTS***

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Licensee made several large adjustments to the comparable sales used in the Sales Comparison Approach to value without market support or explanation in the report or work file and used sales that did not. The licensee did not correctly employ the recognized method and technique of the sales comparison approach. The engagement letter specified that the report must meet Fannie Mae guidelines. Licensee used comparable sales that did not meet Fannie Mae guidelines. Sales two and three were superior to the subject property in quality. Licensee did not provide an explanation why the comparable were used when more proximate sales were available. Comparable sale 3 had an actual age of three years compared to the subject actual age 25 years with no adjustment. Licensee did not provide an explanation why this sale was used. Comparable two was superior to the subject in gross living area. The subject was 3,566 square feet and Comparable two GLA of 6,200 square feet. The licensee did not provide an explanation why this comparable was used or support the adjustment for the difference in GLA.

The sales comparison approach is not credible because of the lack of support. Licensee stated that the subject property was built in 1993 for an actual age of 25 years. Licensee then states that the subject has an effective age of 10 years. Licensee states that the residence is in good condition and that the kitchen and bathrooms were remodeled less than one year ago but does not state what was done in the remodel. Licensee gives no support for his estimate of effective age other than his observation. The licensee did not correctly employ the recognized method and technique of the sales comparison approach. Licensee utilized comparable sales that did not fit in with Fannie Mae guidelines. Sale two was superior to the subject in GLA and sale three was superior to the subject property in age. Licensee did not provide an adequate explanation why the comparable were used, when more similar sales were available. Comparable sale 3 was much newer, a three-year-old house compared to the subject, a 25-year-old house. Comparable two was superior to the subject in gross living area. The subject was 3,566 square feet as compared to comparable two being 6,200 square feet. Licensee made several large adjustments in the Sales Comparison Approach without market support or explanation in the report or work file. This makes the sales comparison approach non-credible due to lack of support. In the Cost Approach, the licensee states the site value was developed through the use of market extraction which was supported by MLS lot sales but there is no data or analysis in the report or in the work file to support this value. Because there is no support the site value is not credible.

In the third revision of the report, Licensee corrected the sales history of the subject and reported a prior sale of the property on May 7, 2018 with sales price of \$312,000. There is no analysis of the sale in Licensee's report where the value opinion of the subject as of October 2, 2018 is \$550,000.00. Licensee's report failed to have sufficient information to support by relevant evidence and logic the licensee's opinions and conclusions. The intended users could not properly understand the report as demonstrated by the client and intended user multiple requests for additional information.

AB-20-22 On May 26, 2022, the Board approved a Consent Settlement Order with a Certified General Real Property Appraiser on a commercial appraisal report. The appraiser agreed to a private reprimand, to pay an administrative fine of \$1,375.00 and to complete a 15 hour USPAP course with proctored exam. The violations in the report were: In the sales comparison approach, Licensee utilized sales of property that do not appear to be arms length transactions. The

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properties were purchased by a government entity or its agent for redevelopment. Most of the sales were improved properties that were not on the market. A search of the market revealed that there were other vacant land sales closer in proximity and more comparable to the subject property with sales prices significantly less than the sales used by Licensee. It was also noted that the licensee ignored at least five sales of vacant commercial land tracts that sold in the time period of this assignment for a much lower value than the licensee's opinion of value. The licensee also used a direct sales approach to take sales of improved commercial properties that were not similar to the subject property and without support, valued the land and subtracted this land value from the sales price to arrive at a contributory value of the improvements and then without support, apply a value to the subjects' improvements which was then added to the inflated site value to arrive at the opinion of value. The licensee also utilized an income approach to value but did not follow accepted appraisal practices to develop the opinion of value. The licensee utilized rental data from the client without supporting documentation as the basis of potential gross income. Licensee did not do the research and analysis of comparable income and expenses to use in his estimate of potential gross income and expenses and Licensee had no comparable data to use in his estimate of potential gross income and expenses which makes this opinion non-credible or not worthy of belief. The licensee did not correctly employ the recognized the method and technique of the sales comparison approach. Licensee utilized sales that did not meet his definition of market transactions. These sales were purchases by a government or their agent for redevelopment and due to the motivation of the buyer, (government wanting property for redevelopment) and the condition of the sales, (property not exposed on the market by owner for a reasonable time, and government's eminent domain powers) these factors were not in the Licensee's definition of market transactions. Licensee had no support in using these sales. This makes the sales comparison approach non-credible due to lack of support. The licensee also utilized an income approach to value but did not follow accepted appraisal practices to develop his opinion of value. The licensee utilized rental data from the client without supporting documentation to base his potential gross income on. Licensee had no comparable data to use in his estimate of potential gross income and expenses which makes this approach non-credible, not worthy of belief. Licensee made at least 12 errors from misstating the type of appraisal being performed, the type of appraisal report produced, to inaccurate proximity of comparable sales to the subject property. Licensee states in the Scope of Work section of the report that Market data was researched and analyzed but there was no support for the adjustments made in the sales comparison approach to value and the report does not contain data to support the statement that market data was researched fully. There was no summary of the information analyzed and the reasoning that supports the analyses, opinions, and conclusions in the report.

AB-20-10 On July 28, 2022, the Board considered the Recommendation of the Administrative Law Judge from a hearing on February 14, 2022 in the case of **Judith E. Haney**, Certified Residential Real Property Appraiser **R00660**. After considering the Recommendation and the evidence in the case, the Board issued a private reprimand for the following:

"The respondent made a dollar-for-dollar adjustment for sales concessions which is not in accordance with FHA guidelines. Adjustments to the comparable sales must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs, which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions."

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The appraiser shall "not render appraisal services in a careless or negligent manner, such as by making a series of errors that, although individually might not significantly affect the results of an appraisal in the aggregate affects the credibility of those results. Ms. Haney did not use due diligence nor due care in her rendering of the appraisal services. Accordingly, Ms. Haney is in violation of Code of Alabama (1975), §34-27A-23 which states that "a licensed real estate appraiser shall comply with the current Uniform Standards of Professional Appraisal Practice approved by the board."

AB-21-09 On September 22, 2022, the Board approved a Consent Settlement Order where the Licensee agreed to a private reprimand, a \$2000.00 administrative fine and completion of a 15 hour USPAP course with an exam. The violations are:

Licensee violated the Preamble, Ethics Rule and Ethics Rule Confidentiality Provision when he posted interior photographs made by the appraiser for the appraisal of the subject property on his Facebook page. During the investigation, Licensee did not acknowledge that the disclosure was improper because he did not include the address and client identity in the post. Licensee claims to post many things on his Facebook page. Licensee stated that the comments to the post on Facebook resulted in his deleting the post. There were questions concerning the different ages of the comparable sales utilized in the appraisal, as well as the fact the smallest comparable with the smallest acreage, sold for the highest sale price. Licensee indicated that he made no adjustment for age as he considered them equivalent. However, there was no indication of the effective age of the improvements. Licensee also indicated that there was probably a location consideration for this sale. This was not indicated in the appraisal. The licensee failed to analyze pertinent information relevant to the development of the Sales Comparison Approach to value. The Licensee failed to adequately report and discuss the information relevant to the development of the Sales Comparison Approach to value.

AB-21-11 On September 22, 2022, the Board approved a Consent Settlement Order where **Barry Neal Hickman R01187** agreed to pay an administrative fine of \$625. 00. The violations in the report are: The licensee did not correctly employ the sales comparison approach. Licensee made several large adjustments to the comparable sales without market support or explanation in the report or work file. This makes the sales comparison approach non-credible due to lack of support. The licensee states in the report that the condition of the subject is C3- no updates in the 15 years prior to February 10, 2021. Licensee ignored reliable sources for property characteristics such as MLS data and property owner's statements The licensee has the MLS listing in the work file dated 1/11/2019 that contradicts the licensee's statement in the report. The MLS states new hardwood floors, professional painted, newer cabinets on bathrooms, tiled bathroom upstairs, newer appliance. The property owner states that "all kitchen cabinets, all bathroom floors, shower, toilet's, cabinet's, sink remodeled" also stated new hardwood floor.

The licensee did not do an analysis of the subjects highest and best use. The licensee only checked a box stating that the subjects highest and best use was its current use. An appraiser must analyze the relevant legal, physical, and economic factors to the extent necessary to support the appraisers highest and best use conclusion.

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Under Site value the licensee states the site value was developed through the use of market extraction which was supported by MLS lot sales but gives no data or analyzes to support this value. Licensee's reporting of data and opinions and conclusions that were not supported by relevant evidence or logic make this report misleading.

Licensee did not correctly indicate the condition of the subject property in that he stated no remodeling in 15 years when there was evidence that there had been remodeling which makes the report misleading. Licensee states in the Scope of Work section of the report that Market data was researched and analyzed but there was no support for the adjustments made in the sales comparison approach to value and the report does not contain data to support the statement that market date was researched fully. There was no summery of the information analyzed and the reasoning that supports the analyses, opinions, and conclusions in the report.

AB 21-23 On September 22, 2022, the Board approved a Consent Settlement Order where **Veronica M. Underwood R00801** agreed to pay an administrative fine of \$1,000.00 and complete a 15 hour USPAP course with exam. The violations in the report are: The workfile does not contain data or documents that the Licensee says in the report are in the workfile and does not contain data or documents to support the appraiser's opinions and conclusions and to show compliance with USPAP. The licensee did not have market support or explanation for the large adjustments in the Sales Comparison approach or the cost approach for the site value. When there is no support for opinions, the opinion is not credible.

The licensee excluded finished area on the second floor and misstated the GLA of the subject by about 300 square feet which caused substantial errors in the licensee's analysis to arrive at the opinion of value. The appraisal report stated that property values in the subject neighborhood were stable, that Demand/Supply was in balance and that Marketing Time was 3 to 6 months. Investigation of the market conditions reported in the local MLS along with a review of the market condition addendum Licensee included in the report show that neighborhood property values were increasing, that demand was greater than supply and marketing time was decreasing. Because Licensee classified about 300 SF of finished space on the second floor of the subject as unfinished and excluded it from the GLA, Licensee's research and analysis in the sales comparison approach was of data that was not comparable to the subject or alternatively, the adjustments did not reflect an accurate difference in the subject and the sales. Under Site value the licensee states the site value was developed through the use of land sales but gives no data or analysis to support this value. Licensee did not correctly indicate the physical and economic characteristics of the subject property in that the licensee excluded finished area from the GLA.

The appraisal report stated that property values in the subject neighborhood were stable, that Demand/Supply was in balance and that Marketing Time was 3 to 6 months. Investigation of the market conditions reported in the local MLS along with a review of the market condition addendum Licensee included in the report show that neighborhood property values were increasing, that demand was greater than supply and marketing time was decreasing. Comparable sales one and two sold for more than listing price, for sale one after 2 days on the market and for comparable sales 2 and 3 on the day of listing. This indicates Demand and supply is out of balance and that

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marketing time is under 30 days. Licensee misstated the economic characteristics of the subject neighborhood which is misleading. Licensee reported but did not include any analysis of the prior sale of the subject.

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 21-03: The appraiser does not appropriately analyze or address the four criteria relative to the highest and best use of the property. The highest and best use should contain a more thorough explanation. There is no consistency nor support in the application of the fireplace adjustment in the Sales Comparison Approach. The appraiser has indicated MVS as the source of the cost for the improvements. However, there is no support in the appraisal or work file. More explanation supporting the reconciled final estimate of value is needed. The appraisal lacks discussion and explanation for adjustments as well as support and reasoning for the reconciled final opinion of value.

AB 21-21: The report contains adjustments to the comparable sales that Licensee says are from his knowledge of the market. Licensee is required to have the data, information and documentation to back up the report in the workfile.

AB 21-35: True copies of all reports issued for this assignment were not in the workfile. Adjustments in the sales comparison approach were not supported. MLS photos were used for comparable sales contrary to assignment conditions and with no explanation. The report states that neighborhood property values were stable, Demand/Supply was in shortage and that Marketing Time was 3 to 6 months. The Market Condition Addendum in the report contradicts, it shows values increasing, Demand/Supply not in balance and Marketing Time declining.

THINGS FOR THOUGHT

WORDS HAVE MEANING:

Development of an appraisal is measured by being credible.

Appraisal reports are measured by containing sufficient information. Containing sufficient information for the intended user and not being misleading.

Appraisal...

• It is not just an opinion of value but is a supportable opinion of value.

I can give opinion that a swimming pool adds \$10,000 in value to a property, but without support as to where and how you come up with the value it's just an opinion.

Analyze - to study or determine the nature and relationship of the parts of by analysis. Analysis is a careful study of something to learn about its parts, what they do, and how they are related to each other or, an explanation of the nature and meaning of something.

Summarize - to tell in or reduce to a summary. Summary means using few words to give the most important information about something.

STANDARDS RULE 2-1(a) Each written or oral real property appraisal report must: clearly and accurately set forth the appraisal in a manner that will not be misleading.

STANDARDS RULE 2-2(a) CONTENT OF A REAL PROPERTY APPRAISAL REPORT.

Each written real property appraisal report must be prepared under one of the following options and prominently state which option is used: Appraisal Report or Restricted Appraisal Report.

The report content and level of information requirements in this Standards Rule are **minimums** for each type of report. An appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraisal is not misled and that the report complies with the applicable content requirements.

(b) contain **sufficient** information to enable the intended user(s) of the appraisal to understand the report properly.

(x) provide **sufficient information to indicate that the appraiser complied with the requirements of STANDARD 1.**

(With no summary of the contract information analyzed in the appraisal report by the licensee, does this not indicate that the licensee has not complied with Standard 1-5(a).)

(With no analyzes of the four factors for Highest and Best Use not being summarized in the appraisal report by the licensee, does this not indicate that the licensee has not complied with Standard 1-3(b).)

(With no information summarizing the support for adjustments made to comparable sales in the sales comparison approach to value being in the appraisal report, does this not indicate that the recognized method and technique utilized were not understood, and correctly employed to produce a credible appraisal indicating that Standard 1-1(a) and Standard 1-4 (a) were not complied with.)

Contract Analyzes

What does it mean “analyze the contract”?

USPAP Standard Rule 1-5(a) states that a contract has to be analyzed and Standard Rule 2-2(a)(x) (3) states that you have to report a summary the results of your analyzes. FHA, Fannie Mae and VA guidelines require the same as USPAP. It is noted that USPAP states in Standard Rule 2-1(b) Each appraisal report must contain sufficient information to enable the intended users of the appraisal to understand the report properly, also Standard Rule 2-2(a)(x) states an appraisal report must at a minimum provide sufficient information to indicate that the appraiser complied with the requirements of Standard 1.

If Licensee states contract is an “Arm’s Length Sale” then the licensee must analyze the contract to the definition of Market Value. The terms and conditions of the transaction. Each of these five items, that are terms and conditions, and that are a part of the definition of Market Value should be analyzed and the analyzes reported in the appraisal report.

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised and acting in what they consider their own best interests.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

It is noted that Definition of Arm’s Length Transaction by FHA in Handbook 4000.1 page 579, refers to a transaction between unrelated parties and **meets the requirements of Market Value.**

It is also noted that USPAP Advisory Opinion 1, starting on line 42 of the 2020-2021 USPAP Edition, “Analysis of sales, offerings, etc., as referenced in Standards Rule 1-5, requires more than just stating the known facts about the transaction. Each pertinent factor should be examined individually, methodically, and in detail, to ascertain whether it has relevance to, or potential impact on, the transaction and potentially other assignment results, including the opinion of market value.”

Highest and Best Use

Factors to consider in Highest and Best Use:

- Physically Possible?
- Legally Permitted?
- Financially Feasible?
- Maximally Productive?

Standards Rule 1-3:

When necessary for credible assignment results in developing a market value opinion, an appraiser must:

(b) develop an opinion of the highest and best use of the real estate.

Comment: An appraiser must analyze the relevant legal, physical, and economic factors to the extent necessary to support the appraisers highest and best use conclusion(s).

But Standards Rule 2-2 (a) (xii) stats:

“When an opinion of highest and best use was developed by the appraiser, summarize the support and rationale for that opinion.”

What this says to me is the licensee has to analyze the four factors and has to put a summary of the analyzes in the appraisal report.



RENEWAL REMINDER

Renewal period will begin August 1, 2023.

All renewals should be submitted to reach the Board office by September 30, 2023.

Continuing education will be required with this renewal. Education must have been taken since October 1, 2021. 7 of the 28 hours must be the National USPAP Update. All renewals should be submitted online or by mail to reach the Board office no later than September 30, 2023 to keep your license valid. The delinquent charge if not received by October 31, 2023 is \$250.

All renewals and renewal fees can be submitted online through our public portal at <https://alreab.imagetrendlicense.com/lms/public/portal#/login>. Paper renewal forms can be accessed through our website at www.reab.state.al.us.

CALENDAR

The Alabama Real Estate Appraisers Board meets on the third Thursday every other month unless there is a need to reschedule or have special called meetings. If committee meetings are scheduled they will be held on the Wednesday afternoon before the meeting on Thursday. If a disciplinary hearing is scheduled the regular meeting and hearing is typically scheduled on Thursday. Meeting notices are now published in advance on the Secretary of State's website at www.sos.state.al.us/aloma/. Continuing education credits are available for Board meeting attendance. Most meetings and all disciplinary hearings are held at the Board offices in Montgomery. All licensees are urged to attend Board meetings. When you plan to attend a meeting please call the Board office in advance to confirm the particulars of time and location.

2023 TENTATIVE MEETING SCHEDULE

January 19, 2023
March 16, 2023
May 18, 2023
July 20, 2023
September 21, 2023
November 16, 2023

**Alabama Real Estate
Appraisers Board**

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CHANGE OF ADDRESS FORM

In accordance with the Code of Alabama, 1975, §34-27A-16, which requires **IMMEDIATE** written notification to the Board of changes in business and resident addresses, **PLEASE CHANGE MY ADDRESS TO:**

Business: (Preferred Mailing ____)	Home: (Preferred Mailing ____)
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_____	_____
Telephone No.: _____	Telephone No.: _____
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