

MINUTES
ALABAMA REAL ESTATE APPRAISERS BOARD
RSA UNION STREET
SUITE 370
MONTGOMERY, ALABAMA
May 18, 2017

MEMBERS PRESENT:

Mr. Dennis Key (Chairman)
Mr. Lew Watson (Vice-Chairman)
Ms. Patrice McClammy (arrived at 9:17 a.m.)
Mr. Billy Cotter
Mr. Robert Butler
Mr. Richard D. Pettey
Ms. Angie Frost

MEMBER ABSENT:

Mr. Christopher Baker
Mr. Edmond G. Eslava, III

OTHERS PRESENT:

Mrs. Lisa Brooks, Executive Director
Ms. Neva Conway, Legal Counsel
Mrs. Carolyn Greene, Executive Secretary
Mr. Joe Dixon, Investigator
Mr. Sam Davis, Investigator

GUESTS PRESENT:

Mr. Jason Reid, Regulatory Affairs Director, Home Builders Association of Alabama
Mr. Russell Davis, Executive Vice-President, Home Builders Association of Alabama
Ms. Sharon Goldman, Certified Residential Appraiser, Ashland

- 1.0 With quorum present, Mr. Dennis Key, Chairman, called the meeting to order at 9:09 a.m. Mrs. Carolyn Greene, Executive Secretary, recorded the minutes. The meeting was held in the 3rd Floor Conference Room, 100 North Union Street, Montgomery, Alabama. Prior notice of the meeting was posted on the Secretary of State's website on March 8, 2017 in accordance with the Alabama Open Meetings Act.
- 2.0 The meeting was opened with prayer, led by Mr. Cotter, and the Pledge of Allegiance, led by Mr. Key.
- 3.0 Members present were, Mr. Billy Cotter, III, Mr. Richard D. Pettey, Ms. Patrice McClammy, Mr. Robert Butler, Mr. Dennis Key, Mr. Lew Watson, and Ms. Angie Frost. Members absent were Mr. Christopher Baker and Mr. Edmond G. Eslava.

4.0 On motion by Mr. Watson and second by Ms. Frost, the regular minutes for March 16, 2017 and the corrected minutes for March 17, 2016, July 21, 2016 and November 17, 2016 were approved as written. Motion carried by unanimous vote.

5.0 Ms. Conway informed the Board that Mr. David Burns (AB-15-33) had filed a Petition for Judicial Review and Request for Stay in the Circuit Court for Tuscaloosa County, however the Board has not been served to date.

Mr. Jason Reid, Regulatory Affairs Director, Home Builders Association of Alabama, addressed the Board regarding the proposed amendment to 780-X-13-.01, Adoption of Uniform Standards of Professional Appraisal Practice. After discussion, on motion by Ms. Frost and second by Mr. Pettey, and with Mr. Cotter abstaining, the Board voted to adopt 780-X-13-01 as written. Motion carried.

Ms. Conway informed the Board that she is working with the Attorney General's office to begin litigation against Q-Integrated.

6.0 Mr. Butler suggested that Ms. Conway bring legislative matters to the Legislative Committee for discussion going forward prior to bringing the matters to the Board.

Ms. Conway informed the Board that the last day of the Regular Legislative Session is scheduled to be Friday, May 19th. Mr. Watson and Mr. Cotter have been re-confirmed.

7.0 On motion by Mr. Watson and second by Mr. Cotter, the following applications were voted on as listed. Motion carried by unanimous vote.

7.1 **Trainee Real Property Appraiser application approved:** Briana Looney McConnell. **Applications deferred:** None. **Applications denied:** None.

Trainee Real Property Appraiser Experience Logs for Review: Log approved: Steven A. Pharr. **Logs deferred:** Brian Bernstein and Casey Kitchens. **Logs denied:** None.

7.2 **State Registered Real Property Appraiser applications approved:** None. **Applications deferred:** None. **Applications denied:** None.

7.3 **Licensed Real Property Appraiser applications approved:** None. **Applications deferred:** None. **Applications denied:** None.

7.4 **Certified Residential Real Property Appraiser applications approved:** Lauren McGarry Brown, M. L. Bonsal Henry (Recip)(NM), and Michael William Lowery. **Application deferred:** Randall Shain Clark. **Applications denied:** None.

7.5 **Certified General Real Property Appraiser applications approved:** Scott Anderson, John Michael Berg (Recip)(TN), Paul Doolittle Hardin (Recip)(MS), Craig Stephen Huber (Recip)(TN), John Rion Price, and John Michael Stoutamire (Recip)(GA). **Applications deferred:** None. **Applications denied:** None.

7.6 **Mentor applications approved:** James Baker, and Susan Rice. **Application deferred:** Amy Ivey. **Applications denied:** None.

8.0 Mr. Pettey presented the Finance report and stated that the Board was 59% into Fiscal Year 2017 and 47% into budget expenditures. Mrs. Brooks stated that there were no negative trends that could not be reconciled at this time. On motion by Mr. Watson and second by Mr. Butler, the Board voted to approve the Finance Report. Motion carried by unanimous vote.

Mr. Pettey voiced his concerns regarding the Board's finances. After a lengthy discussion, Ms. McClammy suggested increasing appraiser's license fees as soon as possible.

9.0 On motion by Mr. Pettey and second by Mr. Watson, the following education courses and instructor recommendations were approved, deferred, or denied as indicated. Motion carried by unanimous vote.

APPRAISAL INSTITUTE – ALABAMA CHAPTER

New Applications:

(CE) Hot Topics & Myths in Appraiser Liability – 3 Hours – Classroom
(Instructor: Peter Christensen)
Both Course and Instructor Approved

(CE) Subject Matter Expert Round Table – 4 Hours – Classroom
(Instructor: Jerry Roberson, Howard Porter, Leslie Sellers and Mandell Tillman)
Both Course and Instructors Approved

APPRAISAL INSTITUTE – CHICAGO CHAPTER

New Application:

(CE) Analyzing Tenant Credit Risk 7 Commercial Lease Analysis (Synchronous) – 7 Hours – Online
(Instructor: Robert Moorman)
Both Course and Instructor Approved

INTERNATIONAL RIGHT OF WAY ASSOCIATION

New Applications:

- (CE) 400-Principles of Real Estate Appraisal – 16 Hours – Classroom
(Instructor: Christina Thoreson)
Both Course and Instructor Approved
- (CE) 803-Eminent Domain Law Basics for ROW Professionals – 16 Hours – Classroom
(Instructor: Joseph Neighbors)
Both Course and Instructor Approved

MCKISSOCK, LP

New Applications:

- (CE) REO Appraisal: Guidelines and Best Practices - Live Webinar – 4 Hours – Online
(Instructors: Dan Bradley, Josh Walitt, Steven Craddock, Robert McClelland and Steve Maher)
Both Course and Instructors Approved
- (CE) The New FHA Handbook 4000.1 – Live Webinar – 5 Hours – Online
(Instructor: Steve Maher)
Instructor Approved
- (CE) Issues in Appraiser Liability – Live Webinar – 4 Hours – Online
(Instructor: Steve Maher)
Instructor Approved
- (CE) Fannie Mae Appraisal Guidelines – Live Webinar – 4 Hours – **Classroom**
(Instructor: Steve Maher)
Instructor Approved
- (CE) Expert Witness Testimony: To Do or Not to Do – Live Webinar – 4 Hours – Online
(Instructor: Steve Maher)
Instructor Approved
- (CE) Appraisal Practices of Manufactured Housing – 4 Hours – Online
(Instructor: Steve Maher)
Instructor Approved
- (CE) Analyze This! Applications of Appraisal Analysis – Live Webinar – 4 Hours – Online
(Instructor: Steve Maher)
Instructor Approved

- (CE) Adjustment Support for Residential Appraisers – Live Webinar – 4 Hours – Online
(Instructor: Steve Maher)
Instructor Approved
- (CE) Adjustments: Supported or Not Supported? – Live Webinar – 5 Hours – Online
(Instructor: Steve Maher)
Instructor Approved
- (CE) A Review of Disciplinary Cases – Live Webinar – 3 Hours – Online
(Instructor: Steve Maher)
Instructor Approved
- (CE) Work File: Your Best Defense Against an Offense – Live Webinar – 4 Hours – Online
(Instructor: Steve Maher)
Instructor Approved
- (CE) Recognizing Mortgage Fraud and Its Effects – Live Webinar – 4 Hours – Online
(Instructor: Steve Maher)
Instructor Approved

Mr. Cotter reported that Mr. Eslava has scheduled a date in June for the next 'Common Mistakes Found in Appraisals' course offering.

Mr. Cotter made a motion that the Board members attempt to secure venues for the Board sponsored course that would be at no cost to the Board. Mr. Cotter revised his motion to set a \$500 limit on the rental fee if the venue cannot be secured at no cost. Mr. Watson seconded the motion. Motion carried by unanimous vote.

Mr. Key asked Ms. Conway to contact IFA about possibly sponsoring the course to be held in Mobile.

Ms. McClammy suggested contacting the University of Alabama at Huntsville and junior colleges in the area. She also said that she would make some calls regarding venues.

Course evaluations from the April 26th course offering were included for Board information.

The following appraisal course monitor reports by Mr. Joe Dixon were included for Board information:

- Residential Appraisal Review and USPAP Compliance, taught by the National Association of Independent Fee Appraisers on March 14, 2017.
- Condemnation Appraising: Principles & Applications, taught by the Appraisal Institute – Alabama Chapter on April 17-19, 2017.

10.0

AB 14-20 On March 16, 2017, the Board approved a Consent Settlement Order from Austin S. Kimberly, Jr., G00389 where the Licensee agreed to pay an administrative fine of \$500 and complete additional education on the cost approach. The violations cited in the report were: The workfile was incomplete, it only contained copies of multiple listings of the sale, tax data sheets for the subject and copies of the deed for the sale, there was no data to support adjustments in sales comparison approach or in support of income, occupancy or expenses used in income approach. Work file was supplemented with a rent and vacancy survey but still lacked support for Licensee's opinions and conclusions.

Adjustments must be supported with market data. Licensee used actual income of the subject property and did not determine market rents, occupancy and normal expenses which indicate that the Licensee did not understand the income approach to value. Licensee committed a substantial error by not making adjustments to two comparable properties that were significantly different from Subject. Licensee committed a substantial error by using the actual income for the subject property from the prior year and not estimating potential gross income, market occupancy rates and normal operating expenses. Licensee failed to verify the comparable sales utilized in the report with a party to the transaction, instead utilizing what was labeled in the report as the Indirect Method of Verification. The Licensee mentions several types of "indirect verification" sources such as data reporting services, multiple listing services or another appraiser. It is noted that The Appraisal of Real Estate, Thirteenth Edition, page 305 states "Referencing public records and data services does not verify a sales transaction. It simply confirms that a transaction was recorded. Similarly, referencing the source of secondary data only confirms its existence and does not verify the transaction. Licensee failed to properly analyze the comparable rental data or potential gross income of the subject, instead licensee utilized actual current income. **Violations: Record Keeping Rule; Competency Rule; Standards Rule 1-4(a); Standards Rule 1-4(c)(i); Standards Rule 2-2(b)(viii); USPAP, 2014-15 Ed.**

AB 14-21 On March 16, 2017, the Board approved a Consent Settlement Order from Walker Reynolds, III, R01062 where the Licensee agreed to pay an administrative fine of \$500 and complete additional education on the cost approach. The violations cited in the report were: The workfile was incomplete, it only contained copies of multiple listings of the sale,

tax data sheets for the subject and copies of the deed for the sale, there was no data to support adjustments in sales comparison approach or in support of income, occupancy or expenses used in income approach. Work file was supplemented with a rent and vacancy survey but still lacked support for Licensee's opinions and conclusions.

Adjustments must be supported with market data. Licensee used actual income of the subject property and did not determine market rents, occupancy and normal expenses which indicate that the Licensee did not understand the income approach to value. Licensee committed a substantial error by not making adjustments to two comparable properties that were significantly different from Subject. Licensee committed a substantial error by using the actual income for the subject property from the prior year and not estimating potential gross income, market occupancy rates and normal operating expenses. Licensee failed to verify the comparable sales utilized in the report with a party to the transaction, instead utilizing what was labeled in the report as the Indirect Method of Verification. The Licensee mentions several types of "indirect verification" sources such as data reporting services, multiple listing services or another appraiser. It is noted that The Appraisal of Real Estate, Thirteenth Edition, page 305 states "Referencing public records and data services does not verify a sales transaction. It simply confirms that a transaction was recorded. Similarly, referencing the source of secondary data only confirms its existence and does not verify the transaction. Licensee failed to properly analyze the comparable rental data or potential gross income of the subject, instead licensee utilized actual current income. **Violations: Record Keeping Rule; Competency Rule; Standards Rule 1-4(a); Standards Rule 1-4(c)(i); Standards Rule 2-2(b)(viii); USPAP, 2014-15 Ed.**

Ms. Conway discussed with the Board the investigative status charts. Ms. Conway informed the Board 4 new complaints were received since the March 2017 Board meeting, 14 complaints were dismissed, and 3 complaints were settled, leaving a total of 25 open complaints.

11.0 The Board reviewed Probable Cause Report **AB-16-09**: With Mr. Butler recusing, on motion by Ms. McClammy and second by Mr. Pettey, the Board voted that probable cause does exist and to set this case for hearing. Motion carried by unanimous vote.

The Board reviewed Probable Cause Report **AB-16-10**: With Mr. Butler recusing, on motion by Mr. Pettey and second by Ms. McClammy, the Board voted that probable cause does exist and to set this case for hearing. Motion carried by unanimous vote.

The Board reviewed Probable Cause Report **AB-16-39**: With Mr. Watson recusing, on motion by Ms. Frost and second by Mr. Cotter, the Board voted that probable cause does exist and to set this case for hearing. Motion carried by unanimous vote.

The Board reviewed Probable Cause Report **AB-16-40**: With Mr. Watson recusing, on motion by Ms. Frost and second by Mr. Pettey, the Board voted that probable cause does exist and to set this case for hearing. Motion carried by unanimous vote.

The Board reviewed Probable Cause Report **AB-16-33**: With Mr. Watson recusing, on motion by Mr. Cotter and second by Mr. Butler, the Board voted that probable cause does not exist and to dismiss this case. Motion carried by unanimous vote.

The Board reviewed Probable Cause Report **AB-16-31**: With Mr. Watson recusing, on motion by Ms. Frost and second by Mr. Butler, the Board voted that probable cause does not exist and to issue a Letter of Counsel. Motion carried by unanimous vote.

The Board reviewed a Request for Board Initiated Complaint **AB-17-06**: On motion by Ms. Frost and second by Mr. Cotter, the Board voted to open a formal investigation. Motion carried by unanimous vote.

12.0 There were no Negotiated Settlements to review at this time.

13.0 The following reciprocal licenses were issued since the March Board meeting: John Michael Berg ('G' TN), Paul Doolittle Hardin ('G' MS), M. L. Bonsal Henry ('R' NM), Craig Stephen Huber ('G' TN), and John Michael Stoutamire ('G' GA).

14.0 The Temporary Permit report was provided to the Board for their information.

15.0 The Appraisal Management report was provided to the Board for their information.

16.0 Mr. Watson reported on the Association of Appraisal Regulatory Officials Spring Conference.

Mrs. Brooks included a quote for a new computer for Mr. Davis, and discussed the Board's iPads with the Board. On motion by Mr. Cotter and second by Ms. McClammy, the Board voted for Mrs. Brooks to purchase a new laptop for Mr. Davis and to delay a decision on the iPads or alternatives until the new Fiscal year. Motion carried by unanimous vote.

Mrs. Brooks ask the Board to approve her selection the Ford Fusion as the new vehicle purchase. On motion by Ms. Frost and second by Mr. Watson, the Board voted to approve the purchase of the vehicle.

Mrs. Brooks included the Alabama Department of Examiners of Public Accounts report for Board information.

Mrs. Brooks reminded the Board that annual elections for Chairman and Vice-Chairman will need to be held at the July Board meeting.

17.0 Mrs. Brooks discussed the Customary and Reasonable Fee Study. She included an email from Dr. David Turnipseed, for Board information, and stated that 376 responses had been received to date.

Ms. Conway discussed the Verbal Consultation on a Conservation Easement Appraisal Contract.

18.0 Mr. Key discussed a Statute of Limitations Bill recently passed by the state of Tennessee.

19.0 At 11:52 a.m., on motion by Ms. Frost and second by Mr. Watson, the Board voted to adjourn the regular Board meeting. Motion carried by unanimous vote. The Board's tentative meeting schedule for the 2017 is July 20, 2017, September 21, 2017 and November 16, 2017 in the 3rd Floor Conference Room, 100 North Union Street, Montgomery, Alabama.

Sincerely,

Carolyn Greene
Executive Secretary
/cg

APPROVED: _____
Dennis Key, Chairman