



COLORADO

Department of
Regulatory Agencies

Division of Real Estate

Summary of BOREA Investigations

Complaint Stats for Prior 12 Months

Active Complaints Being Investigated	Stats for Prior 12 Months: July 2017 - June 2018						
	New Complaints Received	Complaints Investigated	Disposition				
			Intake Dismissal	Investigative Dismissal	Conditional Dismissal (with education)	Delegated Authority	Referred To Board
87	151	255	29	37	80	34	75
			11.4%	14.5%	31.4%	13.3%	29.4%

57.25%

BOREA Checklist for Investigations

Generally follows the FNMA 1004 layout

- Neighborhood and Market Analyses
- Site and Improvement Description
- Highest and Best Use Analysis
- Verification of Data
- Sales Comparison Approach, Comparable Selection and Adjustments
- Reconciliation of Sales Comparison
- Sale/Transfer Histories
- Cost Approach
- Income Approach
- Reconciliation of Approaches to Value
- Scope of Work
- Reporting



Neighborhood and Market Analyses

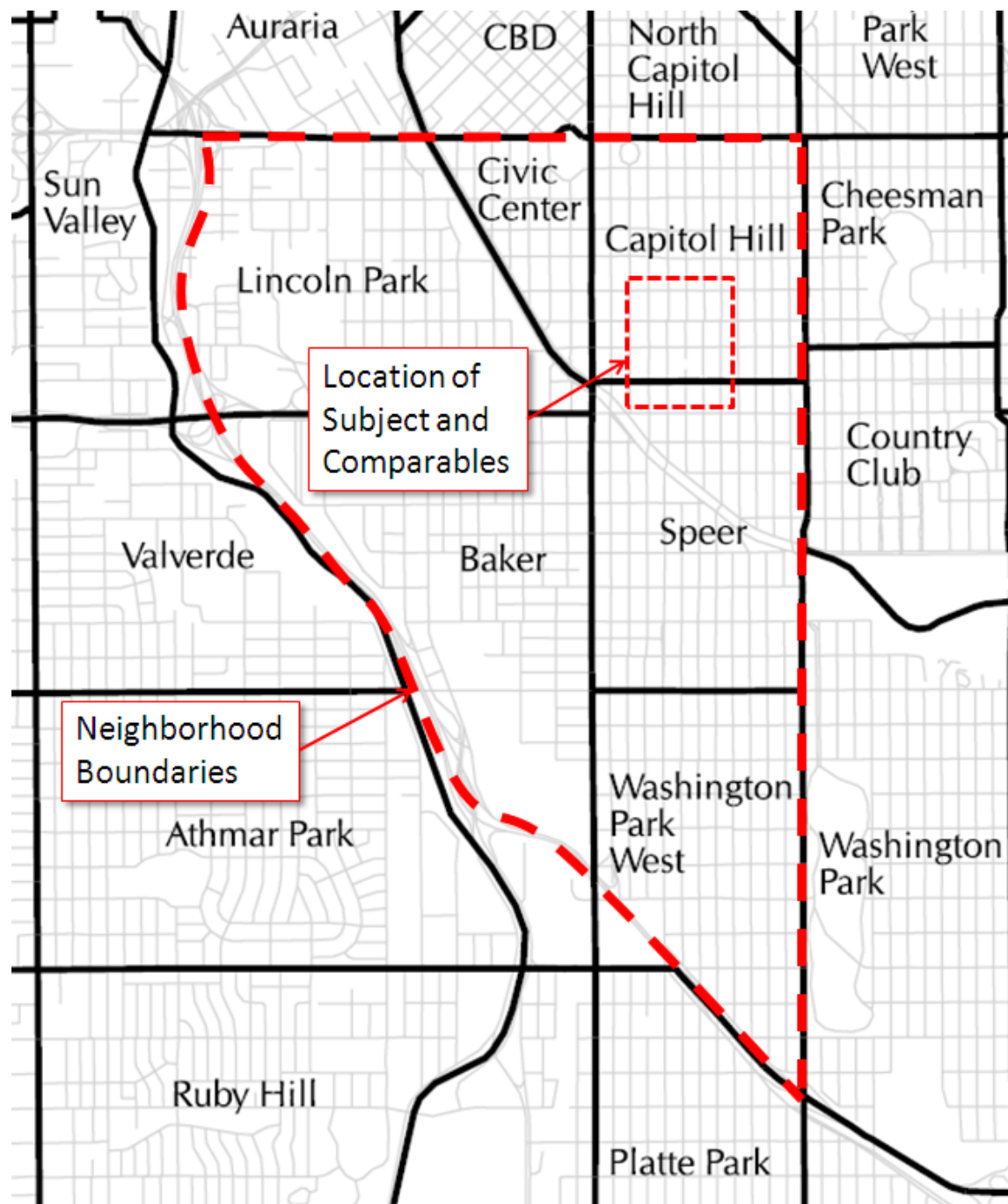
- Examine a satellite image of the neighborhood
 - Reasonable neighborhood boundaries?
 - Reasonable land use percentages?
- Analyze “unfiltered” neighborhood sales for prior year.
 - Is data reasonably similar with that reported by the appraiser?
- Is 1004MC analyses based on comparable properties?
 - Are trends supported?
 - Is the commentary meaningful and specific?
- Is commentary for neighborhood description and market conditions meaningful and specific?
- Is the Sales/Listing Analysis based on comparable properties?
 - Is the range overly wide?

Neighborhood One-Unit Housing Data					
	Price		Age		
	Reported By Respondent	Investigator's Findings	Reported By Respondent	Investigator's Findings	
	Low:	\$92,000	\$33,000	1	1
	High:	\$4,450,000	\$1,160,000	121	130
	Predominant:	\$435,000	\$232,000 (Med) \$259,152 (Ave)	32	66 (Ave) 62 (Med)

Uniform Residential Appraisal Report

There are	104	comparable properties currently offered for sale in the subject neighborhood ranging in price from \$	155,000	to \$	4,450,000	.
There are	119	comparable sales in the subject neighborhood within the past twelve months ranging in sale price from \$	92,500	to \$	2,300,000	.

- In a recent complaint, we found that the appraisal report contained mostly generic commentary about the neighborhood, with little commentary specific to the subject's neighborhood.
- The Investigator's research of the neighborhood revealed that the National Jewish Health complex was located within the neighborhood boundaries and Rose Medical Center was located along its perimeter. Additionally, several public attractions were located either within the neighborhood boundaries or within close proximity to the neighborhood, including Congress Park, the Denver Botanic Gardens, the Natural History Museum and the Denver Zoo.

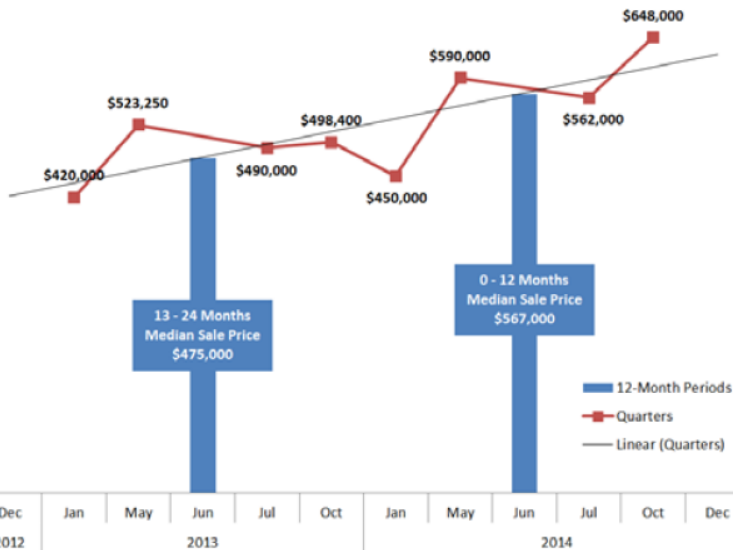


Analysis of Neighborhood Sales

1 - 30 Acres, Unfiltered

	12/2012 - 12/2013	12/2013 - 12/2014	Percent Difference
1st Quarter	\$420,000	\$450,000	7.14%
2nd Quarter	\$523,250	\$590,000	12.76%
3rd Quarter	\$490,000	\$562,000	14.69%
4th Quarter	\$498,400	\$648,000	30.02%
Year to Year	\$475,000	\$567,000	19.37%

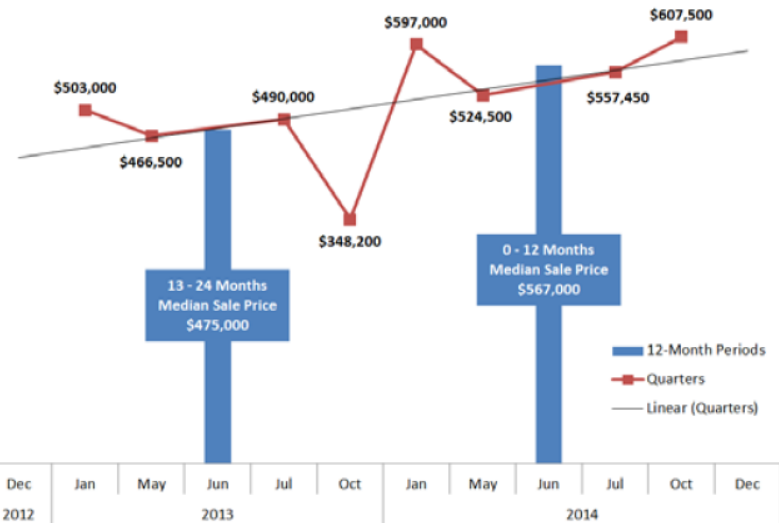
Analysis of Sale Prices for Prior 24 Months, 1 - 30 Acres, Unfiltered



1 - 30 Acres, GLA: 1,500 - 2,900 sf

	12/2012 - 12/2013	12/2013 - 12/2014	Percent Difference
1st Quarter	\$503,000	\$597,000	18.69%
2nd Quarter	\$466,500	\$524,500	12.43%
3rd Quarter	\$490,000	\$557,450	13.77%
4th Quarter	\$348,200	\$607,500	74.47%
Year to Year	\$475,000	\$567,000	19.37%

Analysis of Sale Prices for Prior 24 Months



- Respondent reported that property values were stable.
- Investigator's research confirmed that property values had increased.

Site and Improvement Description

- Examine subject's assessor records.
 - Site size, GLA, outbuildings, etc.
 - Prior sale/transfer history
 - Owner of record
 - Any evidence of flipping
- Shape or placement of the site (flag lot)?
- Zoning classification and description.
 - Online map, planning official in the appropriate jurisdiction
 - Non-conforming or illegal uses disclosed/analyzed in the report
- Is the effective age reasonable?
 - Marshall & Swift Life Cycle Chart, page E-20

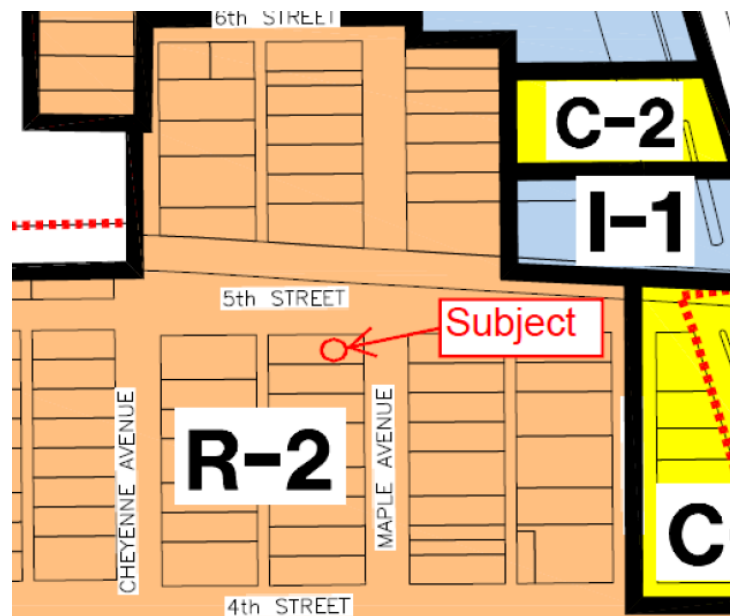
Site and Improvement Description

- Examine satellite image of subject.
 - Positive/negative locational/external factors, views analyzed in the report?
- Compare subject description with the MLS listing, public records, satellite image and/or Google Earth.
 - Factually accurate?
 - Relevant features, deficiencies and adverse conditions disclosed?
 - Is commentary sufficient to be meaningful (pools, barns, oil/gas wells, water shares, etc.)?

Zoning

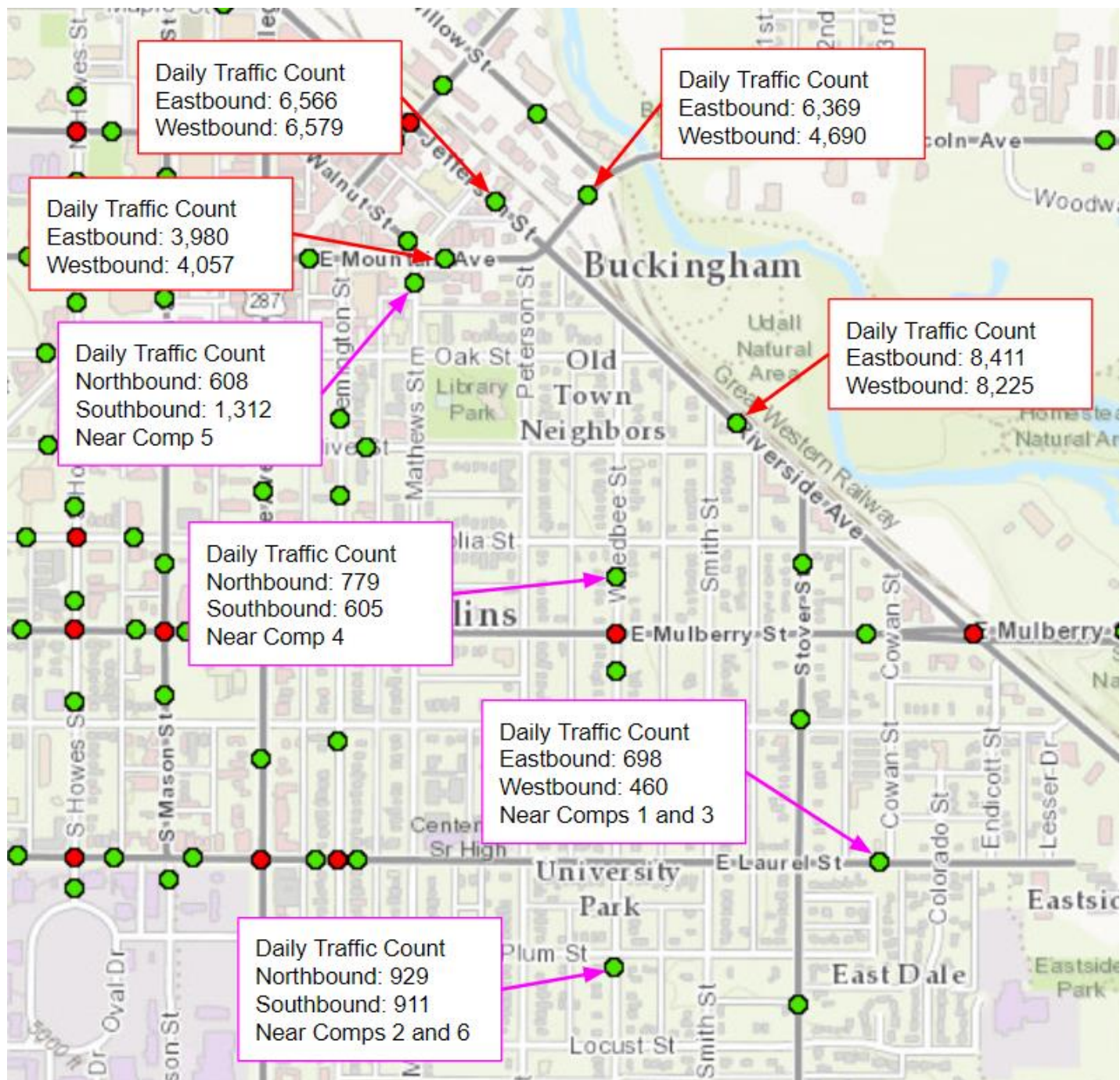
In a recent investigation the Respondent incorrectly identified the subject's City as having “no zoning” and reported the subject's zoning classification as “unincorporated” County. However, the subject was located within the City, and was zoned R1 or ‘Residential 1’ in 1999.

- The subject's zoning was incorrectly reported as “C001” when it was R-2 per the city's online zoning map.
- When asked about this, the Respondent stated that he used the “Carrier Route” number on the county public records for the subject because there was no reference to zoning in the public records.
- The workfile did not contain evidence that the Respondent had attempted to verify zoning with the City which was the municipality having jurisdiction over the subject's zoning.

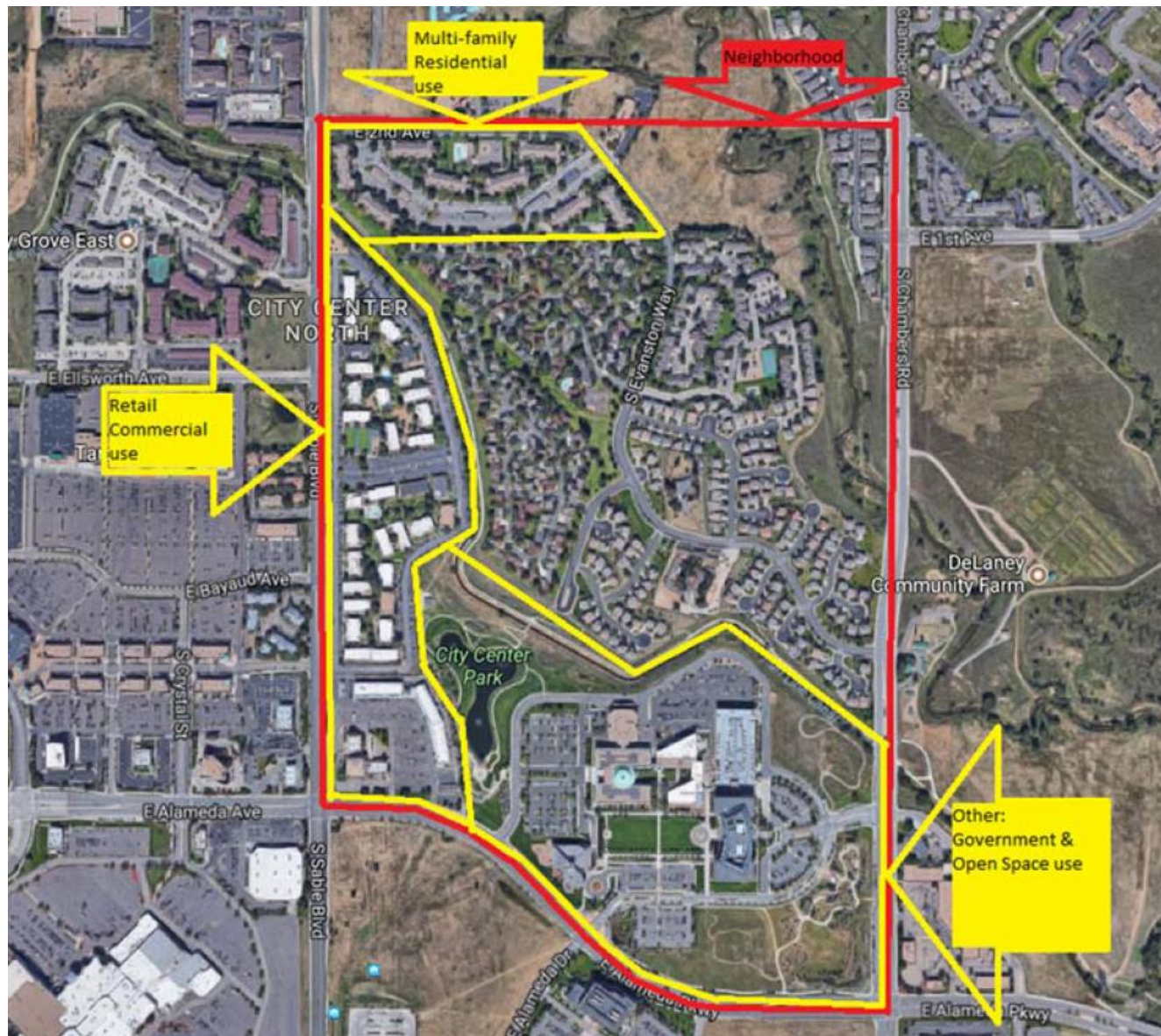


Adverse negative locational/external factors, views





Traffic count
map for the
subject and
comps



The Respondent reported 100% single-family residential uses within the neighborhood.

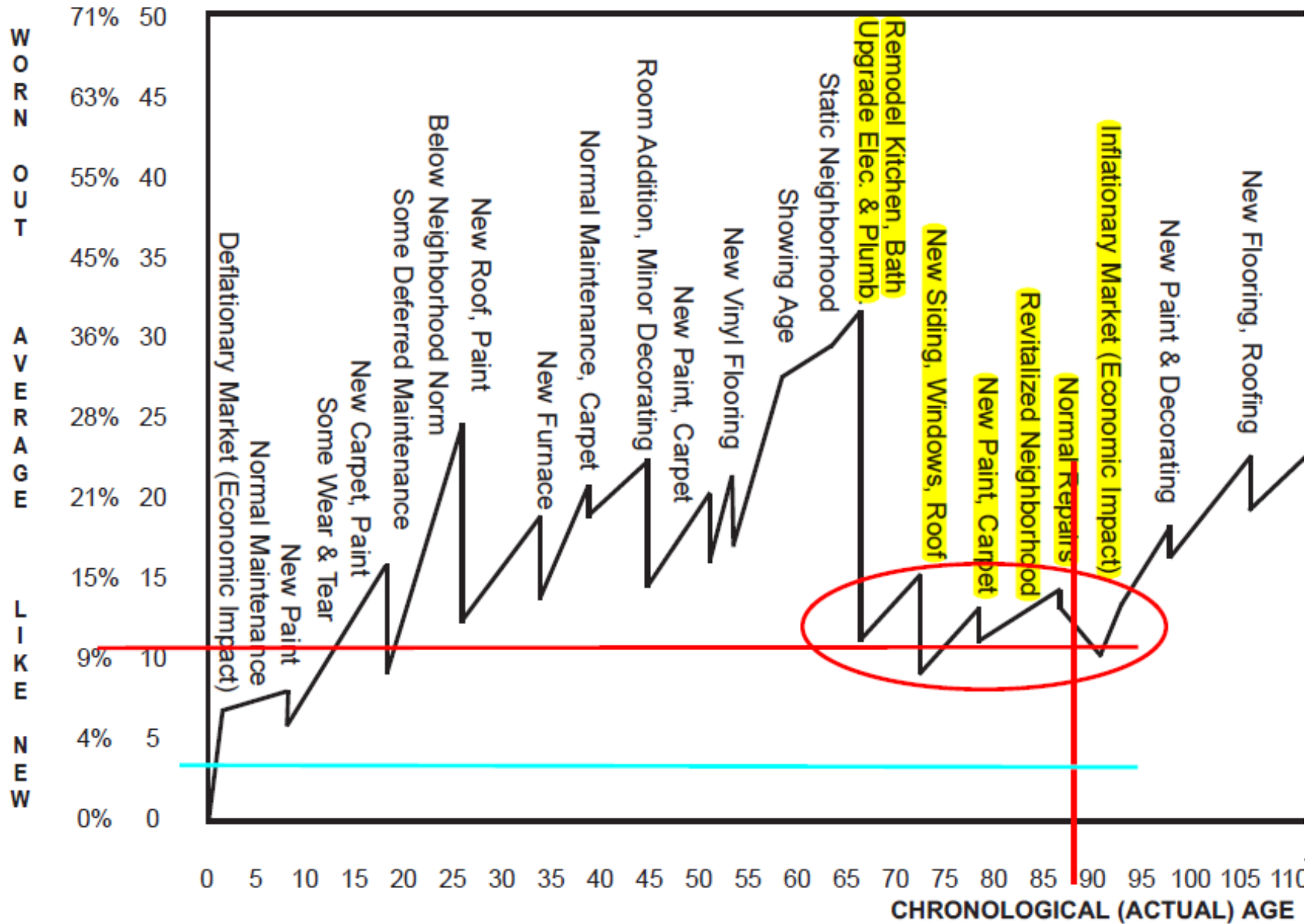
Satellite imagery indicated that there was a significant percentage of commercial and multi-family residential uses.

Effective Age

- The Respondent reported that the 88-year old subject's effective age was **3 years**, condition was "C2", materials and finishes in average and good condition.
- M&S Life Cycle Chart indicated between **9 - 12 years** effective age for an 88-year old remodeled property.
- ***Impact:***
 - The Respondent's estimate of a 3-year effective age for the subject translated into an adjustment of 5%, or **\$16,375**, for physical depreciation in the cost approach.
 - An estimate of 9 - 12 years as indicated by the Marshall & Swift Life-Cycle Chart would translate into an adjustment of between 15% to 20%, or **\$49,125 to \$65,500**.

CONDI- DEP. EFF.
TION % AGE

LIFECYCLE CHART – RESIDENTIAL



Highest and Best Use Analysis

- Is highest and best use analysis summarized?
- Were legally non-conforming uses, interim uses, other special situations in H&BU analyzed and reported?

Legal Non-Conforming Use

- The Respondent reported the subject property was legal non-conforming. However, the Respondent did not explain the non-conforming use nor did he further address the potential impact on value or marketability within the appraisal report.
- The city reported the subject's building type as a duplex and confirmed the use as legal non-conforming.
- The subject was zoned RL-1, residential low density. The Investigator confirmed that the subject's RL-1 zoning prohibited a duplex.
- However, the Respondent stated in the appraisal report that the HBU of the subject property as improved was the present use as a duplex.

Encumbrances and Restrictions

- The Respondent reported that the HBU of the subject property was for **subdivision and sale of the parcels**. A previously disclosed agreement between the landowner and a neighbor which encumbered the property and prevented it from being actively marketed was not analyzed.
- Neither the contributory value of two residences and numerous outbuildings, nor the costs for their demolition were considered in the HBU analysis.
- The proposed HBU required a change in zoning which was not identified nor analyzed by the Respondent.
- The site did not have legal access to support the proposed HBU. Costs and regulatory requirements related to providing access were not analyzed.

Insufficient Analysis

- The Respondent reported the HBU for the mixed-use property, currently zoned “Limited Commercial District (C-L), to be “...*either residential or Commercial... The property owner would determine which use would be best for their specific needs, considering both uses are available.*”
- When asked to explain his HBU conclusion, the Respondent stated “*the specific purpose of this appraisal report was as a single-family residence and so that’s why I left it as that.*”

Verification of Data

- Was appropriate data verification performed (location, conditions of sale, owner motivation, condition, upgrades, and outbuildings, etc.)
- Is there documentation of verification in the workfile or appraisal report?
- Did a lack of verification potentially affect assignment results?

Basement Level

- The Respondent reported that a Comparable Sale's GLA totaled 1,880 square feet and that there was no basement level.
 - However, the MLS sheet found in the Respondent's workfile indicated that the property had an unfinished basement.
 - Additionally, the County Assessor Records found in the Respondent's workfile reported that the subject property had a 1,280 square foot basement.
 - The listing agent stated that the basement level was unfinished.
 - When asked about this, the Respondent stated "*I missed that on that comparable.*" There was no evidence that the Respondent had verified data with a party to the transaction.

Man Cave

- The assessor records reported that a Comparable Sale had a detached garage with two levels totaling 1,440 square foot.
 - The Respondent adjusted for a two car detached garage in the sales grid but did not disclose or adjust for the additional 720 square feet of finished, heated square footage above the garage.
- MLS photos revealed that the area above the detached garage was finished. When asked about this, the Respondent stated that *“They had a loft area up there that was unfinished and unheated when they sold the property.”* There was no evidence that the Respondent had verified data with a party to the transaction.

Multi-Unit Beds, Baths, # of Units

- The sales comparison grid reported that a comp had 2 units. The upper unit was reported to have 4-beds/4-baths and the lower unit had 1-bedroom/0-bath.
 - The real estate broker said this comparable had 1 unit with 4-beds/2- baths and 2 separate rooming units which each had 1-bed/1-bath but no kitchen.
- Another comp was reported to have a 4-bed/2-bath unit and a 1-bed/1-bath unit.
 - The real estate broker said this comparable had a 2-bed/1-bath upstairs and a 3-bed/2-bath on the lower level.
- When asked about his verification, the Respondent said *“My verification is in the MLS and the previous listing agent.”* There was no evidence that the Respondent had verified data with a party to the transaction.



Question: Does AIR specifically prohibit communication with an appraiser by a real estate agent?



Question: Does AIR specifically prohibit communication with an appraiser by a real estate agent?



Answer: No.

AIR FAQs, #Q9



Question: Does AIR prohibit the appraiser from talking with the real estate agent involved in the subject transaction?

Can the real estate agent provide comparable data and/or explain their pricing strategy to the appraiser?

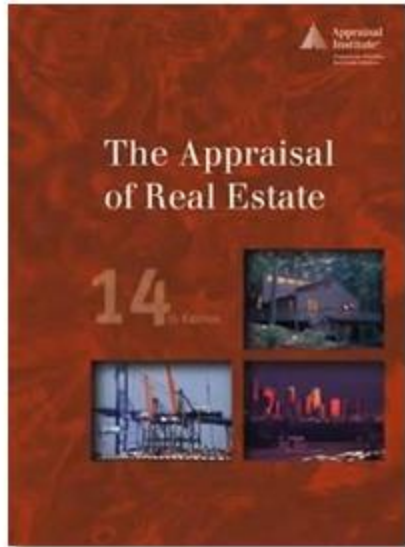
AIR FAQs, #Q53



Answer: AIR **does not** prohibit the appraiser from talking with the real estate agent. In many cases, real estate agents can be a source of data in the market in which the subject property is located.

Any data provided by a third party must still be researched and verified independently by the appraiser.

AIR FAQs, #Q53

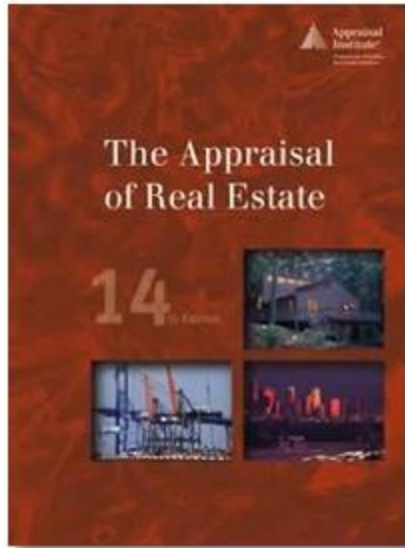


“Personal verification, particularly relating to confirmation of comparable rentals and sales, is **an essential part** of the appraisal process.”

The Appraisal of Real Estate, 14th Edition, Page 120

“The most common verification technique is **interviewing market participants.**”

The Appraisal of Real Estate, 14th Edition, Page 126



“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.

Generally, secondary sources do not provide adequate information about sale concessions, whether the sale was an arm’s-length transaction, if multiple properties were involved in the sale, if personal property was included, and other factors influencing price.

This underscores the importance of **personal verification with persons knowledgeable about the details of the transaction.”**

Sales Comparison Approach, Comp Selection & Adjustments

- Examine satellite images of the comparables.
 - Positive/negative locational/external factors, views disclosed and analyzed in the report?
- Compare MLS listings for comparables with the data reported on the grid and verify relevant data.
 - Discrepancies and omissions?
- Examine assessor records for the comparables.
 - Site size, GLA, outbuildings, etc., similar to what was reported?
 - Prior sale/transfer history correctly reported?
 - Evidence of flipping?

Sales Comparison Approach, Comp Selection & Adjustments

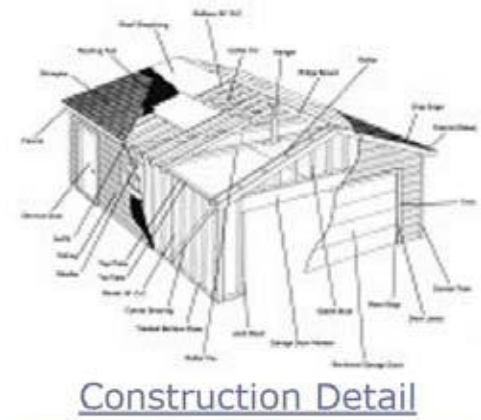
- Comps: nearby, similar utility, high degree of comparability, competitive, same HBU as subject, bracket the subject, similar quality?
- Any comparables outside the subject's development/subdivision?
 - Disclosed and analyzed?
 - Analysis on the potential for differences in market appeal between the developments?
- Any potentially better sales which, if used, would affect the assignment results?
 - Alternate sales should be put forward only if it is abundantly apparent that those used by the Respondent were inappropriate and affected the assignment results (from superior market area, of different styles/quality, etc.).
 - Support (analysis of market data) must be provided as evidence that the Respondent's comparables are inappropriate and/or Staff's alternate sales are more comparable.

Sales Comparison Approach, Comp Selection & Adjustments

- Are time adjustments consistent with neighborhood/market area housing trends?
- By what method(s) were the individual adjustments derived?
- Are the adjustments (or lack of) supported by market evidence?
- Does the appraisal report contain sufficient summary of the appraiser's analysis for the adjustments (or lack of)?
- Is the indicated value by the sales comparison approach bracketed by the unadjusted and adjusted sale prices of the comparables?



When asked about the sale's location in a flood plain and adjacent to a concrete plant, the appraiser stated “I am not. A concrete plant? I am not aware of that, no.”



Construction Detail



- The appraiser based the \$5,000 per space adjustment for the condo unit's covered parking on a garage estimate of \$10,470 for a 20' x 20' detached, wood framed garage.
- When asked if any real estate brokers had been contacted to gauge market perception about the value of an urban condo's covered parking space, the appraiser stated "No."



- This barn was not disclosed or analyzed. The MLS listing sheet stated that the “Property includes a large Morton Horse Barn; 3 stalls, hay storage, concrete floor and tack room.”
- When asked if he had spoken with the listing agent for the comparable, the appraiser stated “No, I did not.”
- When asked about his analysis, the appraiser stated that if he believed an outbuilding had “*contributory value*” then he would have included that feature on the grid. If a barn was not reported on the grid, it would mean that based on his exterior inspection, the appraiser did not think the feature added value.
- The appraisal report did not contain a summary of the appraiser 's analysis that led him to determine that an adjustment for this barn was not warranted.

FNMA 2017 Selling Guide, B4-1.3-09:

- The appraiser's adjustments **must reflect the market's reaction** (that is, market based adjustments) to the difference in the properties.
- The expectation is for the appraiser to analyze the market... and provide appropriate **market based** adjustments **without regard to arbitrary limits on the size of the adjustment**.
- The appraiser must provide **appropriate comments reflecting the logic and reasoning** for the adjustments provided... A statement only recognizing that an adjustment has been made is not acceptable.

HUD Handbook 4000.1, Section 4(c)(iii)(E)(3)(b):

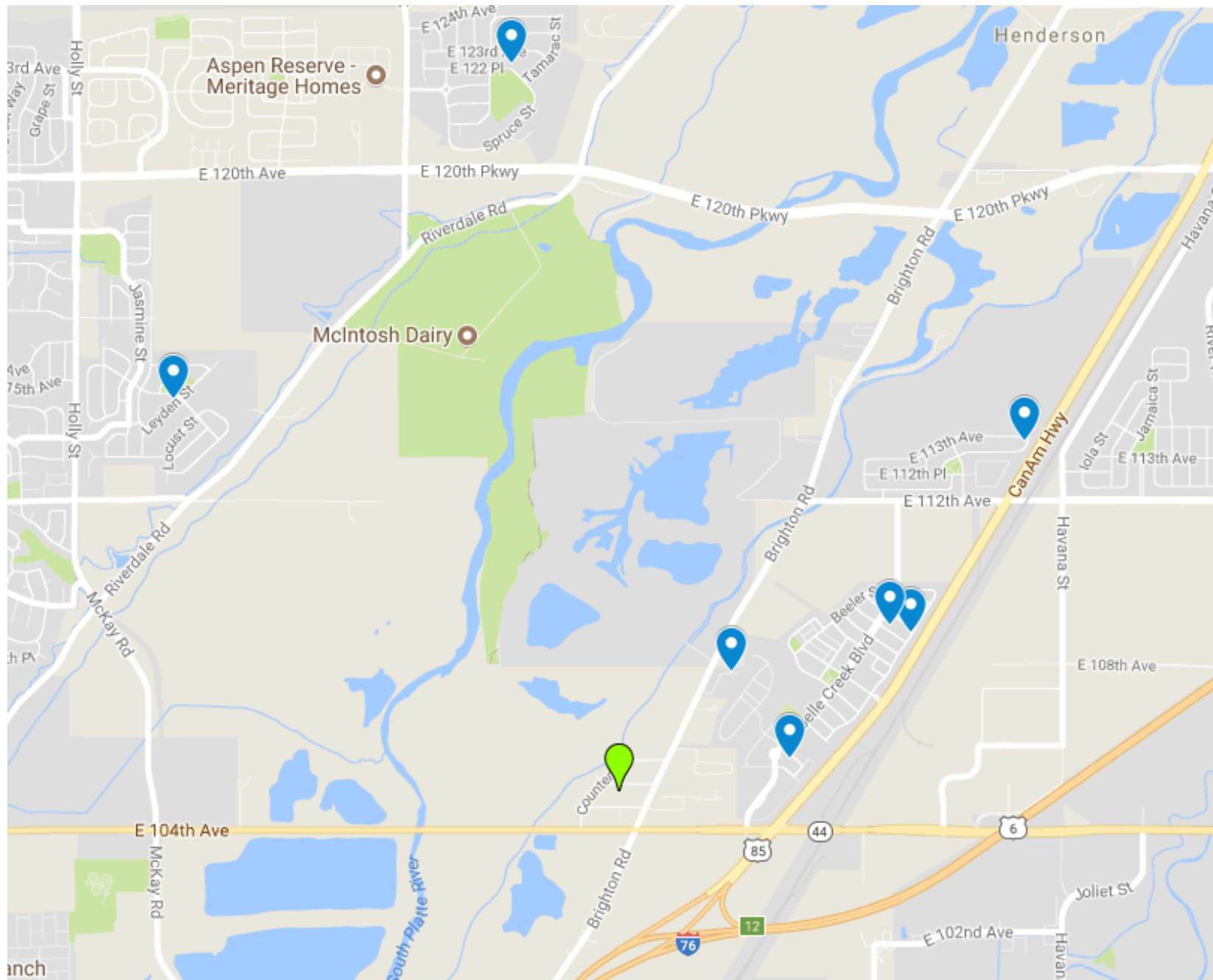
- The Appraiser **must... provide support for** the Appraiser's choice of comparable properties, and **the adjustments** for dissimilarities to the subject; and include **sufficient description and explanation** to support the facts, analyses and the Appraiser's conclusion.
- If the data from the market area is insufficient to support some of these requirements, the Appraiser must provide the best information available and **include an explanation** of the issue, the data available, the conclusions reached and the steps taken by the Appraiser to attempt to meet the guidelines.



Comp Selection – Location

- The investigation revealed that 7 of the 8 comparables sales and listings used by the Respondent were located outside of the subject's subdivision in newer developments, had smaller lots and basements, and 6 were of different styles.
- Two sales were outside the neighborhood. Without the inclusion of these two sales, the unadjusted sales prices did not bracket the Respondent's opinion of value for the subject.
- There were 10 sales of ranch-style homes in the prior 3 years in the subject's subdivision which could have been analyzed to benchmark the market activity within the subdivision. There were **two sales for \$246,100 and \$285,000** of comparable ranch-style homes in the prior year in the subject's subdivision that were not analyzed by the Respondent. The Respondent's opinion of value for the subject property was **\$430,000**.
- The Respondent's \$430,000 appraised value was 19.5% above the highest sale of any style home in the last 3 years in subject's subdivision.
- No evidence was found in either the workfile or the appraisal report to indicate that the Respondent had performed any analysis to determine the potential for differences in market appeal between the subject's subdivision and the locations of the comparable as support for his conclusion that adjustments for differences in location were not warranted.





Support for Adjustments

The Respondent stated in the appraisal report that he utilized several methodologies to develop adjustments, including **paired sales analysis, sensitivity study, reasonable and customary, and market survey**. However, the appraisal report did not contain a summary of the Respondent's analysis of the information analyzed and rationale in support of the adjustments (or lack thereof) made in the sales comparison approach, and the workfile did not contain documentation in support of the adjustments. There was **no evidence of a recognized method or technique having been used to derive the adjustments**.

The Respondent restated in the appraisal report the adjustments that were applied in the sales comparison approach. When asked about the analysis used to determine the market reaction to the utilized adjustments the Respondent stated, "**Not specific, it's just kind of working the geographic area as long as I have.**"

The Respondent's work file did not contain documentation in support of his conclusions for the adjustments within the sales comparison approach. When asked if he had any documentation in support of his adjustments, the Respondent stated "*You're wanting to know if I have specific paired sales analysis with documentation in the file that mathematically support that? The answer is no, it's that simple. I've got all kinds of trends that we keep track of in the office, I have **30-years of experience**, and all of those things that come to bear.*"

Reconciliation of Sales Comparison Approach

- Was the quality or comparability of the comparables addressed?
- Were any comparables weighted or otherwise indicated as being the best indicator(s) of value for the subject?
- Was judgment applied, or was the value opinion arrived at using a mathematical formula, “equal weight,” etc.?
- Is the value opinion in line with best comparable?
- Is the value opinion consistent with the subject property's listing history, the contract price, and market conditions? If not, was an explanation provided?
- Is there a wide range of adjusted sale/list prices?

Equal Weight

The Respondent stated in the appraisal report that “*All comparables were given consideration as all looked to be reliable.*” The Respondent's statement did not address the quality of the data analyzed. The gross adjustment percentages ranged from 1.4% to 11.3% which indicated that some comparables were more similar to the subject than others. Additionally, the Respondent's statement did not address differences between the comparables which affected their comparability, including location, quality, site size, GLA, and car storage.

Insufficient Analysis

The Respondent stated in the appraisal report that “*comps 1 and 2 appear to support the final opinion of value.*” However, the adjusted sales price of Comparable 1 was \$912,605 and Comparable 2 was \$959,000 whereas the Respondent's final opinion of value was \$857,000. The same paragraph inconsistently stated that “*Comps 2 and 3 were given the most weight due to the least amount of net and gross adjustments.*”

Sale/Transfer Histories

- Min. 3 years for subject (USPAP), 1 year for comps (FNMA).
- Did the appraiser appropriately analyze prior sales/transfers?

The Respondent did not disclose comparable 1's previous sale for \$195,000, which was \$85,000 less than the current sale approximately eight months later for \$280,000. When the Respondent was asked why he did not disclose and analyze the prior sale, he stated, "*That must have been an oversight.*"

Cost Approach

- Is it applicable and/or relevant in this assignment, is it necessary for credible assignment results?
- Red flags:
 - quality rating left blank,
 - “reproduction” checked,
 - multiple cost sources referenced with “and/or,” or none indicated,
 - costs for “upgrades/extras” not itemized,
 - no support for site value.
- Are the cost approach figures supported by the stated data source?
- Was external obsolescence considered in the cost approach, if appropriate?

Lacking Support

- The report stated that *“site value has been determined through the allocation method.”* The workfile did not contain evidence to indicate that allocation had been performed.
- When asked to explain her analysis using allocation, the Respondent stated *“I’d have to say—I don’t know. I have to answer that with ‘I really don’t know.’”*
- Neither the workfile nor the appraisal report contained documentation in support of the costs or calculations used in the cost approach.
 - The Respondent reported that “Marshall & Swifts Residential Cost Handbook” was a source for the costs, however the effective date of cost data predated the effective date of value by two years.
 - The Respondent calculated the dwelling replacement cost on the total combined gross living area of the principal dwelling and the ADU; costs for the ADU were not calculated separately.
 - The Respondent included a replacement cost of \$115,695 for “Upgrade Ftrs” in the cost approach. However, neither the workfile nor the appraisal report contained supporting analysis or documentation for this cost item.

Lacking Support – Manufactured Housing

- The Respondent stated in the appraisal report that “Cost estimates were derived from construction contracts, building contractors, office files and the Marshall Swift Cost Service.” The addendum reported that the cost information source was conversations with local builders and market knowledge.
 - However, neither the workfile nor the appraisal report contained supporting documentation for the costs used in the cost approach.
 - The Investigator researched Marshall and Swift costs for manufactured housing and found that their reported basic residence costs were considerably less than those reported by the Respondent.

Sq. Ft. Costs for Manufactured Housing		
Reported by Respondent	Marshall and Swift (Average-Quality Rating)	Marshall and Swift (Good-Quality Rating)
\$135.00	\$46.82 to \$41.87	\$59.76 - \$53.39

Income Approach

- Is it applicable and/or relevant in this assignment, and is it necessary for credible assignment results?
- Does subject property produce or have the potential to produce income in the form of rent?
- Would probable buyers consider income as a criterion?
- Is subject in an active rental market in resort or college locale, or is a townhome, condo or multi-family?
- Are the GRM, market rent, and expenses supported by market evidence and/or workfile documentation?
- Did the Respondent make an appropriate selection of, and accurately represent in the appraisal report, the income property comparables and the rental properties used to derive the market rent and GRM?

Lacking Support

- The Respondent reported that the “*GRM is based on income property sales in the area.*” The workfile did not contain MLS listing sheets or other documentation of the Respondent's analysis of income property sales.
 - When asked about the location of his GRM analysis, the Respondent stated “*It’s in MLS... I did not make copies of the income property sales that I used to come up with the GRM.*”
- The Respondent later provided MLS data for income producing properties.
 - The listings provided were for sales of duplex properties (which included both units in each sale), whereas the Subject Property was a single family home. One of the sales was a single-family residential home rented as a duplex, which was an illegal use according to a zoning official.

Inappropriate Methodology

- The 3 rental properties that the Respondent used to support his estimate of monthly market rent were obtained from an on-line rental service which provides 'asking' rents, not contract rents.
 - A representative from the rental service stated in an email to the Investigator *"Our data is primarily listings data i.e. to be rented... We maintain a database of listings, not leased properties; and, therefore we do not have the lease dates."*
- The Respondent reported lease dates for each of the 3 properties although they were not leased but were advertised as for rent.
 - When asked how he determined lease dates from properties that were not rented and how he determined the condition of the properties, the Respondent stated, *"Because rental data is very difficult to find, and almost impossible to confirm, the leases are assumed, as is the condition. Typical leases in this market are for 1 year."* The Respondent also stated *"I had to assume that the rental comparables are in good, rentable condition."*
- Neither the appraisal report nor the workfile contained support for the adjustments made (or the lack thereof) to the rental comparables.

Reconciliation of Approaches to Value

- Does the summary indicate which value approach is of primary relevance in the assignment?
- Is there a meaningful explanation for the exclusion of any approach(es) to value?
- Are the conclusions of the approaches to value reasonably similar? If not, is this addressed in the reconciliation?

- The Respondent did not address the applicability and relevance of the cost approach in the final reconciliation.
 - When asked about this, the Respondent stated “*I do have the statement that the cost approach was used as it was a lender requirement, but that’s all I have.*”

- There was a \$160,244 difference in indicated values by the sales comparison and cost approaches; however, this was not addressed in the appraisal report.
 - When asked about this, the Respondent stated “*When I do the cost approach now I find that they’re much higher than what market value is just because the labor costs are so much higher as well as the building materials.*”

Scope of Work

- Was the SOW properly identified and appropriate?
 - Were there issues or complexities that required expansion of the SOW?
- Did the SOW incorporate FNMA, VA, HUD and/or specific client guidelines?
- Were any extraordinary assumptions and/or hypothetical conditions used in the assignment?
 - Were they appropriate and did they have a reasonable basis?
 - Were they properly disclosed?
- Did the SOW conform with standard practice in the area?
- Was the SOW actually performed summarized in the appraisal report?

Proposed Construction

- The appraisal was of proposed new construction, with a value “as if” the improvements were complete on the effective date which was a current date. The parcel was vacant land and the improvements were not in existence as of the effective date.
 - The appraisal report did not contain a hypothetical condition. When asked about this, the Respondent stated, *“It’s on that page where it says the appraisal is based on plans and drawings supplied to me and is proposed, and a final inspection is required... but a hypothetical condition I didn’t have in there.”*

Client-Specific Requirements

- While the Respondent did identify the Small Business Administration as an intended user, he did not address the SBA’s additional requirements for proposed construction.
 - The requirements included *“If the loan will be used to finance new construction or the substantial renovation of an existing building, the appraisal must estimate what the market value will be at completion of construction.”* The Respondent only developed a “Current As If Complete” market value.
 - When asked if he was aware of the SBA’s additional requirements for appraisals involving proposed construction, the Respondent stated, *“I had seen some documentation, I don’t remember. No, I would say, if I would have looked at it closer I would have printed it and I didn’t.”*

Reporting

- Is any portion potentially misleading?
- Contain a large number of minor errors due to carelessness and/or negligence?
- Contain substantial errors?
- Comply with the reporting requirements of Standard 2?
- Is there sufficient summary of information analyzed in the appraisal report so that it is clear, accurate, and can be understood properly, including:
 - neighborhood and market data,
 - relevant characteristics of the subject and comparables,
 - reasoning for adjustments or lack of, and
 - other significant opinions and conclusions.

Reporting

- Statements regarding:
 - prior services to the subject property, and
 - exposure time?
- Signed certification?
- Significant assistance, names stated in the certification, meaningful description of their assistance?

Ethics Rule Violation

- Many of the deficiencies in the Respondent's appraisal report tend to support a significantly higher value than is supported by the market data. Thus, circumstantial evidence leads us to believe that the Respondent accepted and performed an assignment in which his objectivity was compromised and in which he did not perform competently, and it therefore appears that the Respondent violated the Conduct section of the Ethics Rule.
- The circumstantial evidence leads us to believe that the Respondent did not perform adequate research, analysis and verification. The presence of these deficiencies in the Respondent's appraisal report leads us to believe that the Respondent violated the Competency Rule, the Scope of Work Rule and communicated misleading assignment results in violation of the Conduct section of the Ethics Rule

Ethics Rule Violation

- The Respondent, who lived out of state, signed the appraisal report certifying that he had inspected the interior and exterior of the subject property. However, the Complainant stated *“after receiving the completed report, it was brought to our attention that the inspection of the subject property was completed by another person”* and that the Respondent was not present for the inspection.
 - The Respondent certified in the appraisal report *“I performed a complete visual inspection of the interior and exterior areas of the subject property”* and *“Unless otherwise indicated, I have made a personal inspection of the property that is the subject of this report.”*
 - When asked why he had not been present for the subject’s inspection, the Respondent stated that the person who did the inspection *“was actually working as a trainee working with me in the state of Colorado and he did several inspections for me on the reports that I was doing in Colorado.”*
 - When asked why the unlicensed person was not acknowledged in the appraisal report, the Respondent stated, *“I know that it was very, very busy, and I know it’s no excuse for me not to do this... I was just going too quickly to be very honest with you.”*

Thank you!

Questions?

Colorado Board of Real Estate Appraisers

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COLORADO

Department of
Regulatory Agencies

Division of Real Estate