



ARIZONA BOARD OF APPRAISAL

1400 West Washington, Suite 360
Phoenix, Arizona 85007
(602) 542-1539 Fax (602) 542-1598
Email: appraisal@appraisal.state.az.us
Website: www.appraisal.state.az.us

MINUTES REGULAR BOARD MEETING THURSDAY, OCTOBER 21, 2010, 9:05 AM

CALL TO ORDER AND ROLL CALL

Regular Board meeting called to order by Les Abrams, Chairman.
Board members Present at Roll Call:

Les Abrams
Debbie Rudd
Cynthia Henry
Myra Jefferson
~~James Heaslet~~
Michael Marquess
Michael Petrus
Mike Trueba
Kevin Yeanoplos

Staff Attendance:

Dan Pietropaulo – Executive Director
Jeanne Galvin – Assistant AG
Rebecca Loar - Staff
Amanda Benally - Staff

PLEDGE ALLEGIANCE TO THE FLAG OF THE UNITED STATES OF AMERICA

APPROVAL OF MINUTES

Les Abrams asked the staff when the writing of the meeting minutes would resume.

Dan Pietropaulo informed Board that the writing of Board minutes has not been done during the past personnel crisis but are scheduled to start again with this meeting and to catch up past meetings as we can. Jeanne Galvin stated that the approval of minutes could take place as they are caught up.

Michael Marquess joined the meeting at 9:06 am.

COMPLAINT REVIEW

C 2758 Ronald W. Prychodnik – present

Les Abrams read the summary to the Board. Debbie Rudd made motion to close without prejudice which was seconded by Myra Jefferson. Motion was unanimous.

D 3154 John G. Willis – present

Debbie Rudd recused. Les Abrams read the summary. Michael Marquess deferred to the Phoenix appraisers on the Board. Mike Petrus had no problems with the appraisal and made a motion to dismiss. Motion was seconded by Michael Marquess. Motion was for 3154 only. Motion was carried unanimously with one recusal.

D 3155 Eric S. Gow

Les Abrams explained it was for the same property as 3154 but unrelated and read the summary. Michael Marquess did not see any violations and moved to dismiss which was seconded by Cynthia Henry. Motion was passed unanimously with Debbie Rudd being recused.

D 3102 James A. Gonzales – present

Les Abrams read the summary. The property is in San Diego, CA and the appraiser did a desk review of the property allegedly without geographic competency. Appraiser stated he did have geographic competency. Debbie Rudd explained that neither she nor the other members have geographic competency since the property is located in California. She recommended the Board ask California OREA to open a complaint and investigation. Should they find the original appraisal without fault then Arizona would have a basis for investigating the review completed in Arizona. Should California find the original appraisal flawed then Arizona could dismiss the complaint against the review. Debbie Rudd then asked for the complaint to be tabled until we receive a response from California.

Board Chair then entertained a motion to go into Executive Session for legal advice which was seconded by Myra Jefferson which was unanimous. The Board went into executive session for legal advice and re-convened to public session at 9:21. Mike Petrus opined that it should be up to California to determine which report is flawed and take their own action.

Motion was made by Debbie Rudd to table D 3102, ask California to open a complaint against the original appraiser, Medford Crowell and investigate the original appraisal and report back to us and table D 3102 until we hear back from California. Motion was seconded by Michael Marquess and passed with Michael Petrus voting no. Motion was carried.

Informal Hearing 3087 Daniel O. Ragno – present

Les Abrams read the summary. Michael Marquess and Mike Petrus expressed concern that the sales data was not fully confirmed with private sources and that locational differences were not recognized. They were also concerned that physical inadequacies

of the Subject were not fully recognized and adjusted for. Mike Petrus expressed concern for inadequacies in the Cost Approach as the Cost Approach was approximately \$100,000 higher than the Sales Comparison Approach. Debbie Rudd was concerned about Respondents background and original mentoring (i.e. training and experience). Respondent claims original mentor did not have a lot of experience. Respondent's father was not original mentor and recently moved to Arizona. The father was not working with the son at the time of the complaint.

A motion was made for this to be a Consent Agreement with a finding of Level III, 1-1a, 1-1b, 1-4b, 2-1a, with 15 hrs basic appraisal w/exam, 7hrs Cost Approach, 6 months probation, and 12 reports w/out mentorship. No CE credits. Motion made by Michael Petrus and seconded by Myra Jefferson. Motion was passed unanimously.

The Board took a ten minute break.

Informal Hearing 3113 Kyle D. Lindsey – present

Les Abrams read summary. Debbie Rudd expressed concern that Respondent had not taken recent FHA class, did not keep up with FHA Mortgagee Letters, did not have access to Appendix D 4150.02 FHA Handbook, was not a member of NAR, and may not be current on FHA regulations and procedures.

Debbie Rudd made a motion to combine this complaint with 2984 and wait until the investigation on 2984 comes back. Myra Jefferson seconded the motion which was carried unanimously.

D 3149 Scott A. Armstrong – present

Les Abrams read the summary. Debbie Rudd made a motion to dismiss as no violations were found. Motion was seconded by Mike Trueba and carried unanimously.

Initial File Reviews

3071 James R. Nelson

Les Abrams read the summary. There had been no response to the for the appraisal and work file. Debbie Rudd made a motion for the Board to open a complaint for non compliance for the Board's order. Motion seconded by Myra Jefferson and carried unanimously.

3094 Joseph A. Tate

Les Abrams read the summary. Debbie Rudd noted that the Respondent's license had expired and made a motion to close without prejudice since we do not have jurisdiction. Motion was seconded by Cynthia Henry and passed unanimously.

3096 Jane A. Ritzenthaler

Les Abrams read the summary. Debbie Rudd was concerned that all addresses available may not have been accessed to make contact. Debbie Rudd made a motion to table the complaint and have a new subpoena sent to the address shown on the appraisal report. Motion was seconded by Cynthia Henry and carried unanimously.

3107 Maryanne C. McCuin

Les Abrams read summary. Respondent allegedly took the money for the appraisal and did not deliver the report. Respondent did not respond to the request for the appraisal and work file. Debbie Rudd made a motion to open a complaint against Respondent for non compliance which was seconded by Cynthia Henry and carried unanimously.

15-3115/2969 Kevin L. Dillard

Les Abrams read the summary. Respondent did not renew his license. Michael Marquess moved to close the complaint without prejudice which was seconded by Cynthia Henry. Motion was carried unanimously.

3127 & 3156 Michael J. Bobik

Les Abrams read the summary for 3127 first. Board had seen complaint 3126 in August which is the same borrower and property and was not aware at that time that 3127 had already been opened which was the same property and appraisal. Then 3156 was opened as a complaint against the appraiser and the review appraiser. Debbie Rudd made a motion to rescind the opening of complaint number 3156 which was seconded by Cynthia Henry. Motion was carried unanimously.

3127 Michael J. Bobik

Summary had previously been read. This complaint is against Michael J. Bobik who had been the review appraiser for 3126. Debbie Rudd made a motion that the violations were 1-1a, 1-2h, and Scope of Work acceptability. 1-4a, 2-1a, 1-4b, Level of Ethics/Conduct, Level III with recommended probation, 15hrs complex properties with exam, 7hrs Cost Approach, 3hrs Ethics, no CE, probation 6 months, no mentorship. Mike Petrus was concerned that this was consistent with the discipline assigned to the first appraiser on this property. Debbie Rudd opined that the supervisor had more responsibility in that he should not have had the licensed appraiser go appraise this property by himself and the review appraiser should be held to a higher standard. Les Abrams then decided to table this until later in the day when the additional information could be reviewed.

After the lunch break the discussion continued after the previous file 3126 was reviewed for comparison. Debbie Rudd made a motion to offer a Consent Agreement. Violations were a Level III with violations being 1-1a, 1-2h, 1-4a, 1-4b, 2-1a, 2-biii. Discipline to be set at 15hrs complex properties with exam, 7hrs Cost Approach, 3hrs Ethics, no CE, probation to be 6 months without mentorship, and 12 reports. Motion was seconded by Mike Trueba. Motion was carried with Mike Petrus voting nay.

3143 Scott E. Seibel

Les Abrams read the summary. Debbie Rudd was concerned that the report reviewed was from 2002 and the appraiser would not have the file. Michael Marquess explained that this was a retrospective review. The current review is the report that the complaint was filed against. Debbie Rudd asked if a policy could be made to prevent this in the future. Dan Pietropaulo asked how often this came up and it was agreed that it was

about twice a year. Dan Pietropaulo then suggested that no policy be made but rather take them on an individual basis. His concern was that a policy would take time to research and write so that it didn't create unintended consequences. Jeanne Galvin stated that there was a question on statute authority and there may some public policy arguments why we may not want to do that. No motion was then made.

Michael Marquess stated he found nothing wrong with the report and moved to dismiss which was seconded by Michael Petrus. The motion was carried unanimously.

3144 Ryan A. P. Fortuna

Les Abrams read the summary. Motion was made by Michael Marquess to send to investigation. Debbie Rudd had issues with the report at several levels as did Michael Petrus. Dan Pietropaulo stated that this appraiser had submitted to be a mentor and that he had denied the request after reviewing the appraisal by Mr. Fortuna which was the subject of the complaint. Motion was then seconded by Debbie Rudd and carried unanimously.

3145 Jeremy S. Hepworth

Les Abrams read the summary. Debbie Rudd found several minor errors but did not think they rose to the level of a violation. Michael Petrus agreed. Mike Petrus then made a motion that the complaint be dismissed which was seconded by Cynthia Henry. The motion passed unanimously.

3150 Todd D. Crimmins, Sr.

Les Abrams read the summary. Debbie Rudd, Michael Marquess, and Mike Petrus found no significant errors. Debbie Rudd made a motion to dismiss which was seconded by Mike Trueba. Motion was carried unanimously.

3151 Ken J. Rhoads

Les Abrams read the summary. Rebecca Loar stated that Mr. Rhoads had contacted the Board office requesting it to be tabled due to him wishing to attend but having to be out of country for a while. Debbie Rudd then moved to continue until next month which was seconded by Mike Petrus. Motion was carried unanimously.

3152 Robert J. Panzarella

Les Abrams read the summary. Debbie Rudd stated that she did not find any errors. Michael Marquess stated his only concern was that all of the comparables appeared to have been appraised by the same appraiser. Debbie Rudd explained that this was in a new home subdivision and was not that unusual. She then made a motion to dismiss which was seconded by Mike Petrus. Motion was carried unanimously.

3153 Robin E. Pinkus

Les Abrams read the summary. Rebecca Loar stated that Ms. Pinkus had called the Board office and was very ill and unable to attend. Debbie Rudd made a motion to table

the complaint until next month which was seconded by Cynthia Henry. The motion passed unanimously.

Compliance File Review

2240 Anna M. Diaz

Les Abrams read the summary. Appraiser did not respond with renewal during the 90 day grace period. Michael Marquess moved to close without prejudice. Motion was seconded by Myra Jefferson and carried unanimously.

2735 Calista J. Fiedler

Les Abrams read the summary. Discussion and possible action concerning approval of mentor. Debbie Rudd made a motion to approve the mentor which was seconded by Michael Marquess and carried unanimously.

2822/2844 Sheri L. Farrell

Les Abrams read the summary. Discussion and possible action concerning approval of mentor. Michael Marquess made a motion to approve the mentor which was seconded by Mike Trueba and carried unanimously.

2875 Sean A. Chaffey

Les Abrams read the summary. Mr. Chaffey requested an extension to complete disciplinary education. Rebecca Loar stated she spoke with Mr. Chaffey and that he was having difficulty with classes being cancelled and that he had arranged for several of his appraiser friends to sign up for the same classes which met the minimum required by the educator and kept the class open. Debbie Rudd expressed that all disciplinary classes may be taken on line unless otherwise specified by the Board. Debbie Rudd made a motion to deny the request for extension which was seconded by Myra Jefferson and carried unanimously.

2892 Mark A. Hagedon

Les Abrams read the summary. Discussion and possible action concerning closing without prejudice and reopen. Debbie Rudd made a motion to close without prejudice and reopen in the event the Respondent reapplies which was seconded by Michael Marquess and carried unanimously.

2911 Tom B. Croom

Les Abrams read the summary. Discussion and possible action concerning approval of mentor. Debbie Rudd was concerned that the possible mentor Mr. Repsold had been approved before for another appraiser and had asked to resign due to health issues. Her concern was that he was, in fact, willing to complete this task and asked staff to contact him to confirm. She then made a motion to approve conditioned upon confirmation by him that he is willing and able. Motion was seconded by Michael Marquess and carried unanimously.

12 Month File Review

Jeanne Galvin stated that she had no additional information other than what was provided on the agenda. Debbie Rudd asked about files numbered 2934 and 2984 that were noted as (See 3A Above) and it was explained that those were typographic errors. Dan Pietropaulo stated that there are 54 files on the investigation list. Of those

1 was dropped due to expiration
2 have been completed
22 are in investigation
5 are out to bid
5 others ready to send out to investigators
4 waiting to see if they renew
15 waiting to be scheduled which is based on budget allotment requirements and other factors

The result is that of the files on the 12 months file review there are only 3 or 4 that are waiting on new action. The rest are in process.

Debbie Rudd asked for specific data regarding previous costs of investigations. Les Abrams directed that we review the economics and put this on the next agenda and discuss the possibility of hiring a staff investigator as opposed to using contract investigators.

Les Abrams closed the discussion on the 12 month file review and at 11:40 the Board recessed for lunch and reconvened at 1pm.

Reports

Les Abrams announced new committee assignments. Kevin Yeanoplos has agreed to sit on the Budget Committee, Mike Trueba has agreed to sit on the Outreach Committee, and Mike Petrus has agreed to sit on the Property Tax Agent Committee.

Discussion took place regarding board members terms expiring soon. Cynthia Henry will expire in February, 2011, Les Abrams in January, 2011 (maybe later since he filled someone's term when he first came on board initially), and Michael Marquess in January, 2011. All members may stay until replaced by the Governor.

Executive Directors Report

Dan Pietropaulo expressed that some of the formal hearings could be presented to the Board rather than an ALJ which would have some cost benefit. Jeanne Galvin stated that she and Dan Pietropaulo had a meeting set next week to prioritize and schedule the hearings. Pietropaulo informed the Board that the ASC will be conducting a regularly scheduled audit of the Board offices on the 17th and 18th of November and will attend and audit the Board meeting on November 19th, 2010. He noted that the Director of the ASC will also be attending the audit which is not typical but likely as a result of the GAO study being completed on the ASC itself.

There are no complaints with dates extended by staff, 6 waiting on formal hearing, 2 waiting for informal hearing, 33 waiting on reply from appraisers. There are 54 in the investigation process. Approximately 20 waiting for scheduling. Scheduling includes considerations for budgeting, placement in different budget allotments, and prevention of over scheduling of the Board agenda. Future budgeting of funds includes consideration for not only typical office expenses but for maintenance of the AMC program which is unfunded at this point. Appropriations have been requested for the AMC program and should be approved since it is a program mandated by the Legislature but without Supplemental Appropriations would not likely be available until the beginning of FY12.

Dan Pietropaulo gave a presentation of the previous AARO Conference attended by Dan Pietropaulo and Debbie Rudd. Main highlights included:

1. The Dodd – Frank Act
2. Implementation of the Interim Final Rules for HR 4173 which came out October 19th.
3. National Registry Fee increase from \$25/yr to \$40/yr effective January 2012
4. The to be formed Consumer Financial Protection Bureau will be looking into lowering the current \$250,000 threshold since the average home price in the US is currently \$216,000
5. Reports from FDIC and HUD
6. Report from FBI Financial Institutions Fraud Unit indicates that in 2003 there were 430 mortgage fraud investigations and so far in 2010 there have been 3,030 investigations. 17% of investigations involve appraisals.
7. MISMO session spent great deal of time explaining the new platform being used for appraisal reports. The point was that the PDF file is going to be obsolete as it is too difficult to mine the data from this format. Much explanation was made regarding how the forms were to be filled out in order to not interfere with the mining of data.
8. The Appraisal Foundation told us about the Third Draft for USPAP 2012-2013 is being sent out for comments and asked us all to relay the importance of responding with comments. Executive Director will send all Board members the link.
9. Current number of appraisal licenses in the US is 111,498. In 2008 there were 121,407 but still higher than from 1993 through 2003 which was 89,000.

The Suspicious Activity Report sample was introduced that was drafted by the FDIC and to be considered as a replacement or augmentation to our current Complaint Form. The purpose of the form is to standardize the form throughout the profession. Executive Director will scan the form and send it to the Board members for review and possible adoption.

Michael Marquess expressed concern that our complaint process creates an event recognized by E&O companies even when the complaint is dismissed. Dan Pietropaulo stated that he has had that concern as well and that we put that on the next agenda for discussion and action and that he would research what it would take to accomplish.

Dan Pietropaulo then asked the Board if they had any questions about the Board office or office proceedings. None were asked.

Committee Reports

Les Abrams asked for recommendations by the Application Committee. Michael Marquess stated that he had presented a handout and made a motion for the Board to approve the recommendations. Motion was seconded by Cynthia Henry. Motion was carried unanimously.

Les Abrams asked for recommendations by the Education Committee. Debbie Rudd stated that the Committee had met and recommended approval for all that were on the agenda. Myra Jefferson seconded the motion and the motion was carried unanimously.

New Business

Les Abrams read a summary of a request by Janine Rowland to lower the education distance (on-line) criteria from a maximum of 25% as set by the Board to a lower level of 22.5%. The request was considered as a request specific to her circumstances. Debbie Rudd made a motion to go into Executive Session for legal advice which was seconded by Mike Petrus. Motion was carried unanimously.

Board went into Executive Session at 1:15 and adjourned Executive Session at 1:25.

Les Abrams called Board back into regular session. Michael Marquess moved to deny the request by Janine Rowland and direct staff to explain to her the reason behind the rules and why the Board could not go against its own rules. Seconded by Debbie Rudd. Motion carried unanimously.

Les Abrams then directed staff to put a discussion and possible action item regarding the creating of a Hardship Rule on the next agenda.

Les Abrams opened a discussion regarding the authorization of the Executive Director to grant a one time extension on disciplinary compliance actions. Debbie Rudd thought that had been done but it was explained by Jeanne Galvin that it had been done but only for response times for initial complaint reply.

Extension will be for the first time requests only. Any additional extensions would need approval by the Board. Records would be checked by staff to make sure there had been no previous extensions granted by the Board. Extension would only be for up to and not to exceed 30 days and by request only.

Motion was made by Les Abrams to grant this authority to the Executive Director. It was seconded by Cynthia Henry. Motion was carried unanimously.

Confirmation of Future Meeting Dates

Meeting dates were confirmed as

November 18th - 3pm App Review
3:30 pm Education Review
November 19th - 9am Board Meeting

December 16th - 1pm Rules Committee Meeting
3pm App Review
3:30 pm Education Review

Discussion ensued as to the continuance of the Rules Committee and the AMC rules. It was directed by Les Abrams that due to the recent events surrounding the Dodd-Frank Act and the commitment of staff time to the upcoming ASC audit in November that the November agenda include discussion and possible action to determine when the AMC rules process would continue.

There was an extensive discussion regarding moving the December Board meeting to a later date closer to the Holiday. Debbie Rudd made a motion that the December Board meeting be moved from December 16th to December 21st. There were no seconds to the motion and the motion failed. Thus, the dates of December 15th and 16th will stand.

Les Abrams declared the meeting adjourned.