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IN THE MATTER OF THE DISCIPLINARY :
PROCEEDINGS AGAINST :
: FINAL DECISION AND ORDER
SHERRY E. SCOTT, :
RESPONDENT : LS0705169APP

Division of Enforcement Case No. 06 APP 070

The parties to this action for the purpose of Wis. Stat. § 227.53 are:

Sherry E. Scott
9810 8th Avenue
Pleasant Prairie, WI 53158

Wisconsin Real Estate Appraisers Board
P.O. Box 8935
Madison, WI 53708

Department of Regulation and Licensing
Division of Enforcement
P.O. Box 8935
Madison, WI 53708-8935

The parties in this matter agree to the terms and conditions of the attached Stipulation as the final disposition of this matter, subject to the approval of the Real Estate Appraisers Board (Board). The Board has reviewed this Stipulation and considers it acceptable.

Accordingly, the Board in this matter adopts the attached Stipulation and makes the following Findings of Fact and Conclusions of Law and Order:

FINDINGS OF FACT

1. Sherry E. Scott holds a certificate of licensure as a licensed appraiser in the state of Wisconsin (# 4-1892), which was first granted on 02/14/2005.
2. Ms. Scott's most recent address on file with the Wisconsin Department of Regulation and Licensing is 9810 8th Avenue, Pleasant Prairie, WI 53158.
3. Ms. Scott submitted an application to the Department for certification as a Certified Residential Appraiser. As part of the application process, Ms. Scott submitted three appraisals that were reviewed by the Department. Review of those three appraisals demonstrated that Ms. Scott's work failed to be in compliance with the Uniform Standards of Professional Appraisal Practice in effect at the time the appraisals were completed, and the Department denied Ms. Scott's application.
4. The matter was referred to the Division of Enforcement for disciplinary action in light of Ms. Scott's appraisals failing to comply with USPAP.
5. Ms. Scott notified the Division of Enforcement that it appeared the Department had reviewed the wrong appraisals in denying her application. Ms. Scott explained that the original set of appraisals sent in as part of her application were incomplete and incorrect, and had been sent in error. Ms. Scott explained that she had sent in corrected, complete copies of her appraisals to the Department.
6. The corrected, complete appraisals that Ms. Scott sent in were reviewed by the Department and were found to be in violation of USPAP as detailed below.

COUNT I—Appraisal of 5812 Tahoe Drive, Mount Pleasant, WI

3. On or about November 1, 2005, Ms. Scott completed an appraisal for property located at 5812 Tahoe Drive, Mount Pleasant, WI 53406. The appraisal showed a market value of \$ 202,000.
4. This appraisal was reviewed by the Department and it was determined that the appraisal violated the 2005 Uniform Standards of Professional Appraisal Practice (USPAP) in the following respects:
 - a. Standards Rule 1-2(c) Purpose and Reasonable Market Exposure Time by failing to provide an opinion of reasonable exposure time linked to the value opinion (see comment below Standards Rule 1-2(c)(v));
 - b. Standards Rule 1-4(a) Sales Comparison Approach by failing to provide an explanation for any of the adjustments made—the rules are adjusted at 8%, 8% and 10% for time, but there is no explanation for the lack of consistency or for the aggressive appreciation rate use; the sites for Sales 2 and 3 are adjusted up substantially for size, without explanation; Sales 2 and 3 are each adjusted up substantially for age without explanation for the level of adjustments for the apparent inconsistencies in adjustment; Sale 2 is adjusted up \$15,000 for a 10-year age difference (31,500/year or 9% total), while Sale 3 is adjusted up \$20,000 for a 16-year age difference (31,250/year or 11% total);
 - c. Standards Rule 1-4(b) Cost Approach by failing to provide support for the land value, thereby making this report a restricted report not a summary report;
 - d. Standards Rule 2-2 Reporting Options by the lack of support for land value, making it a restricted report not a summary report;
 - e. Standards Rule 2-2(b)(xi) Departure by failing to follow this rule; the report indicates it is a limited analysis appraisal without identifying the specific standards rules from which departure has been made; and
 - f. Standards Rule 1-1 Developing an Appraisal and Standards Rule 2-1 Report Not Misleading by the combination of concerns addressed above, which lead to the conclusion that the value opinion is not supported.

COUNT II—Appraisal of 5900 14th Avenue, Kenosha, WI

5. On or about September 1, 2005, Ms. Scott completed an appraisal for property located at 5900 19th Avenue, Kenosha, WI 53140. The appraisal showed a market value of \$116,000.
6. This appraisal was reviewed by the Department and it was determined that the appraisal violated the 2005 Uniform Standards of Professional Appraisal Practice (USPAP) in the following respects:
 - a. Standards Rule 1-2(c) Purpose and Reasonable Market Exposure Time by failing to provide an opinion of reasonable exposure time linked to the value opinion (see comment below Standards Rule 1-2(c)(v));
 - b. Standards Rule 1-2(b) Scope of Work by providing an extremely limited and only partial scope of work statement;
 - c. Standards Rule 1-4(a) Sales Comparison Approach by failing to provide an explanation for any of the adjustments, stating that "adjustments . . . were based on the net differences in market recovery" is not helpful and fails to explain the reasoning for the adjustments, e.g., why are the GLA adjustments at \$7.50/sq. ft.; the houses are 90-115 years old, yet there is no explanation for the age adjustments; there is no explanation for the lack of adjustment for Sale 1 when it is apparently in better condition than the Subject ("above average" for Sale 1 vs. "average" for Subject);
 - d. Standards Rule 1-4(b) Cost Approach by failing to provide support for the land value, thereby making the report a restricted report not a summary report;
 - e. Standards Rule 1-4(c) Income Approach by failing to provide an analysis of the Subject rents (it is a two-unit), the rents for the comparables, inclusions in the rent such as utilities, lease dates, the report states that the property being appraised is being appraised "fee simple" which means there would be no leases—what is the market for a vacant two unit? Are there actual leases? Report says that "at this time occupancy is family and comparables leased [sic] are owner occupied" but this is not clear in terms of who lives in the property other than a family or families;
 - f. Standards Rule 1-4(d) Interest Valued by possibly mistating the property interest as "fee simple" when it would actually be "leased fee" or "fee simple subject to lease" if either of the units is rented; the report is not clear as to whether or not there are any leases on the property; the correct interest should be stated in the report even if the form utilized does not have a check box for the applicable interest;
 - g. Standards Rule 2-2 Reporting Options because the lack of support for the land value; the market rent used; and the GRM used make this a "restricted" report not a "summary" report; and
 - h. Standards Rule 1-1 Developing an Appraisal and Standards Rule 2-1 Report Not Misleading by the combination of concerns addressed above, which lead to the conclusion that the value opinion is not supported.

COUNT III—Appraisal of 5304 Springbrook Road, Pleasant Prairie, WI

7. On or about May 17, 2005, Ms. Scott completed an appraisal for property located at 5304 Springbrook Road, Pleasant Prairie, WI, 53158. The appraisal showed a market value of \$ 179,000.
8. This appraisal was reviewed by the Department and it was determined that the appraisal violated the 2005 Uniform Standards of Professional Appraisal Practice (USPAP) in the following respects:
 - a. Standards Rule 1-2(c) Purpose and Reasonable Market Exposure Time by failing to provide an opinion of reasonable exposure time linked to the value opinion (see comment below Standards Rule 1-2(c)(v));
 - b. Standards Rule 1-2(b) Scope of Work by providing an extremely limited and only partial scope of work statement;
 - c. Standards Rule 1-4(a) Sales Comparison Approach by failing to provide an explanation for any of the adjustments; Sales 1 and 3 were each adjusted precisely at \$1.79/sq. ft. for size, and Sale 2 is adjusted at \$1.69/sq. ft. without an explanation for the difference; there is no explanation for the age adjustments; Sale 3 appears to be adjusted at \$9.43 for differences in GLA—this is an exceedingly low level of adjustment without any explanation; the Subject is described on page 1 as having central air, but there is no indication in the grid if any of the four properties have central air;
 - d. Standards Rule 1-4(b) Cost Approach by failing to provide an explanation for the land value which is very precise (\$71,592 or \$6,532/sq. ft.);
 - e. Standards Rule 2-2(b)(xi) Departure by failing to follow this rule; the report indicates that it is a limited analysis appraisal without identifying the specific standards rules from which departure has been made; and
 - f. Standards Rule 1-1 Developing an Appraisal and Standards Rule 2-1 Report Not Misleading by the combination of concerns addressed above; given that the subject sold for \$70,000 the month following the date of valuation, the value opinion of \$103,000 in 12/05 appears significantly overstated.

CONCLUSIONS OF LAW

1. The Wisconsin Real Estate Appraisers Board has jurisdiction to act in this matter pursuant to Wis. Stat. § 458.26, and is authorized to enter in the attached Stipulation pursuant to Wis. Stat. § 227.44(5).
2. The conduct described above in paragraphs 4-8 constitutes a violation of:
 - a. 2005 USPAP Standards Rule 1-2(c), Purpose and Reasonable Market Exposure Time;
 - b. 2005 USPAP Standards Rule 1-2(b), Scope of Work;
 - c. 2005 USPAP 1-4(a), Sales Comparison Approach;
 - d. 2005 USPAP Standards Rule 1-4(b), Cost Approach;
 - e. 2005 USPAP Standards Rule 1-4(c), Income Approach;
 - f. 2005 USPAP Standards Rule 1-4(d), Interest Valued;
 - g. 2005 USPAP Standards Rule 2-2, Reporting Options;
 - h. 2005 USPAP Standards Rule 2-2(b)(xi), Departure; and
 - i. 2005 USPAP Standards Rule 1-1, Developing an Appraisal.
3. As a result of the above USPAP violations, Ms. Scott is deemed to have also violated Wis. Admin. Code § 88.01(2), thereby subjecting herself to discipline pursuant to Wis. Admin. Code § 88.01(1) and Wis. Stat. § 458.26(3)(b) and (c).

NOW, THEREFORE, IT IS HEREBY ORDERED that:

1. The certificate of licensure of Respondent **Sherry E. Scott**, license # 4-1892, is hereby **REPRIMANDED**.
2. Respondent **Sherry E. Scott** shall, within one year of the date of this Order, successfully complete the course entitled "Basic Appraisal Procedures" offered by the Appraisal Institute, at her own expense, including taking and passing the exam offered for the course.
3. Ms. Scott shall submit proof of the same in the form of verification from the institution providing the education to the address stated below. None of the education completed pursuant to this requirement may be used to satisfy any continuing education requirements that are or may be instituted by the Board or the Department of Regulation and Licensing.
4. Ms. Scott shall not apply for certification and licensure as a Certified Residential Appraiser or Certified General Appraiser any sooner than three months after completion of the education required in paragraph 2 of this Order. In the event that Ms. Scott does apply for certification as a Certified Residential Appraiser or Certified General Appraiser in the future, the Board recommends that the Real Estate Appraiser Application Review Committee audit work samples Ms. Scott has performed after the date of completion of the education required by paragraph 2 of this Order.
5. **Sherry E. Scott** shall, within 60 days of the date of this Order, pay **COSTS** of this matter in the amount of \$ 700.00.
6. Proof of successful seminar/course completion and payment of costs (made payable to the Wisconsin Department of Regulation and Licensing) shall be mailed, faxed or delivered to the Department Monitor at this address:

Department Monitor

Division of Enforcement
Department of Regulation and Licensing
P.O. Box 8935, Madison, WI 53708-8935
Telephone (608) 261-7904, Fax (608) 266-2264
7. Violation of any of the terms of this Order may be construed as conduct imperiling public health, safety and welfare and may result in a summary suspension of Respondent's license. The Board in its discretion may in the alternative impose additional conditions and limitations or other additional discipline for a violation of any of the terms of this Order. In the event Respondent fails to timely submit any payment of the costs as set forth above or fails to complete the education as ordered, or is otherwise in violation of this order, Ms. Scott's license # 4-1892 SHALL BE SUSPENDED, without further notice or hearing, until Respondent has complied with the terms of this Order.

by: Mark P. Kowbel
A Member of the Board

5/16/07
Date