

# WISCONSIN DEPARTMENT OF REGULATION & LICENSING



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STATE OF WISCONSIN  
BEFORE THE REAL ESTATE APPRAISERS BOARD

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IN THE MATTER OF DISCIPLINARY :  
PROCEEDINGS AGAINST : **FINAL DECISION AND ORDER**  
**MYKEL C. FARR,** : LS0910074APP  
RESPONDENT. :

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Division of Enforcement case file 08 APP 088

The parties to this action for the purpose of Wis. Stats. sec. 227.53 are:

Mykel C. Farr  
2237 West Rohr Avenue  
Milwaukee, WI 53209

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

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

### **PROCEDURAL HISTORY**

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 Wisconsin Real Estate Appraisers Board (“Board”). The Board has reviewed the Stipulation and considers it acceptable. Accordingly, the Board adopts the attached Stipulation in this matter and makes the following Findings of Fact, Conclusions of Law, and Order:

### **FINDINGS OF FACT**

1. Mykel C. Farr is licensed in the State of Wisconsin as a Real Estate Appraiser, having license number 4-1921, first issued on September 23, 2005.
2. Mr. Farr’s most recent address on file with the Department of Regulation and Licensing (“Department”) is 2237 West Rohr Avenue, Milwaukee, WI 53209.
3. Mr. Farr performed an appraisal and prepared an appraisal report for property at 2758 North 2<sup>nd</sup> Street in Milwaukee, Wisconsin as of July 20, 2007.
4. In his appraisal and appraisal report, Mr. Farr violated the Uniform Standards for Professional Appraisal Practice (USPAP) as follows:
  - a. The appraiser is in violation of the Record Keeping provision (Line 281), as no work-file was available. This is a violation of the Ethics Rule.
  - b. The appraiser applied all three approaches to value, which is not only outside common practice for a 100+ year-old single-family home, but the cost and income and income approaches are also not indicative of the behavior of market participants, and obviously contribute little if anything to the final value opinion. This is a violation of the Competency Rule.
  - c. The cost and income approaches are not recognized techniques for the appraisal of a 100+ year-old single-

family home in the neighborhood. This is a violation of Standards Rule (“SR”) 1-1(a).

d. The Harambee neighborhood boundaries do not encompass the Riverwest neighborhood which bounds the subject neighborhood from Holton Street on the east and extends to the Milwaukee River. The selection of comparables from Riverwest may significantly affect the appraisal, as is evidenced by comparable three, which sold significantly higher than comparables one and two. This is a violation of SR 1-1(b).

e. Given the deficiencies it appears that the appraiser may have rendered appraisal services in a careless or negligent manner, through 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. This is a violation of SR 1-1 (c ).

f. The general description indicates a one story dwelling, while the building sketch (and photos) indicate a 1.5 story. Assessors records indicate a basement area of 882 square feet, and not 1323 square feet. As of 6/2005, Mls #754423 indicates that the subject is part of a multiple building parcel with only one water main. The status of the water main as of the report date is unknown. This is a violation of SR 1-2 (e)(i), SR 1-2(iv) and SR 1-2 (1).

g. The highest and best use is indicated by a check-box, which is commonly accepted practice. This does not constitute analysis. The subject was an existing single-family residence, and a single family use meets the criteria of highest and best use. The appraiser should be aware of this requirement. This is a violation of SR 1-3 (b) and SR 2-2 (a,b,c)(ix).

h. Sale one was purchased for rehab, Sale two was a bank-owned property. Sale three is located outside the Harambee Neighborhood. I performed a search in the defined neighborhood and located nine sales, five of which were foreclosure transactions and three which I believe suitable for further analysis. There is no discussion for selecting comparables outside the neighborhood, nor for the level of adjustment, in particular the condition adjustment to sales one and three. The appraiser should provide some discussion (analysis) to the level of individual adjustments. On a qualitative basis, the direction of the adjustments appears reasonable. This is a violation of SR 1-4 (a).

i. Common practice and local norms suggest the cost approach is not applicable. However, given its application, no analysis of the accrued depreciation was performed. This would be particularly useful given the wide discrepancy between the cost and sales comparison approaches. This is a violation of SR 1-4 (b)(iii).

j. Common practice and local norms suggest the income approach is not applicable. However, given its application, there is no data or discussion as to how the ORM was derived. This is a violation of SR 1-4 (c )(iii).

k. The assessors records indicate a prior sale (6/2005) of \$12,000. The appraiser reports a prior sale (6/2005) price of \$65,000. MLS #754423 indicates a sale price (6/2005) of \$113,000. As cited previously, the MLS indicates three separate buildings with one water main. Readily accessible (on-line) assessor records indicate a single unit. There is no reconciliation of the wide discrepancies, and this is obviously a transaction which requires significantly greater analysis. This is a violation of SR 1-5 (b).

l. There is no discussion of the quality and quantity of the data in the reconciliation within the individual approaches other than “market reaction”. Nor is there any reconciliation of quality or quantity of data among the approaches. Given the wide variation among the approaches, analysis is necessary for a credible result. The appraiser states in the final reconciliation that cost and income were “not deemed applicable”. If this is the case, why were they analyzed. This is misleading and confusing to a user. This is a violation of SR 1-6 (a)(b) and SR 2-2 (a,b,c)(viii).

m. The report did not contain sufficient information to enable the intended users of the appraisal to understand the report properly. The minimal descriptive elements pertaining to the improvements provide the user with no mental “picture” of the existing improvements regarding updates, renovations, repairs or regular maintenance. Merely stating average is not analysis. The appraiser did not describe the information analyzed, why the appraisal methods and techniques which were analyzed were even employed, and there is no reasoning or analysis in support of the opinions and conclusions. This is a violation of SR 2-1 (a) and SR 2-1 (b) and SR 2-2 (a,b,c)(iii) and SR 2-2 (a,b,c)(viii).

n. Throughout the report, stock phrases and a lack of analysis are evident. Meaningless approaches were applied, while potentially meaningful analysis of applicable (sales comparison) data is absent. There are deficiencies in the areas of ethics, competency, appraisal development and appraisal reporting. This constitutes a series of deficiencies and errors which potentially affect the validity of the report. This is a violation of SR 2-1.

## CONCLUSIONS OF LAW

1. The Wisconsin Real Estate Appraisers Board has jurisdiction to act in this matter pursuant to section 458.26

(3) of the Wisconsin Statutes and is authorized to enter into the attached Stipulation pursuant to sec. 227.44(5), Wis. Stats.

2. By failing to comply with USPAP in the appraisals and the appraisal reports for property at 2758 North 2<sup>nd</sup> Street in Milwaukee, Wisconsin, Respondent Mykel C. Farr violated sections RL 86.01 (1) and (2) of the Wisconsin Administrative Code, and is subject to discipline under section 458.26 (3), Wis. Stats.

3. By failing to respond to an investigative request from the Department of Regulation and Licensing, Mr. Farr violated section RL 86.01 (10) of the Wisconsin Administrative Code, and is subject to discipline under section 458.26 (3), Wis. Stats.

### **ORDER**

NOW, THEREFORE, IT IS ORDERED that the attached Stipulation is hereby accepted.

IT IS FURTHER ORDERED that Mykel C. Farr is hereby REPRIMANDED.

IT IS FURTHER ORDERED that within six months of the date of this Order, Mr. Farr must successfully complete a course in basic real estate appraisal principles and/or procedures from the Appraisal Institute, Robbins & Lloyd, McKissock, or another educational institution approved by the Department of Regulation and Licensing. None of the education completed pursuant to this order 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. Mr. Farr shall submit proof of successful completion in the form of verification from the institution providing the education to the following address:

Department Monitor  
Department of Regulation and Licensing,  
PO Box 8935, Madison, WI 53708-8935.  
Fax (608) 266-2264  
Tel. (608) 267-3817

In the event Mr. Farr fails to successfully complete the educational requirements in the manner set forth, or to obtain an extension of time for good cause, his Real Estate Appraisers license shall be suspended without further hearing and without further Order of the Board, and said suspension shall continue until further Order of the Board or until he provides to the Department proof of completion of all said educational requirements.

IT IS FURTHER ORDERED that file 08 APP 088 be closed.

Dated this 7<sup>th</sup> day of October, 2009.

### **WISCONSIN REAL ESTATE APPRAISERS BOARD**

By: Marla Britton, Board Chair, or another member of the Board