

WISCONSIN DEPARTMENT OF REGULATION & LICENSING



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2011
APP

STATE OF WISCONSIN
BEFORE THE REAL ESTATE APPRAISERS BOARD

IN THE MATTER OF DISCIPLINARY
PROCEEDINGS AGAINST

CHRISTOPHER F. PALUMBO
RESPONDENT.

FINAL DECISION AND ORDER

ORDER 0000692

Division of Enforcement Case File 10 APP 033

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

Christopher F. Palumbo
N8320 Whippoorwill Road
Ixonia, WI 53036

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

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. Christopher F. Palumbo ("Mr. Palumbo") is licensed in the State of Wisconsin as a Certified Residential Appraiser and Licensed Appraiser, having license number 9-1780, first issued on January 4, 2010 and current through December 14, 2011. Mr. Palumbo also maintained a license as a Licensed Appraiser, having license number 4-2088, first issued on August 7, 2008, and expired on December 14, 2009.

2. Mr. Palumbo's most recent address on file with the Department of Regulation and Licensing ("Department") is N8320 Whippoorwill Road, Ixonia, WI 53036.

3. On or about July 15, 2009, Mr. Palumbo conducted an appraisal for a refinancing transaction of property located at 8201 Scheffler Road, Newton, Wisconsin ("Subject Property") which was outside his scope of geographical familiarity.

4. On or about June 10, 2010, the Department received a complaint against Mr. Palumbo from Larry D. Handley, Vice President, Chase Home Lending Collateral Risk Management ("HLCRM") relating to the appraisal of the Subject Property.

5. Mr. Palumbo's appraisal of the Subject Property was reviewed by the Department and it was determined that the appraisal and appraisal report violated the Uniform Standards of Professional Appraisal Practice ("USPAP") Standards Rules ("SR") as follows:

a. In his appraisal report, Mr. Palumbo failed to include an accurate description of the improvements and failed to include an analysis or report on the following:

- The limited access to the "in-law suite" and resulting functional obsolescence which compromised over one third of the gross living area;
- The presence of a barn and silos.

(SR2-2(a, b, c).)

b. In his appraisal report, Mr. Palumbo failed to provide market sales to support his estimate of "site value." (SR1-4(b)(i).)

c. In his appraisal report, Mr. Palumbo improperly included a reference to an "entrepreneurial incentive" of \$25,000 in a single unit, owner occupied residential cost approach which significantly increased the cost approach conclusion. (SR1-1(a, b, c).)

d. In his appraisal report, Mr. Palumbo failed to verify the data used in the cost approach or specify the source of his cost data. (SR1-1(a, b, c).)

e. Mr. Palumbo omitted and misstated factual data about the Subject Property and comparable sales, including:

- Sale 2 was listed for sale for more than a year, not 78 days as indicated in the sales grid.
- The photo of Sale 1 shows a large outbuilding to the left of residential improvements but Mr. Palumbo failed to disclose the existence of an outbuilding or make appropriate adjustments for outbuildings for the Subject Property or Sales 1 and 6.
- Mr. Palumbo used unadjusted sale prices for Sales 1 and 2.

The failure to make the appropriate adjustments referenced above and the omissions of relevant factual data resulted in an inflated value conclusion. (SR1-1(a, b, c); SR1-4(a); SR2-2(a, b, c)(ix).)

f. Mr. Palumbo's appraisal report reconciliation was based on faulty data. (SR1-6).

g. In his appraisal report, Mr. Palumbo failed to report a reasonable exposure time linked to the value opinion. (SR1-2(c).)

h. In his appraisal report, Mr. Palumbo failed to provide adequate or reasonable overall support or reasoning for key assumptions. (SR2-2(a, b, c)(ix).)

i. In his appraisal report, Mr. Palumbo made inappropriate references to "FEMA," disclosing lack of competency. (SR1-1(c).)

j. In his appraisal report, Mr. Palumbo made representations which intentionally over-valued the Subject Property. These omissions misled the lender. (SR2-1(a).)

CONCLUSIONS OF LAW

1. The Wisconsin Real Estate Appraisers Board has jurisdiction to act in this matter pursuant to Wis. Stat. § 458.26(3) and is authorized to enter into the attached Stipulation pursuant to Wis. Stat. § 227.44(5).

2. The conduct described in Findings of Fact, paragraph 5, constitutes a violation of the Ethics Rule, the Conduct Rule, and the Scope of Work Rule, and the following Standards Rules:

a. By the conduct described in Findings of Fact, paragraph 5. d, e, f, g, and i, Mr. Palumbo violated USPAP SR1-1(a, b, c) by failing to be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal; by committing a substantial error of omission or commission that significantly affected the appraisal; and by rendering appraisal services in a careless or negligent manner, such as by making a series of errors that in the aggregate affects the credibility of the results of the appraisal.

b. By the conduct described in Finding of Fact 5. b, Mr. Palumbo violated USPAP SR1-4(b)(i) by failing to develop an opinion of site value by an appropriate appraisal method or technique.

c. By the conduct described in Finding of Fact 5. e, Mr. Palumbo violated USPAP SR1-4(a) by failing to analyze available comparable sales data to indicate a value conclusion.

d. By the conduct described in Finding of Fact 5. f, Mr. Palumbo violated USPAP SR1-6 by failing to reconcile the quality and quantity of data available and analyzed within the approaches used, including the applicability and relevance of the approaches, method and techniques used to arrive at the value conclusions.

e. By the conduct described in Finding of Fact 5. j, Mr. Palumbo violated USPAP SR2-1(a) by failing to clearly and accurately set forth the appraisal in a manner that is not misleading.

f. By the conduct described in Findings of Fact 5. a, b, c, d, e, and h, Mr. Palumbo violated USPAP SR2-2(a, b, c) by failing to summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions; committing a substantial error of omission or commission that significantly affected the appraisal; failing to collect, verify, and analyze all information applicable to the appraisal; and failing to summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions.

g. By the conduct described in Findings of Fact 4. e and h, Mr. Palumbo violated USPAP SR2-2(a, b, c)(ix) by failing to state the use of the real estate existing as of the date of value and the use of the real estate reflected in the appraisal, with a description of the support and rationale of the opinion.

3. As a result of the above USPAP violations, Mr. Palumbo has violated Wis. Admin. Code § RL 86.01(1) and (2), thereby subjecting himself to discipline pursuant to Wis. Stat. § 458.26(3)(b), (c) and (i).

ORDER

NOW, THEREFORE, IT IS ORDERED that:

1. The attached Stipulation is hereby accepted.
2. The Certified Residential Appraiser and Licensed Appraiser license issued to **Christopher F. Palumbo** (license number 9-1780) is hereby **REPRIMANDED**.

IT IS FURTHER ORDERED that:

1. The license and certification of Respondent **Christopher F. Palumbo** (license number 9-1780) is hereby **LIMITED** as follows:

a. Christopher F. Palumbo shall, within one (1) year of the date of this Order, successfully complete at least 60 credit hours of the following EDUCATION, including taking and passing all exams offered for the courses:

- National USPAP Class (Appraisal Institute) (15 hour class);
- Residential Market Analysis and Highest & Best Use (Appraisal Institute) (15 hours);

- Residential Report Writing and Case Studies (Appraisal Institute) (15 Hours);
- Residential Site Value & Cost Approach (Appraisal Institute) (15 hours); and
- Residential Sales Comparison and Income Approaches (Appraisal Institute) (30 hours).

b. None of the education completed pursuant to this requirement may be used to satisfy any continuing education requirements that have been or may be instituted by the Board or the Department of Regulation and Licensing.

c. The Limitations shall be removed from **Christopher F. Palumbo's** license and **Christopher F. Palumbo** will be granted a full, unrestricted license after satisfying the Board or its designee that he has successfully completed all of the ordered continuing education.

2. **Christopher F. Palumbo** shall pay a **FORFEITURE** in the amount of **ONE THOUSAND DOLLARS (\$1,000)** and the Department's **COSTS** of this matter in the amount of **EIGHT HUNDRED AND FIFTY DOLLARS (\$850.00)**, for a total of **ONE THOUSAND EIGHT HUNDRED FIFTY DOLLARS (\$1,850.00)**.

4. Payment of the **FORFEITURE** and **COSTS** shall be submitted within 180 days from the date of the order. Payment of the **FORFEITURE** and **COSTS** shall be made payable to the Wisconsin Department of Regulation and Licensing and sent to the Department Monitor at the address referenced in paragraph 5 below.

5. Proof of successful course completion and payment of forfeitures and costs shall be mailed, faxed or delivered by the Respondent 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) 267-3817, Fax (608) 266-2264

6. 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 **Christopher F. Palumbo's** license to practice in the state of Wisconsin as a Certified Residential Appraiser and Licensed Appraiser (license number 9-1780). 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 **Christopher F. Palumbo** fails to comply with payment of the forfeiture and costs, and completion of the continuing education portion of this Order, **Christopher F. Palumbo's** license to practice in the state of Wisconsin as a Certified Residential Appraiser and Licensed Appraiser (license number 9-1780) may, in the discretion of the Board or its designee, be **SUSPENDED**, without further

notice or hearing, until **Christopher F. Palumbo** has complied with all the terms and conditions of this Order.

7. This Order is effective on the date of its signing.

WISCONSIN REAL ESTATE APPRAISERS BOARD

By: Maia L. Butten
A Member of the Real Estate Appraisers Board
nmH

2/23/11
Date