

BEFORE THE COMMISSION OF APPRAISERS OF REAL ESTATE

STATE OF NEVADA

SHARATH CHANDRA, Administrator,
REAL ESTATE DIVISION, DEPARTMENT
OF BUSINESS & INDUSTRY,
STATE OF NEVADA,

Petitioner,

vs.

RICHARD W. LACE
(License No. A.0002907-CR),

Respondent.

Case No. 2020-18, AP20.023.N;
Case No. 2020-19, AP20.024.N;
Case No. 2020-21, AP20.025N;
Case No. 2020-22, AP20.026N

**STIPULATION FOR GLOBAL
SETTLEMENT OF DISCIPLINARY
ACTIONS**

This Stipulation for Global Settlement of Disciplinary Actions (this "Stipulation") is entered into by and between the State of Nevada, Department of Business and Industry, Real Estate Division ("Division"), through its Administrator Sharath Chandra ("Petitioner"), by and through their attorney of record, Phil W. Su, Senior Deputy Attorney General, and Richard Lace ("RESPONDENT"), representing himself.

The Respondent was at all relevant times mentioned in this Complaint licensed by the Division as a Certified Residential Appraiser under license number A.0002907-CR, and therefore, is subject to the Jurisdiction of the Division and the provisions of NRS and NAC Chapter 645C.

SUMMARY OF FACTUAL ALLEGATIONS SET FORTH IN THE COMPLAINT

Case No. 2020-18

1. On or about January 2, 2020, the Division received a complaint from John J. Jacobs, Chief Appraiser for U.S. Department of Housing and Urban Development (HUD) regarding a continuing pattern of appraisal deficiencies over four separate appraisals RESPONDENT conducted on four different subject properties in 2018. Each property has been assigned its own case number by the Division.

2. The Division commissioned an appraisal case analysis of the underlying appraisal performed by the Respondent, taking into consideration the number of

1 complaints filed by HUD and the nature of the possible violations.

2 3. Based on the findings and recommendation of that review, the Division
3 determined that this matter should be heard by the Nevada Commission of Appraisers of
4 Real Estate ("Commission").

5 4. RESPONDENT is licensed by the Division as a Certified Residential
6 Appraiser, License No. A.0002907-CR.

7 5. On May 13, 2019, HUD issued letter to Respondent entitled "Proposed
8 Removal from the FHA Appraisal Roster," outlining appraisal deficiency issues with four
9 of Respondent's appraisals from 2018, as well as HUD's prior actions against
10 RESPONDENT from January 2009 to October 2017.

11 6. On May 30, 2019, Respondent submitted a request for an "appeal without
12 conference" pertaining to the "Proposed Removal from the FHA Appraisal Roster."

13 7. On or about July 15, 2019, HUD affirmed its Recommended Removal &
14 Education Sanction, whereby HUD formally removed RESPONDENT from the FHA
15 Appraisers Roster for 12 months and required 37 hours of Remedial Education based on
16 the issues with the four appraisals from 2018 and HUD's prior actions against
17 RESPONDENT from January 2009 to October 2017.

18 8. The HUD complaint included RESPONDENT's appraisal report for the
19 property located at 12191 Mount Anderson Street, Reno, NV 89506, APN 086-580-34
20 ("subject property"), at the request of One Nevada Credit Union. The report also states that
21 it is FHA Case Number 331-1874315.

22 9. The assignment type is identified as "refinance transaction."

23 10. RESPONDENT signed the appraisal report for the subject property ("subject
24 report").

25 11. The subject report had an effective date of September 11, 2018, a signature
26 date of October 9, 2018, and listed the appraised value at \$220,000.00.

27 12. Respondent's Appraisal Report contains significant errors, as summarized
28 herein.

1 13. On or about January 8, 2020, the Division sent a letter to RESPONDENT
2 notifying him about the complaint and requested RESPONDENT to provide a written
3 response and a hard copy of the appraisal report including the entire work file, and any
4 supporting documentation on or before January 22, 2020.

5 14. On or about January 21, 2020, RESPONDENT provided Division with
6 RESPONDENT's appraisal report and work file for the subject property.

7 15. RESPONDENT's appraisal report (the "Appraisal Report") was prepared for
8 FHA and HUD financing and must follow FHA, HUD, and USPAP standards and
9 guidelines.

10 16. RESPONDENT's Appraisal Report states: "The subject will meet the HUD
11 minimum standards per HUD Handbook 4000.1 once the water heater is double strapped.
12 The crawl space was inspected and was clear. There is no attic space."

13 17. An appraisal photograph entitled "water heater" shows that the property's
14 water heater drain discharge pipe was not installed, and the front of the subject property's
15 fascia board showed chipped paint and exposed exterior wood but was not listed as a
16 required repair.

17 18. The Appraisal Report noted "none" for the property's attic, although attic
18 space was evidenced based on the low interior ceiling and attic vent visible in the rear
19 subject property photo and low ceiling heights in interior photos.

20 19. HUD requires an appraiser to observe the interior and photograph the attic.
21 If there is no access, the appraiser must report the lack of accessibility and complete the
22 report subject to inspection by a qualified third party.

23 20. The Appraisal Report also did not contain the necessary "subject to" inspection
24 by a third party statements, as required by HUD.

25 21. RESPONDENT failed to include required repairs for defects such as chipping
26 paint on the subject property's fascia board and exposed exterior wood in the subject report.

27 22. Respondent admitted he failed to condition for the lack of discharge pipe; that
28 there was an attic vent, but that there was no access; and, regarding the condition of the

1 exterior paint, he commented on the condition of the exterior paint but did not dispute the
2 violation.

3 23. RESPONDENT's Appraisal Report sale grid made upward adjustments for
4 central air conditioning and landscaping without including comparable sales with similar
5 amenities or providing supporting data or analysis.

6 24. RESPONDENT claims his adjustments were extracted from the limited
7 market and sales data available; however, HUD has determined that if there is a lack of
8 listing activity to support the market condition adjustments, then no adjustments should
9 be made.

10 25. RESPONDENT provided no supporting information or analysis for
11 RESPONDENT's choices of comparable sales and despite the subject property being
12 inferior to all the comparable sales in terms of site size, with size differences ranging from
13 887 sq/ft to 5967 sq/ft, RESPONDENT's appraisal states, "No adjustment is made for the
14 difference in site as there is no market support for an adjustment."

15 26. HUD found this to be insufficient analysis to determine whether site
16 adjustments were warranted, and the reviewer noted that more similar comparable sales
17 were indeed available.

18 27. The Appraisal Report describes the MF14 zoning classification as "allows for
19 single family residence."

20 28. In actuality, the zoning classification of MF14, according to the City of Reno
21 Planning Department, is multifamily with a maximum of 14 units per acre or one unit per
22 3000 sq/ft.

23 29. On appeal, HUD affirmed each of the violations pertaining to the Appraisal
24 Report for the subject property.

25 30. Based on "the recurring violations as evidenced in [Respondent's] appraisal
26 reports" and "serious disregard for HUD guidelines," HUD Santa Ana Home Ownership
27 Center Director Thomas Rose affirmed HUD's twelve (12) month removal sanction against
28 RESPONDENT.

1 31. The Division's commissioned Appraisal Case Analysis determined that the
2 Appraisal Report was not in compliance with USPAP's Competency and Scope of Work
3 Rules.

4 **SUMMARY OF VIOLATIONS OF LAW ALLEGED IN THE COMPLAINT**

5 **Case No. 2020-18**

6 The Respondent failed to prepare the appraisal report for the Property in
7 Compliance with the Standards of the Appraisal Foundation. These Standards are
8 published in the Uniform Standards of Professional Appraisal Practice ("USPAP") adopted
9 by the Appraisal Standards Board of the Appraisal Foundation, as authorized by Congress,
10 and adopted in Nevada by NAC 645C.400.

11 **First Violation**

12 The Respondent violated USPAP COMPETENCY RULE, as codified in NAC
13 645C.405(1), because the Appraisal Report appears to have several violations of FHA and
14 HUD guidelines, which affects the Respondent's Appraisal Report's credibility. The
15 Appraisal Report could lack credibility due to failure of the Appraisal Report to accurately
16 state that the subject property's water heater did not have a discharge drainpipe installed,
17 or that the front fascia board had chipped paint and exposed exterior wood. The Appraisal
18 Report also did not accurately note the existence of attic space, or that it was accessible,
19 nor did the Respondent complete the report subject to inspection by a qualified third party
20 of the inaccessible attic. The Appraisal Report did not contain the necessary "subject to"
21 statement as required by HUD. The Appraisal Report sale grid made upward adjustments
22 for central air conditioning and landscaping without including comparable sales with
23 similar amenities or providing supporting data or analysis, and disregarding the smaller
24 lot size of the subject property in relation to comparable sales without sufficient analysis.
25 Lastly, the Appraisal Report inaccurately described the zoning classification of the subject
26 property and failed to take into consideration the inferior site size of the subject property,
27 in relation to comparable sales.

28 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for

1 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
2 (b).

3 **Second Violation**

4 The Respondent's Appraisal Report was prepared for FHA and HUD financing and,
5 therefore, must comply with FHA, HUD, and USPAP standards. The respondent's
6 Appraisal Report has several violations of FHA and HUD guidelines, which negatively
7 affect the Appraisal Report's credibility and constitute violation of the USPAP SCOPE OF
8 WORK RULE, as codified in NAC 645C.405(1).

9 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
10 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
11 (b).

12 **Third Violation**

13 The Respondent violated USPAP Standards Rule 1-1(b), as codified in NAC
14 645C.405(1), by failing to ensure that the Appraisal Report met with HUD and FHA
15 guidelines that affect the Appraisal Report's credibility, as described above. See First
16 Violation. Moreover, the Appraisal Report noted that the property had an MF14 zoning
17 classification but incorrectly described that zoning classification to "allow for single family
18 residence," when, in fact, the MF14 zoning classification is multifamily with a maximum
19 of 14 units per acre or one unit per 3000 sq/ft.

20 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
21 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
22 (b).

23 **Fourth Violation**

24 Respondent's Appraisal Report violated USPAP Standards Rule 1-2(e), as codified
25 in NAC 645C.405(1), by inaccurately stating the relevant characteristics of the subject
26 property with regards to the nature of the property's water heater, external condition, lot
27 size, the existence of an attic, and the nature of the property's zoning classification.

28 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for

1 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
2 (b).

3 **Fifth Violation**

4 Respondent violated USPAP Standards Rule 1-4(a), as codified in NAC 645C.405(1),
5 by making upward adjustments in the Appraisal Report sale grid for central air
6 conditioning and landscaping without including comparable sales with similar amenities
7 or providing supporting data or analysis, and by disregarding the smaller lot size of the
8 subject property in relation to comparable sales without sufficient analysis.

9 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
10 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
11 (b).

12 **Sixth Violation**

13 Respondent violated USPAP Standards Rule 2-1(a), as codified in NAC 645C.405(1),
14 by inaccurately stating the relevant characteristics of the subject property with regards to
15 the nature of the property's water heater, external condition, lot size, the existence of an
16 attic, and the nature of the property's zoning classification.

17 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
18 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
19 (b).

20 **Seventh Violation**

21 Respondent violated USPAP Standards Rule 2-2(a)(iii), as codified in NAC
22 645C.405(1), by containing an incomplete description of the subject property's zoning
23 classification and by inaccurately stating that the property does not contain an attic, which
24 is contradicted by rear property photos showing the presence of an attic vent, coupled with
25 interior photos showing low ceiling heights, which constitute evidence of the existence of
26 an attic.

27 The Respondent's actions constitute unprofessional conduct pursuant to NRS
28 645C.470(2) and grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

Eighth Violation

1 Respondent violated USPAP Standards Rule 2-2(a)(viii), as codified in NAC
2 645C.405(1), by providing no analysis or reasoning to support the exclusion of cost or
3 income approach in favor of the market comparison approach. The Appraisal Report states
4 that “[t]he market comparison approach to value is believed to be the best suited for the
5 appraisal of SFR’s with the cost, and income approaches are not applicable or necessary,”
6 but does not provide analysis or support beyond that statement for excluding those
7 competing approaches.
8

9 The Respondent’s actions constitute unprofessional conduct pursuant to NRS
10 645C.470(2) and grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

Ninth Violation

11 Respondent violated USPAP Standards Rule 2-2(a)(x), as codified in NAC
12 645C.405(1), by failing to provide rationale or support for highest and best use, even though
13 the associated box is checked in the Appraisal Report.
14

15 The Respondent’s actions constitute unprofessional conduct pursuant to NRS
16 645C.470(2) and grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

SUMMARY OF FACTUAL ALLEGATIONS SET FORTH IN THE COMPLAINT

Case No. 2020-19

17
18 1. On or about January 2, 2020, the Division received a complaint from John J.
19 Jacobs, Chief Appraiser for U.S. Department of Housing and Urban Development (HUD)
20 regarding a continuing pattern of appraisal deficiencies over four separate appraisals
21 RESPONDENT conducted on four different subject properties in 2018. Each property has
22 been assigned its own case number by the Division.
23

24 2. The Division commissioned an appraisal case analysis of the underlying
25 appraisal performed by the Respondent, taking into consideration the number of
26 complaints filed by HUD and the nature of the possible violations.

27 3. Based on the findings and recommendation of that review, the Division
28 determined that this matter should be heard by the Nevada Commission of Appraisers of

1 Real Estate ("Commission").

2 4. RESPONDENT is licensed by the Division as a Certified Residential
3 Appraiser, License No. A.0002907-CR.

4 5. On May 13, 2019, HUD issued letter to Respondent entitled "Proposed
5 Removal from the FHA Appraisal Roster," outlining appraisal deficiency issues with four
6 of Respondent's appraisals from 2018, as well as HUD's prior actions against
7 RESPONDENT from January 2009 to October 2017.

8 6. On May 30, 2019, Respondent submitted a request for an "appeal without
9 conference" pertaining to the "Proposed Removal from the FHA Appraisal Roster."

10 7. On or about July 15, 2019, HUD affirmed its Recommended Removal &
11 Education Sanction, whereby HUD formally removed RESPONDENT from the FHA
12 Appraisers Roster for 12 months and required 37 hours of Remedial Education based on
13 the issues with the four appraisals from 2018 and HUD's prior actions against
14 RESPONDENT from January 2009 to October 2017.

15 8. The HUD complaint included RESPONDENT's appraisal report for the
16 property located at 3233 Modena Dr., Sparks, NV 89434-2055, APN 402-131-10 ("subject
17 property"), at the request of New American Funding. The report also states that it is FHA
18 Case Number 331-1871217.

19 9. The assignment type is identified as "purchase transaction."

20 10. RESPONDENT signed the appraisal report for the subject property ("subject
21 report").

22 11. The subject report had an effective date of August 13, 2018, a signature date
23 of August 16, 2018, and listed the appraised value at \$280,000.00.

24 12. Respondent's Appraisal Report contains significant errors, as summarized
25 herein.

26 13. On or about January 8, 2020, the Division sent a letter to RESPONDENT
27 notifying him about the complaint and requested RESPONDENT to provide a written
28 response and a hard copy of the appraisal report including the entire work file, and any

1 supporting documentation on or before January 22, 2020.

2 14. On or about January 21, 2020, RESPONDENT provided Division with
3 RESPONDENT's appraisal report and work file for the subject property.

4 15. RESPONDENT's appraisal report (the "Appraisal Report") was prepared for
5 FHA and HUD financing and must follow FHA, HUD, and USPAP standards and
6 guidelines.

7 16. RESPONDENT's Appraisal Report states: "All of the Comparables were taken
8 from the immediate market area and support the final opinion of value. Comparables #1
9 and #2 are attached homes while Comparables #3 and #4 are detached. Detached homes
10 were used as there have been few sales of townhome type construction."

11 17. RESPONDENT's Appraisal Report made upward market condition
12 adjustments to Comparable Sale #2 without including supporting comments or
13 information, and only contained one sale that had closed within the prior 90 days, when,
14 in a changing market, the appraiser must include two sales that have closed within 90 days
15 of the date of the appraisal.

16 18. RESPONDENT's Appraisal Report sale grid made across the grid upward
17 adjustments for differences in Covered Patio amenities, without including comparable sales
18 with a similar amenity, or providing other data or analyses to support the adjustments.

19 19. RESPONDENT claims that there was a lack of (attached) comparable sales,
20 that a time adjustment was made, and that there was also a lack of listing or pending sales
21 in the area. HUD determined, however, that if there is a lack of listing activity to support
22 the market condition adjustments, then no adjustments should be made.

23 20. On appeal, HUD affirmed each of the violations pertaining to the Appraisal
24 Report for the subject property.

25 21. Based on "the recurring violations as evidenced in [Respondent's] appraisal
26 reports" and "serious disregard for HUD guidelines," HUD Santa Ana Home Ownership
27 Center Director Thomas Rose affirmed HUD's twelve (12) month removal sanction against
28 RESPONDENT.

1 by making unsupported upward adjustments in the Appraisal Report without including
2 comparables with similar amenities, which constitutes a violation of FHA and HUD
3 guidelines and affects the Appraisal Report's credibility.

4 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
5 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
6 (b).

7 **Fourth Violation**

8 Respondent violated USPAP Standards Rule 2-1(a), as codified in NAC 645C.405(1),
9 by failing to provide support in the Appraisal Report for adjustments in the sales grid for
10 date of sale, design/style, GLA, garage, porch/patio/deck, fireplace, and landscaping; and
11 because the work file lacks the necessary support for the adjustments made to the sales
12 grid.

13 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
14 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
15 (b).

16 **Fifth Violation**

17 Respondent violated USPAP Standards Rule 2-2(a)(viii), as codified in NAC
18 645C.405(1), by making the following unsupported statement in his Appraisal Report: "The
19 sales comparison approach is believed to be the best suited for the appraisal of SFR's and
20 the greatest weight is given to this indicated value. The cost approach and income is not
21 applicable or necessary." The Appraisal Report does not provide analysis or support beyond
22 that statement for excluding those competing approaches.

23 The Respondent's actions constitute unprofessional conduct pursuant to NRS
24 645C.470(2) and grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

25 **Sixth Violation**

26 Respondent violated USPAP Standards Rule 2-2(a)(x), as codified in NAC
27 645C.405(1), by checking the block for highest and best use as the present use but providing
28 no support or rationale for the opinion.

1 The Respondent's actions constitute unprofessional conduct pursuant to NRS
2 645C.470(2) and grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

3 **SUMMARY OF FACTUAL ALLEGATIONS SET FORTH IN THE COMPLAINT**

4 **Case No. 2020-21**

5 1. On or about January 2, 2020, the Division received a complaint from John J.
6 Jacobs, Chief Appraiser for U.S. Department of Housing and Urban Development (HUD)
7 regarding a continuing pattern of appraisal deficiencies over four separate appraisals
8 RESPONDENT conducted on four different subject properties in 2018. Each property has
9 been assigned its own case number by the Division.

10 2. The Division commissioned an appraisal case analysis of the underlying
11 appraisal performed by the Respondent, taking into consideration the number of
12 complaints filed by HUD and the nature of the possible violations.

13 3. Based on the findings and recommendation of that review, the Division
14 determined that this matter should be heard by the Nevada Commission of Appraisers of
15 Real Estate ("Commission").

16 **FACTUAL ALLEGATIONS**

17 4. RESPONDENT is licensed by the Division as a Certified Residential
18 Appraiser, License No. A.0002907-CR.

19 5. On May 13, 2019, HUD issued letter to Respondent entitled "Proposed
20 Removal from the FHA Appraisal Roster," outlining appraisal deficiency issues with four
21 of Respondent's appraisals from 2018, as well as HUD's prior actions against
22 RESPONDENT from January 2009 to October 2017.

23 6. On May 30, 2019, Respondent submitted a request for an "appeal without
24 conference" pertaining to the "Proposed Removal from the FHA Appraisal Roster."

25 7. On or about July 15, 2019, HUD affirmed its Recommended Removal &
26 Education Sanction, whereby HUD formally removed RESPONDENT from the FHA
27 Appraisers Roster for 12 months and required 37 hours of Remedial Education based on
28 the issues with the four appraisals from 2018 and HUD's prior actions against

1 RESPONDENT from January 2009 to October 2017.

2 8. The HUD complaint included RESPONDENT's appraisal report for the
3 property located at 18659 Crystal Peak Ct., Reno, NV 89508-5073, APN 556-633-03
4 ("subject property"), at the request of Academy Mortgage. The report also states that it is
5 FHA Case Number 331-1875855.

6 9. The assignment type is identified as "purchase transaction."

7 10. RESPONDENT signed the appraisal report for the subject property ("subject
8 report").

9 11. The subject report had an effective date of October 30, 2018, a signature date
10 of November 15, 2018, and listed the appraised value at \$360,000.00.

11 12. Respondent's Appraisal Report contains significant errors, as summarized
12 herein.

13 13. On or about January 8, 2020, the Division sent a letter to RESPONDENT
14 notifying him about the complaint and requested RESPONDENT to provide a written
15 response and a hard copy of the appraisal report including the entire work file, and any
16 supporting documentation on or before January 22, 2020.

17 14. On or about January 21, 2020, RESPONDENT provided Division with
18 RESPONDENT's appraisal report and work file for the subject property.

19 15. RESPONDENT's appraisal report (the "Appraisal Report") was prepared for
20 FHA and HUD financing and must follow FHA, HUD, and USPAP standards and
21 guidelines.

22 16. The Appraisal Report only included one comparable sale (comp 5) outside the
23 subject property's subdivision, which sale does not support the RESPONDENT's opinion of
24 value.

25 17. RESPONDENT's Appraisal Report failed to analyze the condition adjustment
26 it made for comparable sale #6, or to explain the lack of a condition adjustment for
27 comparable sale #5.

28 18. RESPONDENT's Appraisal Report provided no analysis of the difference in

1 upgrades for comparable sales.

2 19. Despite site size differences between the subject property and the listed
3 comparable sales ranging from 308 sqft to 12,801 sqft, RESPONDENT's Appraisal Report
4 stated that "[n]o adjustment was made for the difference in site as there was no market
5 support for an adjustment," further noting that "all of the homes have the same utility and
6 similar views."

7 20. On appeal, HUD affirmed each of the violations pertaining to the Appraisal
8 Report for the subject property.

9 21. Based on "the recurring violations as evidenced in [Respondent's] appraisal
10 reports" and "serious disregard for HUD guidelines," HUD Santa Ana Home Ownership
11 Center Director Thomas Rose affirmed HUD's twelve (12) month removal sanction against
12 RESPONDENT.

13 22. The Division's commissioned Appraisal Case Analysis determined that the
14 Appraisal Report was not in compliance with USPAP's Competency and Scope of Work
15 Rules.

16 **SUMMARY OF VIOLATIONS OF LAW ALLEGED IN THE COMPLAINT**

17 **Case No. 2020-21**

18 **First Violation**

19 The Respondent violated USPAP COMPETENCY RULE, as codified in NAC
20 645C.405(1), because the Appraisal Report appears to have several violations of FHA and
21 HUD guidelines, which affects the Respondent's Appraisal Report's credibility. According
22 to HUD Handbook 4000.1, "Whenever possible, the Appraiser must select at least one sale
23 from a competing subdivision or project so that this market acceptance may be directly
24 compared." The Appraisal Report could lack credibility due to its sole inclusion of
25 comparable #5 as a sale from a competing subdivision or project, but which does not support
26 the RESPONDENT's opinion of value. The RESPONDENT's Appraisal Report also fails to
27 analyze the condition adjustment made for comparable sale #6, and the lack of a condition
28 adjustment for comparable #5.

1 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
2 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
3 (b).

4 **Second Violation**

5 The Respondent's Appraisal Report was prepared for FHA and HUD financing and,
6 therefore, must comply with FHA, HUD, and USPAP standards. The respondent's
7 Appraisal Report has several violations of FHA and HUD guidelines, which negatively
8 affect the Appraisal Report's credibility, including the aforementioned failure to include a
9 comparable sale that supports the RESPONDENT's opinion of value, or to make
10 appropriate condition adjustments for comparable sales #5 and #6. Moreover, the Appraisal
11 Report makes states that there is no market support for an adjustment of site size but
12 inadequately explains the rational for that lack of adjustment.

13 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
14 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
15 (b).

16 **Third Violation**

17 The Respondent violated USPAP Standards Rule 1-1(a), as codified in NAC
18 645C.405(1), by failing to ensure that the Appraisal Report met with HUD and FHA
19 guidelines, such that these unsupported adjustments affect the Appraisal Report's
20 credibility, as described above.

21 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
22 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
23 (b).

24 **Fourth Violation**

25 Respondent's Appraisal Report violated USPAP Standards Rule 1-1(c), as codified in
26 NAC 645C.405(1), by failing to ensure that the Appraisal Report met with HUD and FHA
27 guidelines that affect the Appraisal Report's credibility, as described above. Due to the
28 above-listed possible violations of HUD and FHA guidelines, RESPONDENT's Appraisal

1 Report could be considered to have been prepared carelessly and negligently. The Appraisal
2 Report lacks analyses for the large differences in site size and did not account for the lack
3 of adjustments or the condition adjustment made for comparable sale #6 and not for
4 comparable sale #5. Due to the lack of analysis, the Appraisal Report could be considered
5 misleading.

6 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
7 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
8 (b).

9 **Fifth Violation**

10 Respondent violated USPAP Standards Rule 1-4(a), as codified in NAC 645C.405(1),
11 by inconsistently accounting, in the sales grid, for condition adjustments and lack of site
12 size adjustments.

13 The Respondent's actions constitute unprofessional conduct pursuant to NRS
14 645C.470(2) and grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

15 **Sixth Violation**

16 Respondent violated USPAP Standards Rule 2-1(a), as codified in NAC 645C.405(1),
17 by failing to ensure that the Appraisal Report met with HUD and FHA guidelines, such
18 that these unsupported adjustments affect the Appraisal Report's credibility, as described
19 above.

20 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
21 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
22 (b).

23 **Seventh Violation**

24 Respondent violated USPAP Standards Rule 2-2(a)(viii), as codified in NAC
25 645C.405(1), by making the following unsupported statement in his Appraisal Report: "The
26 sales comparison approach is believed to be the best suited for the appraisal of SFR's and
27 the greatest weight is given to this indicated value. The cost approach was provided as a
28 lender request. The income is not applicable or necessary." The Appraisal Report does not

1 provide analysis or support beyond that statement for excluding those competing
2 approaches.

3 The Respondent's actions constitute unprofessional conduct pursuant to NRS
4 645C.470(2) and grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

5 **Eighth Violation**

6 Respondent violated USPAP Standards Rule 2-2(a)(x), as codified in NAC
7 645C.405(1), by failing to provide rationale or support for highest and best use, even though
8 the associated box is checked in the Appraisal Report.

9 The Respondent's actions constitute unprofessional conduct pursuant to NRS
10 645C.470(2) and grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

11 **SUMMARY OF FACTUAL ALLEGATIONS SET FORTH IN THE COMPLAINT**

12 **Case No. 2020-22**

13 1. On or about January 2, 2020, the Division received a complaint from John J.
14 Jacobs, Chief Appraiser for U.S. Department of Housing and Urban Development (HUD)
15 regarding a continuing pattern of appraisal deficiencies over four separate appraisals
16 RESPONDENT conducted on four different subject properties in 2018. Each property has
17 been assigned its own case number by the Division.

18 2. The Division commissioned an appraisal case analysis of the underlying
19 appraisal performed by the Respondent, taking into consideration the number of
20 complaints filed by HUD and the nature of the possible violations.

21 3. Based on the findings and recommendation of that review, the Division
22 determined that this matter should be heard by the Nevada Commission of Appraisers of
23 Real Estate ("Commission").

24 4. RESPONDENT is licensed by the Division as a Certified Residential
25 Appraiser, License No. A.0002907-CR.

26 5. On May 13, 2019, HUD issued letter to Respondent entitled "Proposed
27 Removal from the FHA Appraisal Roster," outlining appraisal deficiency issues with four
28 of Respondent's appraisals from 2018, as well as HUD's prior actions against

1 RESPONDENT from January 2009 to October 2017.

2 6. On May 30, 2019, Respondent submitted a request for an “appeal without
3 conference” pertaining to the “Proposed Removal from the FHA Appraisal Roster.”

4 7. On or about July 15, 2019, HUD affirmed its Recommended Removal &
5 Education Sanction, whereby HUD formally removed RESPONDENT from the FHA
6 Appraisers Roster for 12 months and required 37 hours of Remedial Education based on
7 the issues with the four appraisals from 2018 and HUD’s prior actions against
8 RESPONDENT from January 2009 to October 2017.

9 8. The HUD complaint included RESPONDENT’s appraisal report for the
10 property, including an attached manufactured home, located at 2400 Adriann Avenue,
11 Silver Springs, NV 89429, APN 015-211-51 (“subject property”), at the request of Summit
12 Funding. The report also states that it is FHA Case Number 331-1878454.

13 9. The assignment type is identified as “purchase transaction.”

14 10. The appraisal order request for the subject property showed the loan type as
15 “FHA.” As such, the loan, and this appraisal report, is subject to FHA guidelines.

16 11. RESPONDENT signed the appraisal report for the subject property (“subject
17 report”).

18 12. The subject report had an effective and signature date of November 8, 2018,
19 and listed the appraised value at \$185,000.00.

20 13. Respondent’s Appraisal Report contains significant errors, as summarized
21 herein.

22 14. On or about January 8, 2020, the Division sent a letter to RESPONDENT
23 notifying him about the complaint and requested RESPONDENT to provide a written
24 response and a hard copy of the appraisal report including the entire work file, and any
25 supporting documentation on or before January 22, 2020.

26 15. On or about January 21, 2020, RESPONDENT provided Division with
27 RESPONDENT’s appraisal report and work file for the subject property.

28 16. The RESPONDENT’s Appraisal Report (the “Appraisal Report”) is subject to

1 FHA guidelines, including the requirement the appraiser “indicate if a copy of the required
2 engineer’s certification of compliance of the design of the permanent foundation was
3 provided.” The RESPONDENT’s Appraisal Report did not contain the engineer’s
4 certification statement or a copy of the certificate.

5 17. RESPONDENT’s Appraisal Report inaccurately checked the boxes indicating
6 that the subject property was on public utilities for electricity, gas, water, and sewer, but
7 the work file and MLS show the subject property instead had a private well, septic tank
8 and propane.

9 18. The Appraisal Report is subject to FHA guidelines, including the requirement
10 that “[i]f the property is served by a well and/or septic system, the appraiser must indicate
11 whether a public water or sewage disposal system is available to the site.”

12 19. Because the Appraisal Report inaccurately stated that the subject property
13 was connected to public utilities, it could not contain the FHA required analysis.

14 20. The Appraisal Report showed the zoning for the subject property as “RR-3T”,
15 which it described as “Allows for manufactured housing.” The Appraisal Report also
16 calculated the site size as 4.67 acres and checked the box for legal zoning compliance.

17 21. The Lyon County Land Use and Development Code shows “RR-3T” as Third
18 Rural Residential District with a trailer and 5-acre minimum, which makes the subject
19 property “Legal Nonconforming.”

20 22. On appeal, HUD affirmed each of the violations pertaining to the Appraisal
21 Report for the subject property.

22 23. Based on “the recurring violations as evidenced in [Respondent’s] appraisal
23 reports” and “serious disregard for HUD guidelines,” HUD Santa Ana Home Ownership
24 Center Director Thomas Rose affirmed HUD’s twelve (12) month removal sanction against
25 RESPONDENT.

26 24. The Division’s commissioned Appraisal Case Analysis determined that the
27 Appraisal Report was not in compliance with USPAP’s Competency and Scope of Work
28 Rules.

1 **SUMMARY OF VIOLATIONS OF LAW ALLEGED IN THE COMPLAINT**

2 **Case No. 2020-22**

3 **First Violation**

4 The Respondent violated USPAP COMPETENCY RULE, as codified in NAC
5 645C.405(1), because the Appraisal Report appears to have several violations of FHA and
6 HUD guidelines, which affects the Respondent's Appraisal Report's credibility. The
7 Appraisal Report could further lack credibility due to its failure to accurately reflect the
8 nature of the "RR-3T" zoning status of the subject property, or that the property's zoning
9 status was "Legal-Nonconforming."

10 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
11 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
12 (b).

13 **Second Violation**

14 The Respondent's Appraisal Report was prepared for FHA and HUD financing and,
15 therefore, must comply with FHA, HUD, and USPAP standards. The respondent's
16 Appraisal Report has several violations of FHA and HUD guidelines, including the
17 Appraisal Report's failure to contain a statement regarding the "engineer's certification of
18 compliance of the design of the permanent foundation" or a copy of the certificate; and by
19 the Appraisal Report's inaccurate reporting that the subject property was connected to
20 public utility septic, gas, and water systems. These violations negatively affect the
21 Appraisal Report's credibility and constitute violation of the USPAP SCOPE OF WORK
22 RULE, as codified in NAC 645C.405(1).

23 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
24 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
25 (b).

26 **Third Violation**

27 The Respondent violated USPAP Standards Rule 1-1(a), as codified in NAC
28 645C.405(1), by failing to ensure that the Appraisal Report met with HUD and FHA

1 guidelines. The Appraisal Report inaccurately reported the subject property as connected
2 to water, sewer, and gas public utility services, and incorrectly reported the zoning as
3 "Legal." Moreover, the Respondent's work file lacks the analyses to support the opinions
4 and conclusions reached in the appraisal report.

5 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
6 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
7 (b).

8 **Fourth Violation**

9 Respondent's Appraisal Report violated USPAP Standards Rule 1-1(c), as codified in
10 NAC 645C.405(1), by failing, as previously noted, to accurately report the subject property's
11 access to public utilities and its zoning status. Due to the above-listed possible violations
12 of HUD and FHA guidelines, RESPONDENT's Appraisal Report could be considered to
13 have been prepared carelessly and/or negligently and could, in the aggregate, affect the
14 credibility of those results.

15 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
16 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
17 (b).

18 **Fifth Violation**

19 Respondent's Appraisal Report violated USPAP Standards Rule 1-2(e), as codified
20 in NAC 645C.405(1), by failing, as previously noted, to accurately report the subject
21 property's access to public utilities and its zoning status. The inaccurate reporting of those
22 characteristics may negatively affect the credibility of the Appraisal Report.

23 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
24 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
25 (b).

26 **Sixth Violation**

27 Respondent violated USPAP Standards Rule 2-1(a), as codified in NAC 645C.405(1),
28 by failing, as previously noted, to accurately report the subject property's access to public

1 utilities and its zoning status. The inaccurate reporting of those characteristics may
2 negatively affect the credibility of the Appraisal Report.

3 This is unprofessional conduct pursuant to NRS 645C.470(2) and grounds for
4 disciplinary action, pursuant to Nevada Revised Statutes ("NRS") 645C.460(1)(a) and/or
5 (b).

6 **Seventh Violation**

7 Respondent violated USPAP Standards Rule 2-2(a)(iii), as codified in NAC
8 645C.405(1), by containing an incomplete and inaccurate description of the subject
9 property's zoning classification and public utility access. The Appraisal Report site section's
10 inaccuracies directly affect the subject property's physical and legal attributes.

11 The Respondent's actions constitute unprofessional conduct pursuant to NRS
12 645C.470(2) and grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

13 **Eighth Violation**

14 Respondent violated USPAP Standards Rule 2-2(a)(viii), as codified in NAC
15 645C.405(1), by making the following unsupported statement in his Appraisal Report: "The
16 sales comparison approach is believed to be the best suited for the appraisal of SFR's and
17 the greatest weight is given to this indicated value. The cost approach was completed as a
18 lender requirement. The income approach to value is not applicable or necessary." The
19 Appraisal Report does not provide analysis or support beyond that statement for excluding
20 the income approach.

21 The Respondent's actions constitute unprofessional conduct pursuant to NRS
22 645C.470(2) and grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

23 **Ninth Violation**

24 Respondent violated USPAP Standards Rule 2-2(a)(x), as codified in NAC
25 645C.405(1), by failing to provide rationale or support for highest and best use, even though
26 the associated box is checked in the Appraisal Report.

27 The Respondent's actions constitute unprofessional conduct pursuant to NRS
28 645C.470(2) and grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

1 **PROPOSED GLOBAL SETTLEMENT FOR ALL MATTERS**

2 In an effort to avoid the time and expense of litigating these issues before the
3 Commission, as well as any possible further legal appeals from any such decision, the
4 parties desire to compromise and settle the instant controversy in *Case No. 2020-18; Case*
5 *No. 2020-19; Case No. 2020-21; and Case No. 2020-22*, upon the following terms and
6 conditions:

7 1. RESPONDENT agrees to pay the Division a total amount of SIXTEEN
8 THOUSAND DOLLARS (\$16,000.00) (“Amount Due”), consisting of FIFTEEN
9 THOUSAND DOLLARS AND NO CENTS (\$15,000.00) in administrative fines imposed by
10 the Division for all violations as pled in the above-summarized Complaints, and the
11 Division’s pre-hearing investigative costs in the amount of ONE THOUSAND DOLLARS
12 (\$1,000.00).

13 2. The Amount Due shall be payable to the Division as follows: RESPONDENT
14 shall pay the entirety of the Amount Due over an 18-month period in equal monthly
15 installments. The first payment of \$ 888.88 shall be due beginning thirty (30) days from
16 date of the order approving this Stipulation, and each subsequent payment of \$ 888.88 shall
17 be due by the same date each month thereafter, until the Amount Due is paid in full.

18 3. RESPONDENT further agrees to take the following Division approved
19 education courses:

- 20 • Not less than 15 hours of Residential Market Analysis and Highest and Best Use,
- 21 • Not less than 7 hours Sales Comparison,
- 22 • Not less than 7 hours Cost Approach, and
- 23 • Not less than 3 hours Report Writing.

24 The 32 hours of continued education set forth herein shall be completed within 18
25 months of the date of the effective date of the Commission’s order accepting this Agreement
26 and may be taken live, online, or remotely. These courses will not count toward the
27 Respondent’s continuing education requirements. Proof of completion must be submitted
28 to the Division upon completion of all the required education.

1 4. RESPONDENT and the Division agree that by entering into this Stipulation,
2 the Division does not concede any defense or mitigation RESPONDENT may assert and
3 that, once this Stipulation is approved and fully performed, the Division will close its files
4 in these matters, provided that, if any further violations are discovered in these matters
5 beyond the scope of facts and violations already plead in the Complaints, the Division is
6 not barred from further reviewing any of the same to determine if any such further
7 violations not already covered in the Complaints have taken place and should subject
8 RESPONDENT to further disciplinary action.

9 5. RESPONDENT agrees and understands that by entering into this
10 Stipulation, RESPONDENT is waiving his right to a hearing in each matter at which
11 RESPONDENT may present evidence in his defense, his right to a written decision on the
12 merits of the complaint, his rights to reconsideration and/or rehearing, appeal and/or
13 judicial review, and all other rights which may be accorded by the Nevada Administrative
14 Procedure Act, the Nevada Real Estate Brokers and Salespersons statutes and
15 accompanying regulations, and the federal and state Constitutions.

16 6. RESPONDENT understands that this Agreement and other documentation
17 may be subject to public records laws. The Commission members who review this matter
18 for approval of this Stipulation may be the same members who ultimately hear, consider,
19 and decide the Complaints if this Stipulation is either not approved by the Commission or
20 is not timely performed by RESPONDENT.

21 7. RESPONDENT fully understands that he has the right to be represented by
22 legal counsel in these matters at his own expense.

23 8. Each party shall bear their own attorney's fees and costs, except as provided
24 above.

25 9. Approval of Stipulation. Once executed, this Stipulation will be filed with the
26 Commission and will be placed on the agenda for approval at its next public meeting. The
27 Division will recommend to the Commission approval of the Stipulation. RESPONDENT
28 agrees that the Commission may approve, reject, or suggest amendments to this

1 Stipulation that must be accepted or rejected by RESPONDENT before any amendment is
2 effective.

3 10. Withdrawal of Stipulation. If the Commission rejects this Stipulation or
4 suggests amendments unacceptable to RESPONDENT, RESPONDENT may withdraw
5 from this Stipulation, and the Division may pursue its Complaints before the Commission.
6 This Stipulation then shall become null and void and unenforceable in any manner against
7 either party.

8 11. Release. In consideration of the execution of this Stipulation, RESPONDENT
9 for himself, his heirs, executors, administrators, successors, and assigns, hereby releases,
10 remises, and forever discharges the State of Nevada, the Department of Business and
11 Industry, and the Division, and each of their respective members, agents, employees, and
12 counsel in their individual and representative capacities, from any and all manner of
13 actions, causes of action, suits, debts, judgments, executions, claims, and demands
14 whatsoever, known and unknown, in law or equity, that RESPONDENT ever had, now has,
15 may have, or claim to have against any or all of the persons or entities named in this
16 section, arising out of or by reason of the Division's investigations, these disciplinary
17 actions, and all other matters relating thereto.

18 12. Indemnification. RESPONDENT hereby agrees to indemnify and hold
19 harmless the State of Nevada, the Department of Business and Industry, Petitioner, the
20 Division, and each of their respective members, agents, employees, and counsel, in their
21 individual and representative capacities, against any and all claims, suits, and actions
22 brought against said persons and/or entities by reason of the Division's investigations,
23 these disciplinary actions, and all other matters relating thereto, and against any and all
24 expenses, damages, and costs, including court costs and attorney fees, which may be
25 sustained by the persons and/or entities named in this section as a result of said claims,
26 suits, and actions.

27 13. Default. In the event of default under this Stipulation, RESPONDENT agrees
28 that his license shall be immediately suspended, and the unpaid balance of the

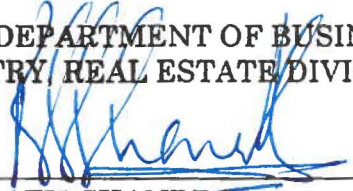
1 administrative fine and costs, together with any attorneys' fees and costs that may have
2 been assessed, shall be due in full to the Division within ten calendar days of the date of
3 default. Debt collection actions for unpaid monetary assessments in this case may be
4 instituted by the Division or its assignee.

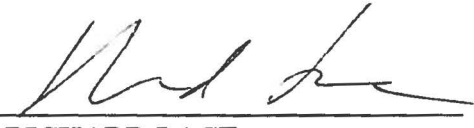
5 14. RESPONDENT has signed and dated this Stipulation only after reading and
6 understanding all terms herein.

7
8 DATED this 25 day of January, 2023.

DATED this 25th day of January, 2023.


9
10 NEVADA DEPARTMENT OF BUSINESS
& INDUSTRY, REAL ESTATE DIVISION

11
12 By: 
13 SHARATH CHANDRA
14 Administrator

By: 
RICHARD LACE
Respondent

15 Approved as to form:

16 AARON D. FORD
17 Attorney General

18 By: 
19 PHIL W. SU (Bar. No. 10450)
20 Senior Deputy Attorney General
21 555 E. Washington Avenue, Suite 3900
22 Las Vegas, NV 89101
23 Attorneys for Real Estate Division

24 ///

25 ///

26 ///

27 ///

28

ORDER

IT IS ORDERED that the foregoing Stipulation for Global Settlement of Disciplinary Action, submitted by Petitioner and Respondent, is approved in full.

Dated: this ____ day of _____, 2023.

COMMISSION OF APPRAISERS OF REAL ESTATE

By: _____
President, Commission of Appraisers of Real Estate

Submitted by:

AARON FORD, Attorney General

By:

/s/ Phil W. Su

PHIL W. SU (Bar No. 10450)
Senior Deputy Attorney General
555 E. Washington Ave. Ste 3900
Las Vegas, Nevada 89101
Attorneys for Real Estate Division