

**BEFORE THE IOWA REAL ESTATE APPRAISER EXAMINING BOARD  
OF THE STATE OF IOWA**

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<b>IN THE MATTER OF:</b>	)	
	)	<b>CASE NO. 03-15, 03-32</b>
<b>JAMES COUGHLON</b>	)	
<b>CR02332</b>	)	<b>STATEMENT OF CHARGES</b>
	)	
<b>RESPONDENT</b>	)	

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COMES NOW, the Complainant, Susan A. Griffel, and states:

1. Susan A. Griffel is the Executive Officer of the Iowa Real Estate Appraiser Examining Board ("Board") and files this Statement of Charges on behalf of the Board solely in her official capacity.
2. The Board has jurisdiction of this matter pursuant to Iowa Code chapters 17A, 272C, and 543D (2001, 2003).
3. Respondent is a certified residential real estate appraiser in Iowa. He was issued Certificate No. CR02332 on July 18, 2002.
4. Certificate No. CR02332 is currently valid and in good standing, and is scheduled to expire on June 30, 2004.
5. Respondent first came to the Board's attention when the Board received a complaint dated May 9, 2003, concerning an appraisal report signed by Respondent on April 18, 2003, regarding 4871 NE 38th Street, Des Moines, Iowa 50317.
6. In response, on May 15, 2003, the Board requested a log of all appraisal reports issued by Respondent from January 1, 2003.

Failure to Adequately, Ethically, and Competently Supervise  
Non-Certified Appraisers

7. Respondent provided the Board with a log of approximately 745 appraisal reports he signed between January 1, 2003, and May 23, 2003, the overwhelming majority of which involved Iowa properties.
8. Respondent, a resident of Minnesota, signed approximately 230 appraisal reports in April alone.
9. On April 17, 2003, the effective date of the appraisal described in paragraph 5, Respondent signed 16 appraisal reports concerning properties over a broad geographical area in Minnesota and Iowa, including Albert Lea and Rochester, Minnesota, and Des Moines, Cedar Rapids, Davenport, and Muscatine, Iowa.
10. On May 20, 2003, Respondent signed 15 appraisal reports.

11. In the five business day period between May 12 and May 16, 2003, Respondent signed approximately 58 appraisal reports. In the seven day period between March 9 and March 15, Respondent signed approximately 52 appraisal reports, including the 4 reports signed on March 11, described below.

12. In addition to the cities listed in paragraph 9, Respondent has signed appraisal reports concerning property located in virtually all regions of Iowa, including Kalona, Osceola, Ottumwa, Belmond, Spirit Lake, Lenox, Council Bluffs, Waterloo, Burlington, Coralville, Dubuque, Mason City, and Bettendorf.

13. At the Board's request, Respondent supplied a list on August 11, 2003, of appraisers he has supervised. They include:

- a. MF, SV, and MP, all Iowa associate appraisers;
- b. JL, a Minnesota resident with a temporary Minnesota license; and,
- c. CJ, DR, TP, and DB, all Minnesota residents with Minnesota licenses which are not recognized in Iowa and which do not authorize the holder to perform appraisals, even in Minnesota, for federally-related transactions.

14. None of the appraisers supervised by Respondent are authorized to practice as certified appraisers in Iowa. Of the 10 appraisers associated with Respondent's business, only the Respondent is a certified appraiser in Iowa.

15. One certified appraiser cannot reasonably or competently supervise nine active appraisers in a geographical region covering the entire state of Iowa and parts of Minnesota. One certified appraiser cannot competently accept full responsibility for 745 appraisals in a 5 month period spread across the state of Iowa.

16. Respondent electronically receives large numbers of appraisal reports from distant locations, affixes his electronic signature to the reports, and forwards the reports to client lenders. Respondent has operated in this manner with either no responsible review or only cursory review without adequate familiarity with local market conditions or sources of information. He rarely checks the facts on the appraisals he signs and is not sufficiently familiar with market conditions to do anything other than rubber stamp the work product of others.

17. Respondent signed numerous appraisal reports electronically submitted to him by MF, an Iowa associate appraiser. He jointly signed with MF 7 reports in January 2003, 22 reports in February, 31 reports in March (including the 4 reports signed on March 11, described below), 20 reports in April, and 4 reports in May. As of September 8, 2003, Respondent had never met MF and could not accordingly have closely supervised MF or developed an informed basis for exercising the judgment to place such total reliance on MF's ability to competently perform appraisal assignments.

Failure to Competently Practice Real Estate Appraising  
in Accordance with Applicable Appraisal Standards

18. The Board received the expert opinions of a peer reviewer in the form of a Standard Three review of Respondent's April 18, 2003, appraisal report concerning 4871 NE 38th Street, Des Moines, Iowa 50317.

19. The review report reveals numerous, serious violations of the Uniform Standards of Professional Appraisal Practice (USPAP). As more fully itemized in the report, the violations include, but are not limited to the following:

- a. Respondent falsely stated that he inspected the subject property. Ethics Rule; Competency Rule; 1-1(b), (c); 2-1(a), (b); 2-3.
- b. Zoning classification incorrect. 1-2(e)(i-iv); 2-2(b)(iii).
- c. Site incorrectly valued. 1-4(b)(i); 2-2(b)(iii), (vii), (ix).
- d. Comparable properties are not reasonable substitutes for subject property. 1-4(a), 2-2(b)(iii), (vii), (ix).
- e. Recognized methods and techniques were not employed, particularly in the cost and sales comparison approaches to value. 1-1(a); 2-2(b)(iii), (vii), (ix).
- f. Prior sales in the past 3 years were not considered, analyzed or reported. 1-5(b); 2-2(b)(iii), (vii), (ix).
- g. Reconciliation was not properly developed or reported, and erroneously stated that the income approach was considered, when no income approach was developed or reported. 1-6(a), (b); 2-2(b)(iii), (vii), (ix).
- h. Appraisal services were rendered in a careless or negligent manner, and the report does not clearly and accurately set forth the appraisal in a manner which is not misleading. 1-1(c); 2-1(a), (b), (c).
- i. The appraisal report does not contain sufficient information to enable the persons who are expected to receive or rely on the report to understand it properly. 1-1 (a), (b), (c); 2-1(a), (b), (c).

20. Respondent is the only appraiser who signed the report described in paragraph 19, although he received professional assistance from an undisclosed assistant.

21. Respondent has acknowledged that he will indicate on appraisal reports that he has inspected the subject property when he has not physically inspected the property.

22. The Board has received the expert opinions of a peer reviewer in the form of a Standard Three review of Respondent's April 21, 2003, appraisal of property located at 1652 Walker St., Des Moines, Iowa 50316, an appraisal randomly selected from Respondent's log. Substantially the same USPAP violations were identified as those itemized in paragraph 19. An additional review report concerning Respondent's April 11, 2003, appraisal of 6709 SW 16th Street, Des Moines, Iowa 50315-5444, revealed similar issues with respect to Respondent's familiarity with the local market and ability to adequately supervise an appraiser who was also apparently unfamiliar with the local market.

False, Misleading or Deceptive Appraisal Practices Inconsistent  
with Ethical Standards and Detrimental to the Public Interest.

23. In August 2003, the Board received a second complaint concerning four appraisal reports Respondent signed with associate appraiser MF on March 11, 2003, concerning 805 Shaw St., Des Moines, Iowa 50309; 704 Walker Street, Des Moines, Iowa 50316; 1448 8th Street, Des Moines, Iowa 50314; and, 1132 Pennsylvania Ave., Des Moines, Iowa 50316.

24. In arriving at estimated market value in each appraisal report, Respondent made substantial factual errors, misrepresented the condition of the property, selected comparable sales which were not comparable to subject property or which were unfair substitutes due to unexplained dramatic increases in sales transfer documents, and generally manipulated all facets of the appraisal assignment to reach a value far exceeding any reasonable market value.

25. Respondent estimated value of the 805 Shaw St. property at \$90,000. A more reasonable estimated market value for subject property in March, 2003, is \$26,000.

26. Respondent estimated value of the 704 Walker St. property at \$145,000. A more reasonable estimated market value for subject property in March, 2003, is \$48,000.

27. Respondent estimated value of the 1448 8th St. property at \$165,000. A more reasonable estimated market value for subject property in March, 2003, is \$35,000.

28. Respondent estimated value of the 1132 Pennsylvania Ave. property at \$160,000. A more reasonable estimated market value for subject property in March, 2003, is \$60,000.

29. On the 24th day of September, 2003, the Board found probable cause to file the following charges and to order a hearing in this case:

#### **COUNT I**

30. Respondent engaged in a practice harmful or detrimental to the public in violation of Iowa Code sections 272C.10(3), 543D.17(1)(d), (e), and (f), and 543D.18(1) (2001, 2003), and 193F Iowa Admin. Code 4.2, and 7.2(2), (5), and (8), by:

(a) making false, misleading, or deceptive representations in preparing and communicating appraisals;

(b) failing to adhere to the USPAP Ethics and Competency Rules, and in particular, those provisions relating to honesty, impartiality, objectivity, independence, avoiding advocacy, and only performing appraisal assignments within Respondent's sphere of competency;

(c) failing to exercise reasonable diligence in the development, preparation and communication of appraisals;

(d) demonstrating negligence or incompetence in the development, preparation and communication of appraisals; and,

(e) failing to adequately, competently and ethically supervise noncertified appraisers.

**COUNT II**

31. Respondent repeatedly failed to adhere to appraisal standards in the development and communication of appraisals, in violation of Iowa Code sections 543D.17(1)(d), (e), and (f), and 543D.18(1) (2001, 2003), and 193F Iowa Admin. Code 7.2(2) and (5).

WHEREFORE, the complainant prays that a hearing be held in this matter and that the Board take such action as it deems appropriate under the law.

Dated this 13<sup>th</sup> day of October, 2003.



Susan A. Griffel, Executive Officer

**BEFORE THE IOWA REAL ESTATE APPRAISER EXAMINING BOARD  
OF THE STATE OF IOWA**

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**IN THE MATTER OF:**

**JAMES COUGHLON  
CR02332**

**RESPONDENT**

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**CASE NO. 03-15, 03-32**

**CONSENT ORDER**

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The Iowa Real Estate Appraiser Examining Board (Board) and James Coughlon (Respondent) enter into this Consent Order (Order), pursuant to Iowa Code section 17A.10 (2003) and 193F IAC 8.6:

1. The Board has jurisdiction of this matter pursuant to Iowa Code chapters 17A, 543D, and 272C (2003).

2. Respondent is a certified residential real estate appraiser. He was first certified in Iowa in 2002, by reciprocity.

3. The Board issued a Notice of Hearing and Statement of Charges, alleging in two counts that:

**COUNT I:** Respondent engaged in a practice harmful or detrimental to the public in violation of Iowa Code sections 272C.10(3), 543D.17(1)(d), (e), and (f), and 543D.18(1) (2001, 2003), and 193F Iowa Admin. Code 4.2, and 7.2(2), (5), and (8), by:

(a) making false, misleading, or deceptive representations in preparing and communicating appraisals;

(b) failing to adhere to the USPAP Ethics and Competency Rules, and in particular, those provisions relating to honesty, impartiality, objectivity, independence, avoiding advocacy, and only performing appraisal assignments within Respondent's sphere of competency;

(c) failing to exercise reasonable diligence in the development, preparation and communication of appraisals;

(d) demonstrating negligence or incompetence in the development, preparation and communication of appraisals; and,

(e) failing to adequately, competently and ethically supervise noncertified appraisers.

**COUNT II:** Respondent repeatedly failed to adhere to appraisal standards in the development and communication of appraisals, in violation of Iowa Code sections 543D.17(1)(d), (e), and (f), and 543D.18(1) (2001, 2003), and 193F Iowa Admin. Code 7.2(2) and (5).

4. Respondent does not admit the charges. He has a right to a hearing on the charges, but waives his right to hearing and all attendant rights by freely and voluntarily entering into this Order. This Order is the final agency order in the contested case.

5. Respondent agrees the State's counsel may present this Order to the Board and may have ex parte communications with the Board while presenting it.

6. This Order shall be part of the permanent record of Respondent and shall be considered by the Board in determining the nature and severity of any disciplinary action to be imposed in the event of any future violations.

7. This Order and the Statement of Charges are public records available for inspection and copying in accordance with the requirements of Iowa Code chapter 22 (2003).

8. Failure to comply with the provisions of this Order shall be grounds for disciplinary action pursuant to Iowa Code section 272C.3(2)(a) (2003). However, no action may be taken against Respondent for violations of these provisions without a hearing, or waiver of hearing.

9. This Order is subject to approval of the Board:

(a) If the Board fails to approve this Order, it shall be of no force or effect on either party, and it shall not be admissible for any purpose in further proceedings in this matter.

(b) If the Board approves this Order, it shall fully dispose of all issues in this case.

**IT IS THEREFORE ORDERED:**

**A. Voluntary Surrender**

Respondent shall voluntarily surrender his certificate by physically returning the certificate to the board office no later than ten (10) calendar days following the date this Order is signed by the Board. Respondent may not seek reinstatement for a period of at

at least one calendar year. Respondent shall comply with 193 IAC 7.30(3) regarding client notification of the voluntary surrender.

**B. Civil Penalty**

Respondent is assessed a civil penalty in the amount of \$1,000. The civil penalty is not now due, but must be paid as a condition of reinstatement in the event Respondent should seek to reinstate his certificate.

**C. Reinstatement**

Any application to reinstate must satisfy the requirements of 193 IAC 7.38. In addition, Respondent may not seek to reinstate by reciprocity and must demonstrate full compliance with all education and examination qualifications for certification without regard to any education or examination completed prior to the date of this Order. Respondent may rely on experience prior to the date of this Order, but only as such experience is satisfactory to the Board. He must comply with the work product review rules and any additional qualification for certification then existing. Respondent shall not, if reinstated, act in a supervisory capacity in Iowa except upon such express conditions as the Board provides in a reinstatement order in the future. The Board may, in a reinstatement order, impose such additional requirements as are deemed necessary to protect the public interest. Nothing in this Order shall require that the Board reinstate Respondent in the future. Respondent understands the Board may rely on the charges in this case as a basis to deny an application to reinstate in the future.

**AGREED AND ACCEPTED:**

The Respondent

The Iowa Real Estate Appraiser  
Examining Board

[Redacted Signature]

[Redacted Signature]

James Coughlon

By: Richard Bruce

10/22/2003

OCTOBER 30, 2003

Date

Date