

TEXAS APPRAISER LICENSING
AND CERTIFICATION BOARD

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vs.

DOCKETED COMPLAINT NO. 05-051

SCOTT PAUL STEPHENS
TX-1320269-G

SETTLEMENT AGREEMENT

On this the 29th day of FEBRUARY, 2008, the Texas Appraiser Licensing and Certification Board, (the Board), considered the matter of the certification of Scott Paul Stephens, (Respondent) and reached a Settlement Agreement to resolve the allegations in the complaint, which are disputed by Respondent:

1. Respondent Scott Paul Stephens, a state certified general real estate appraiser, holds certification number TX-1320269-G, and has been certified during all times material to the above-noted complaint case.
2. Respondent is subject to the jurisdiction of the Board, the Texas Appraiser Licensing and Certification Act, TEX. OCC. CODE § 1103 et. seq. (the Act), the Rules of the Board, 22 TEX. ADMIN. CODE §§ 153, 155, 157 (the Rules), and the Uniform Standards of Professional Appraisal Practice (USPAP) in effect at the time of the appraisal.
3. On or about August 25th, 2003 February 19th, 2004, and June 6th, 2003 respectively, Respondent appraised the real property located at: 16339 Crockett Bend Drive, Conroe, Montgomery County, Texas 78610 ("the Crockett property"); 163 Gemini Court, Conroe, Montgomery County, Texas ("the Gemini property"); and, 16466 North Emerson Circle, Conroe, Montgomery County, Texas ("the Emerson property") for the client, Allied Houston Bank of Houston, Texas.
4. On November 30th, 2004, TALCB received a staff-initiated complaint against Respondent from Jeff Strawmyer in accordance with TEX. OCC. CODE § 1103.451. The complaint was based upon a referral from Jane Hall, the Director of the Processing and Underwriting Division of the United States Department of Housing and Urban Development ("HUD"). HUD alleged that Respondent's appraisal reports on the properties failed to provide analysis of the listing and agreement of sale for the properties, discussion and analysis of any sales concessions or down payment assistance and because of these problems, overvalued the properties.
5. On or about November 30th, 2004 the Board, in accordance with the mandate of the Administrative Procedure Act (the APA), TEX. GOV'T CODE ANN. § 2001 et. seq., and the Texas Appraiser Licensing and Certification Act, TEX. OCC. CODE CHPT. 1103, notified Respondent of the nature and accusations involved and Respondent was afforded an

opportunity to respond to the accusations alleged by the Complainant. Respondent's response was received.

6. Following a settlement conference and for the purposes of a settlement, the Board informally determined that the Respondent's appraisal report for the Crockett property was not in compliance with the Act, the Rules of the Board, and USPAP by the following:

- a) USPAP Ethics Rule – Respondent failed to adhere to the record keeping provisions of USPAP's Ethics Rule. Respondent's work file did not contain material market data information particularly with respect to resales that were occurring in the neighborhood;
- b) USPAP Supplemental Standards Rule – Respondent failed to adhere to supplemental standards imposed by HUD, namely those noted in HUD Handbook 4150.2 such as clearly stating how comparable sales were verified and to what extent so it would be known whether concessions could have been disclosed and analyzed, analyzing the purchase agreement, and using the best available comparable sales;
- c) USPAP Standards 1-2(e)(i) & 2-2(b)(iii) – Respondent failed to identify and report the site description adequately because he did not disclose and analyze applicable deed restrictions;
- d) USPAP Standards 1-3(b) & 2-2(b)(x) – Respondent failed to provide a brief summary of his rationale for his determination of the Crockett property's highest and best use;
- e) USPAP Standards 1-1(a) & 1-4(b) – Respondent did not correctly document the employment of recognized methods and techniques in his cost approach analysis;
- f) USPAP Standards 1-4(a) & 2-2(b)(ix) – Respondent did not collect, verify, analyze and reconcile the comparable sales data adequately. He used inappropriate comparable sales based upon HUD-1 statements provided by an interested party (i.e. the seller) for his only three comparable sales, even though more suitable resales were readily available in the Crockett property's subdivision and the neighboring subdivision, Emerson Estates. Respondent also failed to make adjustments for seller concessions;
- g) USPAP Standards 1-1(a) & 1-4(a) – Respondent did not correctly employ recognized methods and techniques in his sales comparison analysis for the reasons noted above;
- h) USPAP Standards 1-5(a) & 2-2(b)(ix) – Respondent failed to obtain and analyze the agreement of sale for the Crockett property;

- i) USPAP Standard 1-1(a) – For the above-noted reasons, Respondent carelessly did not employ recognized methods and techniques to produce a credible appraisal report;
- j) USPAP Standard 1-1(b) – Respondent carelessly committed substantial errors of omission or commission as outlined above;
- k) USPAP Standard 1-1(c) – Respondent was careless in rendering appraisal services as noted above; and,
- l) USPAP Standard 2-1(a) – Respondent carelessly produced an appraisal report that was inaccurate or misleading to its intended user.

7. Following a settlement conference and for the purposes of a settlement, the Board informally determined that the Respondent's appraisal report for the Gemini property was not in compliance with the Act, the Rules of the Board, and USPAP by the following:

- a) USPAP Ethics Rule – Respondent failed to adhere to the record keeping provisions of USPAP's Ethics Rule. Respondent's work file did not contain material market data information particularly with respect to resales that were occurring in the neighborhood;
- b) USPAP Supplemental Standards Rule – Respondent failed to adhere to supplemental standards imposed by HUD, namely those noted in HUD Handbook 4150.2 such as clearly stating how comparable sales were verified and to what extent so it would be known whether concessions could have been disclosed and analyzed, analyzing the purchase agreement, and using the best available comparable sales;
- c) USPAP Standards 1-2(e)(i) & 2-2(b)(iii) – Respondent failed to identify and report the site description adequately because he did not disclose the fact that although built in 2002, the manufactured home had never been occupied and was therefore new and not 2-years-old as described by Respondent in the report;
- d) USPAP Standards 1-3(b) & 2-2(b)(x) – Respondent failed to provide a brief summary of his rationale for his determination of the Gemini property's highest and best use;
- e) USPAP Standards 1-1(a) & 1-4(b) – Respondent did not correctly document the employment of recognized methods and techniques in his cost approach analysis;
- f) USPAP Standards 1-4(a) & 2-2(b)(ix) – Respondent did not collect, verify, analyze and reconcile the comparable sales data adequately. He used inappropriate comparable sales based upon HUD-1 statements provided by an interested party (i.e. the seller) for his only three comparable sales, even though

more suitable resales were readily available in the Gemini property's subdivision and the surrounding area. Respondent also failed to make adjustments for seller concessions;

g) USPAP Standards 1-1(a) & 1-4(a) – Respondent did not correctly employ recognized methods and techniques in his sales comparison analysis for the reasons noted above;

h) USPAP Standards 1-5(a) & 2-2(b)(ix) – Respondent failed to obtain and analyze the agreement of sale for the Gemini property;

i) USPAP Standard 1-1(a) – For the above-noted reasons, Respondent carelessly did not employ recognized methods and techniques to produce a credible appraisal report;

j) USPAP Standard 1-1(b) – Respondent carelessly committed substantial errors of omission or commission as outlined above;

k) USPAP Standard 1-1(c) – Respondent was careless in rendering appraisal services as noted above; and,

l) USPAP Standard 2-1(a) – Respondent carelessly produced an appraisal report that was inaccurate or misleading to its intended user.

8. Following a settlement conference and for the purposes of a settlement, the Board informally determined that the Respondent's appraisal report for the Emerson property was not in compliance with the Act, the Rules of the Board, and USPAP by the following:

a) USPAP Ethics Rule – Respondent failed to adhere to the record keeping provisions of USPAP's Ethics Rule. Respondent's work file did not contain material market data information particularly with respect to resales that were occurring in the neighborhood;

b) USPAP Supplemental Standards Rule – Respondent failed to adhere to supplemental standards imposed by HUD, namely those noted in HUD Handbook 4150.2 such as clearly stating how comparable sales were verified and to what extent so it would be known whether concessions could have been disclosed and analyzed, analyzing the purchase agreement, and using the best available comparable sales;

c) USPAP Standards 1-2(e)(i) & 2-2(b)(iii) – Respondent failed to identify and report the site description adequately because he did not disclose and analyze applicable deed restrictions;

- d) USPAP Standards 1-3(b) & 2-2(b)(x) – Respondent failed to provide a brief summary of his rationale for his determination of the Emerson property’s highest and best use;
- e) USPAP Standards 1-1(a) & 1-4(b) – Respondent did not correctly document the employment of recognized methods and techniques in his cost approach analysis;
- f) USPAP Standards 1-4(a) & 2-2(b)(ix) – Respondent did not collect, verify, analyze and reconcile the comparable sales data adequately. He used inappropriate comparable sales based upon HUD-1 statements provided by an interested party (i.e. the seller) for his only three comparable sales, even though more suitable resales were readily available in the Emerson property’s subdivision and the surrounding area. Respondent also failed to make adjustments for seller concessions;
- g) USPAP Standards 1-1(a) & 1-4(a) – Respondent did not correctly employ recognized methods and techniques in his sales comparison analysis for the reasons noted above;
- h) USPAP Standards 1-5(a) & 2-2(b)(ix) – Respondent failed to obtain and analyze the agreement of sale for the Emerson property;
- i) USPAP Standards 1-5(b) & 2-2(b)(ix) – Respondent failed to analyze all sales of the Emerson property within 3 years prior to the effective date of his appraisal report;
- j) USPAP Standard 1-1(a) – For the above-noted reasons, Respondent carelessly did not employ recognized methods and techniques to produce a credible appraisal report;
- k) USPAP Standard 1-1(b) – Respondent carelessly committed substantial errors of omission or commission as outlined above;
- l) USPAP Standard 1-1(c) – Respondent was careless or negligent in rendering appraisal services as noted above; and,
- m) USPAP Standard 2-1(a) – Respondent carelessly produced an appraisal report that was inaccurate or misleading to its intended user.

9. Following a settlement conference and for the purpose of a settlement, the Board informally determined that the Respondent was not in compliance with 22 TEX. ADMIN. CODE §§ 153.20(a)(3) and 155.1(a) by failing to conform to USPAP in effect at the time of his appraisal reports for the Crocket, Gemini and Emerson properties.

10. Following a settlement conference and for the purpose of a settlement, the Board informally determined that the Respondent was not in compliance with 22 TEX. ADMIN. CODE § 153.20(a)(9) by carelessly making misrepresentations and omissions of material facts in his appraisal reports for the Crocket, Gemini and Emerson properties. The omissions of material fact include: omitting discussion and analysis of the contract of sale; omitting more appropriate comparable sales; and, omitting discussion and analysis of sales concessions.

11. Following a settlement conference and for the purpose of a settlement, the Board informally determined that the Respondent was not in compliance with 22 TEX. ADMIN. CODE § 153.20(a)(13) by carelessly failing to actively, personally, and diligently supervise Allen R. Hendrix, a person who assisted Respondent in performing the appraisal reports for the Crocket, Gemini and Emerson properties.

12. Additionally, for the purpose of a settlement, the Board informally determined:

1. The Texas Appraiser Licensing and Certification Board has jurisdiction over this matter pursuant to the Texas Appraiser Licensing and Certification Act, TEX. OCC. CODE § 1103.451-1103.5535.
2. Respondent violated the following USPAP provisions as prohibited by 22 TEX. ADMIN. CODE §§ 153.20(a)(3) and 155.1(a): USPAP Ethics Rule, USPAP Supplemental Standards Rule and USPAP Standards 1-2(c) & 2-2(a)(v) & (b)(v), 1-2(e)(i) & 2-2(b)(iii), 1-3(b) & 2-2(b)(x), 1-1(a) & 1-4(b), 1-4(a) & 2-2(b)(ix), 1-1(a) & 1-4(a), 1-5(a) & 2-2(b)(ix), 1-5(b) & 2-2(b)(ix), 1-1(a), 1-1(b), 1-1(c) and, 2-1(a).
3. Respondent violated 22 TEX. ADMIN. CODE § 153.20(a)(9) by carelessly making misrepresentations and omissions of material facts in his appraisal report for the Crocket, Gemini and Emerson properties.
4. Respondent violated 22 TEX. ADMIN. CODE § 153.20(a)(13) by carelessly failing to actively, personally, and diligently supervise a person who assisted Respondent in completing the real estate appraisal reports for the Crocket, Gemini and Emerson properties.

To resolve informally the complaint and any matter or allegation recited above by way of settlement, the Board and Respondent **AGREE** that Respondent shall:

1. Have his certification suspended, with the suspension being fully probated for a twelve-month period under the conditions outlined below:
 - a. Respondent shall submit to the Board an appraisal experience log on a form prescribed by the Board. The log shall be submitted every three months during the entire period of probation and shall detail all real estate appraisal activities he has conducted during the previous three month period. This experience log shall be signed by Respondent and contain a

notarized affidavit attesting that the log is true, complete and fully accurate. Upon request from the Board, Respondent shall provide copies of his appraisal reports and work files for any appraisal assignments he performs during the course of his period of probation within twenty days of notice of any such request;

- b. Pay to the Board an Administrative Penalty of \$3,000.00; and,
- c. Respondent shall fully comply with the provisions of this Settlement Agreement.

2. Attend and complete a minimum, 15 classroom-hour course in Residential Case Studies; and,

3. Comply with all provisions of the Act, the Rules of the Board, and USPAP in the future, or be subjected to further disciplinary action.

Payment of the **ADMINISTRATIVE PENALTY** must be by certified funds, and must be completed within **TWENTY DAYS** of the date of this Settlement Agreement. Failure to pay the administrative penalty within the time allotted shall result in initiation of a contested case proceeding against Respondent and after opportunity for a hearing, possible imposition of disciplinary sanctions against Respondent.

ALL CLASSES required by this Settlement Agreement must be classes approved by the Board and must be completed within **NINE MONTHS** of the date of this Settlement Agreement and documentation of attendance and successful completion of the educational requirements of this Order shall be delivered to the Board on or before the end of the twelve-month period indicated. None of the classes or seminars required by this Settlement Agreement may be taken through correspondence courses. Unless otherwise noted above, all classes must be in-class, have an exam, and Respondent must have a passing grade on the exam given in each class. None of these required classes will count toward Respondent's continuing education requirements for certification.

Failure to timely submit the required appraisal experience log on a form prescribed by the Board shall result in initiation of a contested case proceeding against Respondent and after opportunity for a hearing, possible imposition of disciplinary sanctions against Respondent.

Failure to complete the education required by this Settlement Agreement within the time allotted shall result in initiation of a contested case proceeding against Respondent and after opportunity for a hearing, possible imposition of disciplinary sanctions against Respondent.

Respondent, by agreeing to and signing this Settlement Agreement, wishes to resolve this matter without further time or expense, and admits no liability, but rather, agrees to

settlement and perform the terms of this Settlement Agreement to avoid the expense of litigation and to reach an expeditious resolution of this matter. Respondent also agrees to satisfactorily comply with the mandates of this Settlement Agreement in a timely manner.

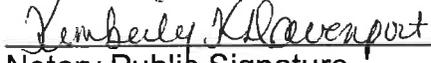
Respondent, by signing this Settlement Agreement, waives the Respondent's right to a formal hearing and any right to seek judicial review of this Settlement Agreement. Information about this Settlement Agreement is subject to public information requests and notice of this Settlement Agreement will be published in the Board's newsletter and/or on the Board's web site.

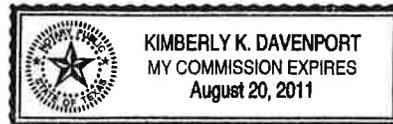
The date of this Settlement Agreement shall be the date it is executed by the Chairperson of the Texas Appraiser Licensing and Certification Board. The Chairperson has been delegated the authority to sign this Settlement Agreement by the Texas Appraiser Licensing and Certification Board vote.

Signed this 22 day of January, 2008.


SCOTT PAUL STEPHENS

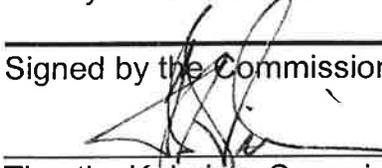
SWORN TO AND SUBSCRIBED BEFORE ME, the undersigned, on this the 22nd day of January, 2008, by SCOTT PAUL STEPHENS, to certify which, witness my hand and official seal.


Notary Public Signature

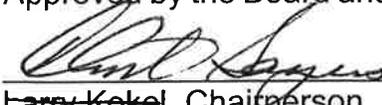


Kimberly K. Davenport
Notary Public's Printed Name

Signed by the Commissioner this 8th day of FEBRUARY, 2008.


Timothy K. Irvine, Commissioner
Texas Appraiser Licensing and Certification Board

Approved by the Board and Signed this 29th day of FEBRUARY, 2008.


Larry Kokel, Chairperson
Texas Appraiser Licensing and Certification Board

LARRY KOKEL