

1 **BEFORE THE ARIZONA STATE BOARD OF APPRAISAL**

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ARIZONA BOARD OF APPRAISAL

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4 In the Matter of:

5 **MICHELLE T. CARABALLO**
6 Certified Residential Appraiser
Certificate No. 21448

Case No. 2421

CONSENT AGREEMENT AND ORDER

7
8 In the interest of a prompt and judicious settlement of the above-captioned matter
9 before the Arizona Board of Appraisal (“Board”) and consistent with public interest,
10 statutory requirements and responsibilities of the Board, and pursuant to A.R.S. § 32-3601
11 *et seq.* and A.R.S. § 41-1092.07(F)(5), Michelle T. Caraballo, (“Respondent”), holder of
12 certificate no. 21448 and the Board enter into this Consent Agreement, Findings of Fact,
13 Conclusions of Law and Order (“Consent Agreement”) as the final disposition of this
14 matter.

15 On June 19 2008, the Board held an Informal Hearing to discuss Case No. 2421;
16 Respondent appeared personally and on her own behalf. At the conclusion of the
17 Informal Hearing, the Board voted to offer the Respondent a Consent Agreement and
18 Order of Discipline in lieu of further administrative proceedings.

19 **JURISDICTION**

20 1. The Arizona State Board of Appraisal (“Board”) is the state agency
21 authorized pursuant to A.R.S. § 32-3601 *et seq.*, and the rules promulgated thereunder,
22 found in the Arizona Administrative Code (“A.A.C.” or “rules”) at R4-46-101 *et seq.*, to
23 regulate and control the licensing and certification of real property appraisers in the State
24 of Arizona.
25
26

1 notes for measurements on the second floor. The hand-written
2 measurements of the outside conflict with the computer generated sketch
3 and make it difficult to verify the walls having similar total lengths and
4 widths from front to back and side to side.

5
6 6. The subject property is assessed at 3,690 square feet, livable, but is shown
7 as being 3,952 square feet in the sketch and the report. There is no
8 discussion about the assessed livable versus the measured livable square
9 footage. Given the discrepancy of about 7%, at the very least, it should have
10 been discussed in the narrative to assist the reader.

11
12 7. The workfile contains no subject property worksheet. The second notes
13 page, shows the second story but no hand written measurements, shows
14 "nitches, pot shelves" but there is no notation about countertop material,
15 flooring types, window- type or bath wainscot. There is some question
16 whether in fact the wainscot, noted by the Respondent to be Marlite, is in
17 fact Marlite. That type of wainscot is rarely used in new construction and
18 not in the price range of the subject property.

19
20 8. The two pages of notes provided by the Respondent in the workfile clearly
21 do not provide adequate reference material for either the Respondent or any
22 other party to reconstruct what took place during the inspection and how the
23 form was completed after the fact.

24
25 9. There is no commentary in the Neighborhood Section of the form relating
26 to exposure or marketing times as required.

- 1 10. The appraisal report shows a “one” level home on page 1, but clearly shows
2 a multi-level home on the sketch addendum. However, in the “condition”
3 line of the Sales Comparison Approach, the Respondent states “two levels.”
4
5 11. The appraisal form fails to note a fireplace on page 1, but does show a
6 fireplace in the Sales Comparison Approach.
7
8 12. The form states that the garage is both “attached” and “built-in”. It is not
9 clear if this was intentional or an error, but it is not typical. Multiple boxes
10 checked on the form for one category is generally not acceptable without
11 detailed explanation.
12
13 13. The narrative sections of the appraisal report are completed with mostly
14 “standard comments.” These standard comments tend to be used for many
15 different reports and are general in nature and do not inform the reader as
16 intended. In addition, the commentary in the Summary of Sales Comparison
17 Approach is entirely “standard comments” and does not address any of the
18 unusual adjustments or lack of adjustments where some appear to be
19 indicated.
20
21 14. In the “Market Conditions” portion of the report, Respondent incorrectly
22 states that “All types of financing are available....” There are no homes in
23 this price range that would qualify for high ratio FHA or VA insured loans
24 as all are well above the maximum loan limits for that point in time.
25
26 15. The appraisal report contains no narratives that would explain the reasons
for many of the unsupported adjustments.

- 1 16. With respect to the Respondent's use of the Comparable Sales, the
2 Respondent failed to note that two of the comparable sales were in a gated
3 development and referred to those Comparable Sale homes with basements
4 as being "two stories." The Respondent did not discuss nor properly adjust
5 for the fact that two of the Comparable Sales were in a gated community.
6
- 7 17. In addition, the Respondent made several errors respecting Comparable
8 Sale #5 in terms of reported room count, square footage and style of
9 housing.
- 10 18. The Respondent included the incorrect photograph of Comparable Sale #2
11 in the appraisal report and the fact that the property is in a gated community
12 was not noted or discussed by Respondent. Also, it was stated that this
13 property had a guest house (although its square footage was not discussed)
14 and the Respondent arrived at an estimated contribution of \$25,000 for the
15 guest house. There was in fact, no guest house. A guest house was part of
16 the developer's proposed plans but was not part of the finished
17 improvements.
18
- 19 19. The likely overstatement of the subject's livable square footage, the choice
20 of mostly out-of-subdivision comparables, failure to address possible value
21 contributors such as gated developments, newer construction, different
22 architecture, and the nearly complete lack of any narrative discussion
23 regarding some of these factors, would tend to indicate the assignment
24 result may have been influenced by the lenders.
25
26

1 CONCLUSIONS OF LAW

2 1. Pursuant to A.R.S. § 32-3635, a certified or licensed appraiser in the State
3 of Arizona must comply with the standards of practice adopted by the Board. The
4 Standards of Practice adopted by the Board are codified in the USPAP edition applicable
5 at the time of the appraisal.
6

7 2. The conduct described above constitutes violations of the following
8 provisions of the USPAP, 2006 edition: Standards Rule 1-1(b) and (c); Standards Rule 2-
9 1(a) and (b); Standards Rule 2-2 (a)(b) and (c); Standards Ethics Rule—Conduct; and
10 Standards Ethics Rule—Competency.
11

12 ORDER

13 Based upon the foregoing Findings of Fact and Conclusions of Law, the parties
14 agree to the following:

15 1. **Upon the effective date of this Consent Agreement, Respondent's**
16 **Certificate as a Licensed Residential Appraiser shall be placed on probation for a**
17 **minimum period of six (6) months.** During probation, Respondent shall comply with
18 USPAP, Arizona Revised Statutes and Appraisal Board rules.

19 2. Respondent shall successfully complete the following education within
20 **six (6) months** of the effective date of this Consent Agreement: **Fifteen (15) hours of**
21 **report writing for residential properties OR fifteen (15) hours sales comparison**
22 **and no less than six (6) hours of mortgage fraud.** The education required under this
23 paragraph may be counted toward the continuing education requirements for the
24 renewal of Respondent's certificate. The same class may not be repeated to fulfill the
25 education requirements of this Consent Agreement
26

1 Proof of completion of the required education must be submitted to the Board
2 within 3 weeks of completion of the required courses.

3 3. During the term of probation, Respondent shall: (a) demonstrate
4 resolution of the problems that resulted in this disciplinary action; and (b) otherwise
5 comply with the terms of this Consent Agreement.

6 4. During the period of probation, Respondent shall complete a minimum
7 of **twenty-four (24) appraisal reports** under the supervision of an Arizona Certified
8 Residential or Certified General Appraiser who shall serve as Respondent's mentor
9 ("Mentor"). The Mentor shall be either an Arizona Certified Residential or General
10 Appraiser.

11 5. **During the probationary period, the Respondent shall not issue a**
12 **verbal or written appraisal, appraisal review, or consulting assignment without**
13 **prior review and approval by a Mentor.** Each report shall be signed by the Mentor
14 as a supervisory appraiser. After six (6) months, the requirement of pre-approval of
15 appraisals by a mentor may be terminated upon approval by the Board if Respondent
16 has complied with the conditions set out in this Order.

17 6. The Mentor must be approved by the Board and is subject to removal by
18 the Board for nonperformance of the terms of this Consent Agreement. The Mentor
19 may not have a business relationship with Respondent except for the Mentor/Mentee
20 relationship nor may the Mentor be related to Respondent. Any replacement Mentor
21 is subject to the Board's approval and the remaining terms of this Consent Agreement.
22 The Board's Executive Director may give temporary approval of the Mentor until the
23 next regular meeting of the Board.

24 7. Not more than **30 days** after the effective date of this Consent
25 Agreement, Respondent shall submit to the Board the name and resume of an Arizona
26 Certified Residential or Arizona Certified General Appraiser who is willing to serve as

1 Respondent's Mentor together with a letter from the potential Mentor agreeing to
2 serve as Respondent's Mentor. If requested by Board staff, Respondent shall continue
3 to submit names, resumes, and letters agreeing to serve as Mentor until a Mentor is
4 approved by the Board. Any Mentor must be approved in writing by the Board.

5 8. Respondent shall bear all costs and expenses associated with the
6 mentorship and incurred by attending the courses.

7 9. The Mentor shall submit monthly reports to the Board for each calendar
8 month during Respondent's probationary period reflecting the quantity and quality of
9 Respondent's work, including, but not limited to, improvement in Respondent's
10 practice and resolution of those problems that prompted this action. The Mentor's
11 report shall be filed monthly beginning the 15th day of the first month following the
12 start of Respondent's probationary period and continuing each month thereafter until
13 termination of the probationary period by the Board. **Even if the Mentor reviews no**
14 **appraisals during a given month, a report stating that no appraisals were**
15 **reviewed or approved must be submitted.** It is the Respondent's responsibility to
16 ensure that the Mentor submits his/her reports monthly. If the monthly reporting date
17 falls on a Saturday, Sunday, or holiday, the report is due on the next business day.
18 The monthly report may be filed by mail or facsimile.

19 10. The Respondent shall file an appraisal log with the Board on a monthly
20 basis listing every Arizona appraisal that she has completed within the prior calendar
21 month by property address, appraisal type, valuation date, the Mentor's review date,
22 the date the appraisal was issued, and the number of hours worked on each
23 assignment. The report log shall be filed monthly beginning the 15th day of the first
24 month following the start of Respondent's probationary period and continuing each
25 month thereafter until the Board terminates the probation. If the log reporting date
26 falls on a Saturday, Sunday, or holiday, the report log is due on the next business day.

1 **Even if Respondent performs no appraisals within a given month, she must still**
2 **file an appraisal log with the Board showing that no appraisals were performed.**

3 The monthly log report must be filed by mail, facsimile or in person.

4 11. The Board reserves the right to audit any of Respondent's reports and
5 conduct peer review, as deemed necessary, during the probationary period. The Board
6 may, in its discretion, seek separate disciplinary action against the Respondent for any
7 violation of the applicable statutes and rules discovered in an audit of the
8 Respondent's appraisal reports provided to the Board under the terms of this Consent
9 Agreement.

10 12. Respondent's probation, including mentorship, shall continue until: (a)
11 Respondent petitions the Board for termination as provided in paragraph 13, and (b)
12 the Board terminates the probation and mentorship. Upon petition by the Respondent
13 for termination of the probation and mentorship, the Board shall select and audit 3 of
14 Respondent's appraisal reports.

15 13. At the end of **six (6) months** from the effective date of this Consent
16 Agreement, the Respondent must petition the Board for termination of her mentorship
17 and probation. If the Board determines that Respondent has not complied with **all** the
18 requirements of this Consent Agreement, the Board, at its sole discretion, may either:
19 (a) continue the probation, including mentorship; or (b) institute proceedings for
20 noncompliance with this Consent Agreement, which may result in suspension,
21 revocation, or other disciplinary and/or remedial action.

22 14. Respondent shall not act as a supervising appraiser for other appraisers or
23 trainees, nor shall she act as a mentor, during the term of the probation. Respondent shall
24 also not teach any course related to real estate appraisals during the term of the probation.

25 15. Respondent shall comply with the Uniform Standards of Professional
26 Appraisal Practice in performing all appraisals and all Board statutes and rules.

1 16. If, between the effective date of this Consent Agreement and the
2 termination of Respondent's probation by the Board, Respondent fails to renew her
3 license while under this Consent Agreement and subsequently applies for a license or
4 certificate, the remaining terms of this Consent Agreement, including probation and
5 mentorship, shall be imposed if the application for license or certificate is granted.

6 17. Respondent has read and understands this Consent Agreement as set
7 forth herein, and has had the opportunity to discuss this Consent Agreement with an
8 attorney or has waived the opportunity to discuss this Consent Agreement with an
9 attorney. Respondent voluntarily enters into this Consent Agreement for the purpose
10 of avoiding the expense and uncertainty of an administrative hearing.

11 18. Respondent understands that she has a right to a public administrative
12 hearing concerning each and every allegation set forth in the above-captioned matter,
13 at which administrative hearing she could present evidence and cross-examine
14 witnesses. By entering into this Consent Agreement, Respondent freely and
15 voluntarily relinquishes all rights to such an administrative hearing, as well as all
16 rights of rehearing, review, reconsideration, appeal, judicial review or any other
17 administrative and/or judicial action, concerning the matters set forth herein.
18 Respondent affirmatively agrees that this Consent Agreement shall be irrevocable.

19 19. Respondent understands that this Consent Agreement, or any part
20 thereof, may be considered in any future disciplinary action against her.

21 20. The parties agree that this Consent Agreement constitutes final
22 resolution of this disciplinary matter.

23 21. Time is of the essence with regard to this agreement.

24 22. If Respondent fails to comply with the terms of this Consent Agreement,
25 the Board shall properly institute proceedings for noncompliance with this Consent
26 Agreement, which may result in suspension, revocation, or other disciplinary and/or

1 remedial actions. Respondent agrees that any violation of this Consent Agreement is a
2 violation of A.R.S. § 32-3631(A)(8), which is willfully disregarding or violating any
3 of the provisions of the Board's statutes or the rules of the Board for the
4 administration and enforcement of its statutes.

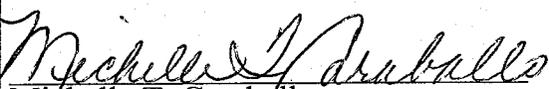
5 23. Respondent understands that this Consent Agreement does not constitute
6 a dismissal or resolution of other matters currently pending before the Board, if any,
7 and does not constitute any waiver, express or implied, of the Board's statutory
8 authority or jurisdiction regard any other pending or future investigation, action or
9 proceeding. Respondent also understands that acceptance of this Consent Agreement
10 does not preclude any other agency, subdivision or officer of this state from instituting
11 other civil or criminal proceedings with respect to the conduct that is the subject of
12 this Consent Agreement.

13 24. Respondent understands that the foregoing Consent Agreement shall not
14 become effective unless and until adopted by the Board of Appraisal and executed on
15 behalf of the Board. Any modification to this original document is ineffective and
16 void unless mutually approved by the parties in writing.

17 25. Respondent understands that this Consent Agreement is a public record
18 that may be publicly disseminated as a formal action of the Board.

19 26. Pursuant to the Board's Substantive Policy Statement #1, the Board
20 considers the violations in the above-referenced matter to constitute to a **Level III**
21 **Violation.**

22 DATED this 31st day of July, 2008.

23
24 
25 Michelle T. Caraballo
26 Respondent


Deborah G. Pearson, Executive Director
Arizona Board of Appraisal

1 **ORIGINAL** of the foregoing filed
2 this _____ day of _____, 2008 with:

3 Arizona Board of Appraisal
4 1400 W. Washington Street, Suite 360
5 Phoenix, Arizona 85007

6 **COPY** of the foregoing mailed regular mail
7 this _____ day of _____, 2008 to:

8 Michelle T. Caraballo
9 18806 N. 93rd Street
10 Scottsdale, Arizona 85255

11 **COPY** of the foregoing sent or delivered
12 this _____ day of _____, 2008 to:

13 Jeanne M. Galvin
14 Assistant Attorney General
15 Arizona Attorney General's Office
16 1275 W. Washington, CIV/LES
17 Phoenix, Arizona 85007

18 By: _____

19 236181

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