FILED 2-10-14
BOARD OF
REAL ESTATE APPRAISERS
CHARLES F. KIRK
Acting Executive Director

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STATE OF NEW JERSEY
DEPARTMENT OF LAW & PUBLIC SAFETY
DIVISION OF CONSUMER AFFAIRS
STATE REAL ESTATE APPRAISER BOARD

In the matter of:

JOSE V. COSTA, SCRREA

CONSENT ORDER

This matter was opened before the New Jersey State Real Estate Appraiser Board (the "Board") upon the receipt of a complaint from Chase Mortgage Lending generally regarding an appraisal report dated June 19, 2012 (effective date June 15, 2012) that respondent Jose V. Costa prepared upon a condominium unit located at 60 Cambridge Court, Madison, New Jersey (hereinafter the "subject property appraisal"). Within said complaint, Chase alleged, among other items, that Mr. Costa's reconciliation of adjusted comparables was inadequate. Chase's complaint was supported, in part, by an independent appraisal which Chase secured on the same property, wherein a second appraiser valued the property at $432,000 as of July 20, 2012 (respondent had valued the property at $320,000).

Respondent appeared before an investigative Committee of the Board, *pro se*, on October 10, 2013, and then testified under oath regarding the manner in which he prepared the subject property appraisal. The Board has presently considered respondent's testimony and all other available information, to include the submitted

complaint and supporting documentation, the subject property appraisal, respondent's workfile for the subject property appraisal, and respondent's written responses to both an initial request for information and a subsequent demand for a statement in writing under oath.

Upon review of available information, the Board finds that the subject property was a two-bedroom condominium unit (with a reported gross living area of 1,620 square feet) located in Madison, New Jersey. In preparing a sales comparison approach for the subject property appraisal, Mr. Costa analyzed closed sales of three condominiums - comparable sale 1 was a two-bedroom unit with a reported GLA of 1,208 square feet which sold for $387,500 in July 2011; comparable sale 2 was a one-bedroom unit with a reported GLA of 1,461 square feet which sold for $282,500 in August 2011; and comparable sale 3 was a two-bedroom unit with a reported GLA of 1,208 square feet which sold for $359,000 in November 2011). After making adjustments (to include adjustments for bathroom counts and for differences in gross living area, but not for differences in bedroom counts), respondent opined that the adjusted sales prices of the three comparables were $398,360, $300,770 and $381,360 respectively. Respondent thereafter commented that "the greatest weight is being placed on comparable number 2, due to its similarity to the subject," and concluded that the value of the subject property as of June 15, 2012 was $320,000.

The Board finds that respondent's opinion of value was

significantly understated and inadequately supported by the analysis within his appraisal report. Respondent failed to adequately reconcile the data which he developed in the sales comparison approach, and failed to include sufficient explanation in his report to allow a reader to understand why he placed the greatest weight on the only one-bedroom unit which he analyzed, which unit had both an actual and an adjusted sales price far below that of the other two-bedroom units analyzed. Additionally, respondent failed to identify and/or analyze a sale of a two-bedroom condominium unit, with a reported gross living area of 1617 square feet (located in the same condominium development as comparable sale #2), which sold for $418,000 on June 14, 2012 (respondent conceded in a written rebuttal letter he sent to Chase on August 22, 2012 that said sale "should have been in the report" and that his failure to have analyzed said sale was "an oversight on my part.")

Based on the findings set forth above, the Board concludes that respondent violated provisions of the Uniform Standards of Professional Appraisal Practice (the "USPAP") when preparing the subject property appraisal, to specifically include Standards Rules 1-1(a) ("In developing a real property appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal"), 1-1(b) ("In developing a real property appraisal, an appraiser must not commit a substantial error of omission or commission that significantly affects an appraisal") and 1-6(a) ("In

developing a real property appraisal, an appraiser must reconcile the quality and quantity of data available and analyzed within the approaches used"). Said violations, in turn, constitute professional misconduct as specified within N.J.A.C. 13:40A-6.1 (requiring that an appraiser must ensure that all appraisals conform to the USPAP, and that failure to comply with provisions of the USPAP may be construed to be professional misconduct).

The Board having thus concluded that cause for disciplinary sanction against respondent exists pursuant to both N.J.S.A. 45:1-21(e) (engaging in professional misconduct) and 45:1-21(h) (failing to comply with provisions of Board regulations), and the parties desiring to resolve this matter without the need for further administrative proceedings, and the Board finding that good cause exists for the entry of the within Order,

IT IS on this 10th day of February, 2014:

ORDERED and AGREED:

1. Respondent Jose Costa is hereby formally reprimanded for having engaged in professional misconduct by having prepared an appraisal report which failed to conform to requirements of the USPAP, for the reasons set forth in greater detail above.

2. Respondent is assessed a civil penalty in the amount of $3,000, which penalty shall be due and payable in monthly installments in the amount of $250 per month. The initial monthly payment is to be made at the time of entry of this Order. Thereafter, respondent shall make payments directly to the Board on

or before the 1st of each month, beginning with a payment that shall be due on or before April 1, 2014, and concluding with a final payment to be due on or before February 1, 2015.

3. Respondent is hereby assessed costs, limited to transcript costs, in the amount of $206, which costs shall be due and payable in full at the time of entry of this Order.

4. Respondent shall, within six months of the date of entry of this Order, be required to successfully complete: (1) a 30 hour Residential Sales Comparison and Income Approach course and (2) a 15 hour Uniform Standards of Professional Appraisal Practice course. Prior to commencing said courses, respondent shall provide all available information regarding the courses he proposes to take to the Executive Director of the Board, and shall obtain pre-approval, in writing, from the Executive Director for both proposed courses. Respondent shall thereafter be responsible to ensure that documentation of successful completion of the course is forwarded by the course provider to the Board (said documentation must be provided within thirty days of the date of respondent's completion of the course). In the event that respondent fails to successfully complete the course work required herein in a timely fashion (that is, in the event the Board does not receive documentation of successful completion of the required course no later than seven months from the date of entry of this Order), respondent shall be deemed to have failed to comply with the terms of this Order. In such event, the parties expressly agree that respondent's license to practice real

estate appraising in the State of New Jersey may be immediately suspended by the Board for failure to comply with the terms of this Order. In the event an Order of immediate suspension for failure to comply with the terms of this Order is entered, respondent's license shall thereafter continue to be actively suspended until such time as he successfully completes the required course work, documentation thereof is submitted to the Board, and written notice of reinstatement is provided by the Board to respondent.

NEW JERSEY STATE REAL ESTATE
APPRAISERS BOARD

By: Cheryle A. Randolph-Sharpe /pd

Cheryle Randolph-Sharpe
Board President

I represent that I have carefully read and considered this Order, and consent to the entry of the Order by the Board.

Jose V. Costa, SCRREA

Dated: 02/05/2014