

**BEFORE THE REAL ESTATE APPRAISER BOARD**  
**STATE OF OKLAHOMA**

Real Estate Appraiser Board  
State of Oklahoma

In the Matter of MICHAEL W. ARNOLD,

Respondent.

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)  
)

Complaint #22-021

**CONSENT ORDER**

COME NOW the Oklahoma Real Estate Appraiser Board ("OREAB"), by and through the Prosecuting Attorney, Stephen McCaleb, and MICHAEL W. ARNOLD, ("Respondent"), by and thru his attorney of record, Odell Campbell, and enter into this Consent Order, pursuant to Oklahoma Statutes Title 59 §858-700, *et seq.*, and Oklahoma Administrative Code 600:10-1-1, *et seq.* All sections of this Order are incorporated together.

**AGREED FINDINGS OF FACT**

1. In April of 2022, Respondent was hired to complete an appraisal (the "Appraisal") for a property located at 1702 NW 38<sup>th</sup> Street, Oklahoma City, Oklahoma City, Oklahoma 73118 (the "Subject"). Respondent completed the Appraisal with an effective date of April 6, 2022. The Appraisal was purportedly performed in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice.

2. Respondent committed a series of errors in the report which led to a misleading and non-credible report.

**General**

3. Under the subject property data source a comment states: "The subject property is currently under contract for \$200,000, but was not listed in MLS. Subject property was for sale by owner. Sources: buyer, lender provided contract and MLS, 4/4/2022". Report indicates that lender provided a contract. However, there was no contract of sale for this property found in the appraiser work file. There is no explanation what the 4/4/2022 date is. According to the report the contract date is 3/3/2022. What is the 4/4/2022 date? Work file correspondence indicates two inspections

were performed; original inspection and final inspection. There is only one AMC request in the work file which appears to be for a final inspection. No contract, No Letter of Engagement. Possible violation of Record Keeping Rule.

4. The FNMA 1004 form specifically requires an interior/exterior inspection. The appraiser signing the report certifies, among other things, that he performed a complete visual inspection of the interior and exterior of the subject property. Not in the certification, but only on an addendum page, the report identifies a trainee that provided support "to include inspection, photography and measurement".

5. Based upon data in the grievance, on the 4/6/2022 effective date of the appraisal the identified trainee was not a licensed trainee appraiser in Oklahoma; only later in November 2022 obtaining a trainee license. Information in the grievance indicates the appraiser confirmed that his trainee completed the inspections (1004 original appraisal and later the final inspection 1004D) without the CRA being present. Information in the response indicates the CRA considers the "trainee" for his purpose of reference. Therefore, a non-licensed individual performed the inspections but a Certified Residential Appraiser signed the report certifying he inspected the property when by his admission he did not. An appraiser signing the appraisal certifying they inspected the property when in fact they did not inspect the property is a fraudulent report and an Ethics violation of USPAP. If an appraiser signs the certification he/she then certifies that they have inspected the property. Its that clear; if an appraiser signs the certification they are saying in no uncertain terms that they performed the inspection. In the response, deflecting to a comment in the addendum that an appraiser trainee performed certain tasks including inspection, is misleading. It does not matter what the trainee did. The appraiser signing the report is certifying they either

did the inspection or was present at the inspection. The unlicensed trainee did not sign the report or certification.

### **Cost Approach**

6. The cost approach indicates a \$35,000 site value opinion. There is no data in the report explaining how the \$35,000 site value opinion was developed. Therefore, the opinion of site value has not been developed by an appropriate recognized method or technique. Site value based on "public record assessment ratios" is not a recognized method or technique of site valuation. Additional comment says: "Land value estimate is based on appropriate land sales or land to improvement ratios from county assessor". There are no land sales provided in this report and assessment ratios from county assessor is not a recognized method of site valuation. There is no data in the work file indicating that: (1) site sales were analyzed, (2) allocation or (3) extraction was performed to develop the site value opinion. This \$35,000 site value is not market oriented. The work file did not contain any evidence that site sales were analyzed to develop the \$35,000 site value opinion. No evidence of any appropriate site value methodology was found in the work file. The appraisal comments regarding site valuation are misleading. There appears to be some confusion and or cloning of prior reports regarding the cost approach. In this section there are comments that state: "The cost approach is not considered to be a strong indicator of value other than for new construction". However, In the cost approach section the "Replacement Cost New" box is checked with a "average" quality rating from "2020" effective cost data. Comments regarding cost approach then state: "Cost approach is developed utilizing local builder costs and Marshall and Swift Handbook" Comments further state: "Cost approach estimates are for replacement costs not reproduction costs". This statement contradicts the comment in the "Scope of Work" addendum page which states: "Appraiser develops the cost approach using builder

estimates and other pertinent residential cost information to arrive at the Reproduction Cost New of the Subject". This is confusing and misleading on two counts. First there was no actual cost approach performed. This indicates most if not all of the comments in this cost approach section are "canned" comments or cloned from a different appraisal. Second, if performed, is the intent of cost approach meant to be replacement or reproduction cost? Because there are contradictory statements in the report regarding replacement cost or reproduction cost, these contradictory statements are misleading. Builder costs are not an appropriate method of developing the cost approach unless the actual local builder cost are provided (displayed) in the report. The 1004 form clearly states: "Provide adequate information for the lender/client to replicate the below cost figures and calculations".

#### **Sales Comparison Approach**

7. Most of the data in the sales comparison approach has been accurately reported on the appraisal, i.e. sale price, date, size, etc. and the sales are in the subject market area. However, the comments in support of adjustments are relatively vague and do not support the adjustment process. The report comments reference "matched pair analysis and extraction are employed to support or develop adjustments". There is no corresponding data in the appraiser work file that any extraction or paired sale analysis was actually performed. Comparable 6 is an active listing that never sold and it lends no credibility to the report and will be not relevant on the Board's investigation.

8. The subject and all sales are older homes. Age adjustments were made on sales 1 & 5 apparently for differences in chronological age. Using sale 1 as an example, MLS and assessor data as well as interior photos indicate an extensive remodel on sale 1. Extensive remodeling

generally impacts the condition and effective age of improvements. The \$9,000 age adjustment is not supported.

9. Sale 5 has also been completely remodeled which would impact its effective age and the \$5,500 age adjustment is not supported or adequately explained. The comment: "sales 1,5 & 6 adjusted for age as significantly older properties" does not support the adjustment. Chronological age is no longer relevant for homes in this age range (75-100 years old) where remodeling and updating have occurred.

10. Subject was given an effective age of 45 years. MLS before and after photos show both sales 1 & 5 to be extensively remodeled which would impact their effective age to the extent that their effective age could actually be less than the subject. This was not adequately analyzed on the report and the adjustments are not supported. The subject and all sales were categorized as having "Upgraded" kitchens. However, regarding baths, the overall analysis is somewhat confusing by applying different adjustments for condition of baths. The terms "upgraded" "updated" and "superior" were applied to the subject and sales 1,4 & 5 in the grid with different adjustments for the "upgraded" and "superior" baths compared to subject having an "updated" bath. MLS photos reveal all to have baths that have been remodeled, with different components, but remodeled nonetheless. All of the baths are in good condition and the adjustments are confusing.

11. The subject and all sales are categorized as Q4 average quality construction, i.e. meaning all have the same construction. Yet a negative \$10,000 adjustment was made on sales 1 & 5. This adjustment is not supported and in fact is contradicted in the appraisal comments. The first sentence of the comment section says: "comparables selected for this report are all similar to the subject in quality of construction, design, market appeal " then further states: "comparables 1

& 5 adjusted for superior quality of construction in materials and finishes". These are contradictory statements in the same paragraph in what appears to be an attempt to reconcile various levels of remodeling. The adjustment would probably be more appropriate under the condition description. The respondent has applied an unusual method to address differences in quality, age and condition that render a confusing analysis in the adjustment process. If sales 4 & 5 have superior quality materials and finishes as stated then they should not have been given the same Q4 quality rating as the subject; doing so is misleading. Likewise, if sales 1,4 & 5 have superior bath upgrades best practices would dictate this too be treated and/or adjusted under a quality or condition description. The investigator is aware that there are certainly varying degrees of remodeling, updating, and upgrading older homes. Absent definitive explanatory comments regarding the different quality, age and isolated bath adjustments, the methodology applied is unsupported and confusing.

12. There is no data in the work file that show the process of how the negative \$2,000 and \$4,000 bath adjustments applied to the sales were derived. Subject bath is rated average and an adjustment is probably appropriate but should be explained more clearly. Without a summary of analysis or reasoning the adjustment process for quality, age and bath is considered confusing. While the overall analysis is somewhat confusing there does not appear to be any significant intent to mislead.

#### **Income Approach**

13. The comment made in the reconciliation regarding the income approach that says: "Income approach was not developed because it was not considered necessary for credible assignment results and also due to a lack of verifiable data in the market place". This is a misleading statement. It is misleading because: (1) The subject property was rented at time of sale. (2) There are numerous rental properties in this market area. (3) There are numerous leased

properties in market area. The subject property was being purchased by the occupying tenant. In other words the subject was a rental property at the time of sale. A comment in the report says: "according to the buyer, she has been renting the subject property". No analysis was provided on the subject rental history, i.e. no monthly rental amount, no lease terms. Appraisal states property was for sale by owner and not listed in MLS indicating no exposure to the to the open market per item 3 in the definition of market value in the report. These facts: (1) rented at time of sale, (2) ample rental and GRM data available in market and (3) lack of property exposure to market indicate that the comment made: "due to lack of verifiable data in the market place" is meaningless and misleading and does not lead client/intended user to any meaningful conclusions. Performing the income approach on a property that is rented at the time of sale and that was not exposed to the open market under the definition of market value could only add credibility to the report. Therefore, the exclusion of the income approach was not adequately supported.

#### **Final Reconciliation**

14. The quality and quantity of data available and analyzed within the approaches was not adequately reconciled.

15. The applicability and suitability of the approaches used to arrive at the value conclusions were not adequately reconciled.

16. Income data was not analyzed. Respondent did not provided sufficient support for why the income approach was excluded from a property that was leased at the time of sale.

17. The site value was not analyzed or supported.

18. Contradictory comments regarding cost approach do not provide sufficient support for why the cost approach was not performed when appraisal comments suggest some intent to apply the cost approach.

#### **General Revisited**

19. The report was misleading.
20. The report did not contain sufficient information to enable the client and intended user to understand it properly.
21. The salient and factual data reported and analyzed was not in a consistent manner throughout the assignment.
22. The appraisal states: "lender provided contract" There was no contract in work file.
23. The site value was not market oriented. This section of the report contains misleading comments regarding how site value was developed.
24. The primary issue with this appraisal involves the Ethics Rule. The Certified Residential Appraiser signed the report as the inspecting appraiser but did not physically inspect the property for the original inspection or for the final inspection (2 inspections by trainee).

#### **AGREED CONCLUSIONS OF LAW**

1. That Respondents has violated 59 O.S. § 858-723(C)(6) through 59 O.S. §858-726, in that Respondents violated:

- A) The Competency Rule of the Uniform Standards of Professional Appraisal Practice;
- B) The Scope of Work Rule of the Uniform Standards of Professional Appraisal Practice;
- C) The Ethics Rule of the Uniform Standards of Professional Appraisal Practice;



D) The Record Keeping Rule of the Uniform Standards of Professional Appraisal Practice;

E) Standard 1, Standards Rules 1-2, 1-4, 1-5, and Standards Rules 2-1, of the Uniform Standards of Professional Appraisal Practice. These include the sub-sections of the referenced rules.

2. That Respondent has violated 59 O.S. § 858-723(C)(7): "Failure or refusal without good cause to exercise reasonable diligence in developing an appraisal, preparing an appraisal report or communicating an appraisal."

3. That Respondent has violated 59 O.S. § 858-723(C)(8): "Negligence or incompetence in developing an appraisal, in preparing an appraisal report, or in communicating an appraisal."

4. That Respondent has violated 59 O.S. § 858-723(C)(6): "Violation of any of the standards for the development or communication of real estate appraisals as provided in the Oklahoma Certified Real Estate Appraisers Act."

#### **CONSENT AGREEMENT**

The Respondent, by affixing his signatures hereto, acknowledges:

1. That Respondent has been advised to seek the advice of counsel prior to signing this document.

2. That Respondent possess the following rights among others:

- a) The right to a formal fact finding hearing before a disciplinary panel of the Board;
- b) The right to a reasonable notice of said hearing;
- c) The right to be represented by counsel;
- d) The right to compel the testimony of witnesses;
- e) The right to cross-examine witnesses against him; and
- f) The right to obtain judicial review of the final decision of the Board.

3. The Respondent stipulates to the facts as set forth above and specifically waives both their rights to contest these findings in any subsequent proceedings before the Board and their rights to appeal this matter to the District Court.

4. The Respondent consents to the entry of this Order affecting their professional practice of real estate appraising in the State of Oklahoma.

5. The Respondent agrees and consents that this Consent Order shall not be used by him for purposes of defending any other action initiated by the Board, regardless of the date of the Appraisal.

6. All other original allegations in this matter are dismissed.

7. Respondent acknowledges this will be placed on the Board's agenda for its next monthly meeting, after receipt of the executed Order from Respondent, and notice for the Order's placement on that Agenda is accepted.<sup>1</sup>

8. This Consent Order may be executed in one or more counterparts, but all of such counterparts, taken together, shall constitute only one Consent Order. When delivered to the other parties, facsimile and visual digital reproductions of original signatures shall be as effective as if they were the originals.

9. This Consent Order shall be governed by the internal laws of the State of Oklahoma without regard to the conflict of law principles.

10. This Consent Order contains the entire agreement between the parties hereto and all provisions of this Consent Order are contractual and not a mere recital. The Parties acknowledge that no presentation or promise not expressly set forth in this Consent Order has been made by any of the Parties hereto or any of their agents, employees, representatives, or attorneys. No modification of, or amendment to, this Consent Order shall be valid unless it is in writing and signed by the Parties. In the event any portion of this Consent Order shall be declared illegal or unenforceable as a matter of law, the remainder of the Consent Order shall remain in full force and effect.

11. This Consent Order is intended by the Parties to be an integrated writing representing the complete, final, and exclusive embodiment of their agreement. It supersedes any and all prior or contemporaneous agreements, understanding, discussions, negotiations, and commitments (written or oral). This Consent Order may not be altered, amended, modified, supplemented, or otherwise changed, except by a writing executed by an authorized representative of each of the Parties.

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<sup>1</sup> Currently, the next Board meeting is scheduled for November 3, 2023, at 9:30 a.m.

12. The undersigned Respondent agrees that presentation of this Consent Order to the OREAB without the undersigned Respondents being present shall not constitute an improper *ex parte* communication between the OREAB and its counsel.

13. The Parties represent and warrant to one another that each Party has authority to enter into this binding Consent Order. The OREAB represents and warrants that the undersigned have full authority to execute this Consent Order on behalf of the OREAB and bind the OREAB to the terms set forth herein.

14. The Parties understand and agree that Portable Document Format (PDF) and facsimile copies of this Consent Order, including PDF and facsimile signatures thereto, shall have the same force and effect as the originals.

15. The Parties acknowledge that they understand the provisions of this Consent Order.

**CONSENT ORDER TO BE ACCEPTED OR REJECTED BY THE BOARD**

The Oklahoma Real Estate Appraiser Board will not submit this Consent Order for the Board's consideration until its agreement and execution by the Respondent. It is hereby agreed between the Parties that this Consent Order shall be presented to the Board, with recommendation for approval of the Board, at the next scheduled meeting of the Board. The Respondent understands that the Board is free to accept or reject this Consent Order and, if rejected by the Board, it shall be regarded as null and void. Admissions by Respondent in the rejected Consent Order will not be regarded as evidence against them at the subsequent disciplinary hearing. Respondent will be free to defend himself and no inferences will be made from his willingness to have entered into this agreement. It is agreed that neither the presentation of the Consent Order nor the Board's consideration of the Consent Order will be deemed to have unfairly or illegally prejudiced the Board or its individual members and, therefore, will not be grounds for precluding the Board or any individual Board member from further participation in proceedings related to the matters set forth in the Consent Order.

**ORDER**

**WHEREFORE**, on the basis of the foregoing Agreed Findings of Fact and Agreed Conclusions of Law, it is ordered that for the Respondent:

1. Respondent shall take the following corrective education:
  - a) 613 - Residential Sales Comparison & Income Approach - 30 Hours (with credit);

b) The Appraisal Foundation's: Report Certifications: Assignment Conditions, Elements, and Results. Which has already been completed by Respondent. – 4 hours.

c) The Appraisal Foundation's: Ethics, Competency, and Negligence– 4 hours. Which has already been completed by Respondent.

2. Respondent agrees he will successfully complete, pass the test, and provide proof of completion and passing of the tests to the Board's office for the courses completed, within ninety (90) days from the date the Board approves this Order. Failure to complete and pass the courses in a timely matter will result in suspension until the courses are passed and completed with proof of completion and passing of the tests to the Board's office. Respondent shall receive credit for the completed courses, as identified in ¶1 (a).

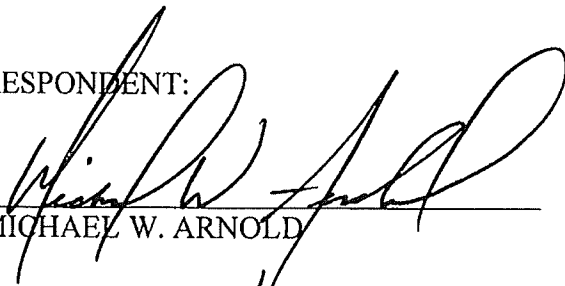
3. Respondent shall pay an administrative fine in the amount of two hundred fifty dollars (\$250), to be paid within thirty (30) days of notification of Respondent of the Board's Order imposing the administrative fine, pursuant to 59 O.S. §858-723.

4. Failure to comply with the preceding paragraphs in a timely manner will result in an instant suspension of Respondent's licenses. For good cause, an extension may be granted by the Board. An application for an Extension of Time should be filed at least five (5) business days in advance of the Board meeting to be placed on a Board meeting agenda in advance of the deadline to comply with this Consent Order.

**DISCLOSURE**

Pursuant to the Oklahoma Open records Act, 51 O.S. §24-A.1 through §24-A.21, the signed original of this Consent Order shall remain in the custody of the Board as a public record and shall be made available for public inspection and copying upon request.

RESPONDENT:

  
\_\_\_\_\_  
MICHAEL W. ARNOLD

DATE

10/24/23


  
\_\_\_\_\_  
ODELL CAMPBELL  
COUNSEL FOR MICHAEL W. ARNOLD

DATE

10/24/2023

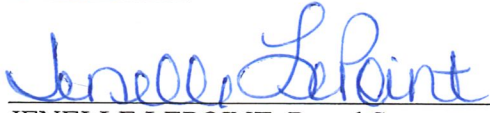
**CERTIFICATE OF BOARD'S PROSECUTING ATTORNEY**

I believe this Consent Order to be in the best interests of the Oklahoma Real Estate Appraiser Board, the State of Oklahoma, and the Respondent, with regard to the violations alleged in the formal Complaint.

  
STEPHEN L. MCCALED, OBA NO. 15649  
ODOM & SPARKS, PLLC  
Suite 140  
HiPoint Office Building  
2500 McGee Drive  
Norman, OK 73072

10-27-23  
\_\_\_\_\_  
DATE


IT IS SO ORDERED on this 3rd day of November, 2023.

  
JENELLE LEPOINT, Board Secretary  
Oklahoma Real Estate Appraiser Board



**OKLAHOMA REAL ESTATE  
APPRAISER BOARD:**

By:

  
BRYAN NEAL, OBA NO. 6590  
Assistant Attorney General  
Attorney for the Board  
313 NE 21<sup>st</sup> St  
Oklahoma City, OK 73105

**CERTIFICATE OF MAILING**

I, Kelly Ann Reynolds, hereby certify that on the 3rd day of November 2023, a true and correct copy of the above and foregoing Consent Order was placed in the U.S. Mail, with postage pre-paid by Certified Mail to:

**Odell Campbell, Esq.**  
4920 N Meridian Ave, Ste. C  
Oklahoma City, OK 73112

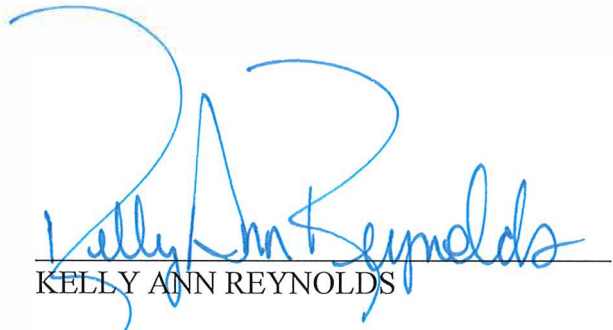
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by First Class Mail to:

**Michael W. Arnold**  
1911 Spirit Wood Ln Edmond,  
OK 73025

**Bryan Neal, Assistant Attorney General**  
OFFICE OF THE ATTORNEY GENERAL  
313 NE 21<sup>st</sup> St  
Oklahoma City, OK 73105

**Stephen L. McCaleb**  
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2500 McGee Dr, Ste 140  
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KELLY ANN REYNOLDS