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8
9 **BEFORE THE**
BUREAU OF REAL ESTATE APPRAISERS
10 **DEPARTMENT OF CONSUMER AFFAIRS**
11 **STATE OF CALIFORNIA**

12 In the Matter of the Accusation Against:

Case Nos. L20210611-01 and L20220401-02

13 **DANIEL E. RINSCH**
14 1448 25th Street, Apt. A
Santa Monica, CA 90404

ACCUSATION

15 Certified Residential License No. AR 029246

16 Respondent.
17

18 **PARTIES**

19 1. John Hassler, acting on behalf of the Bureau of Real Estate Appraisers
20 (Complainant), Department of Consumer Affairs, brings this Accusation solely in his official
21 capacity as Chief of Enforcement for Complainant.

22 2. On or about March 11, 2005, the Bureau of Real Estate Appraisers (formerly Office
23 of Real Estate Appraisers) issued Certified Residential License Number AR 029246 to Daniel E.
24 Rinsch (Respondent). The Certified Residential License was in full force and effect at all times
25 relevant to the charges brought herein and will expire on August 11, 2022, unless renewed.

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JURISDICTION

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2 3. This Accusation is brought before the Bureau of Real Estate Appraisers (Bureau) for
3 the Department of Consumer Affairs, under the authority of the following laws. All section
4 references are to the Business and Professions Code (Code) unless otherwise indicated.

5 4. Section 22 states:

6 “Board,” as used in any provision of this code, refers to the board in which the
7 administration of the provision is vested, and unless otherwise expressly provided, shall include
8 “bureau,” “commission,” “committee,” “department,” “division,” “examining committee,”
9 “program,” and “agency.”

10 5. Section 11301 states:

11 (a) There is hereby created within the Department of Consumer Affairs a Bureau of Real
12 Estate Appraisers to administer and enforce this part.

13 (b) Notwithstanding any other law, the powers and duties of the bureau, as set forth in this
14 part, shall be subject to review by the appropriate policy committees of the Legislature. The
15 review shall be performed as if this part were scheduled to be repealed as of January 1, 2026.

16 6. Section 11313 states:

17 The bureau is under the supervision and control of the Director of Consumer Affairs. The
18 duty of enforcing and administering this part is vested in the chief, and the chief is responsible to
19 the Director of Consumer Affairs therefor. The chief shall adopt and enforce rules and regulations
20 as are determined reasonably necessary to carry out the purposes of this part. Those rules and
21 regulations shall be adopted pursuant to Chapter 3.5 (commencing with Section 11340) of Part 1
22 of Division 3 of Title 2 of the Government Code. Regulations adopted by the former Director of
23 the Bureau of Real Estate Appraisers shall continue to apply to the bureau and its licensees.

24 7. Section 11314 states:

25 The bureau is required to include in its regulations requirements for licensure and discipline
26 of real estate appraisers that ensure protection of the public interest and comply in all respects
27 with Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989,
28 Public Law 101-73 and any subsequent amendments thereto. Requirements for each level of

1 licensure shall, at a minimum, meet the criteria established by the Appraiser Qualification Board
2 of the Appraisal Foundation. The bureau may additionally include in its regulations requirements
3 for the registration of appraisal management companies consistent with this part.

4 8. Section 11315.3 states:

5 The suspension, expiration, or forfeiture by operation of law of a license or certificate of
6 registration issued by the office, or its suspension, forfeiture, or cancellation by order of the office
7 or by order of a court of law, or its surrender without the written consent of the office, shall not,
8 during any period in which it may be renewed, restored, reissued, or reinstated, deprive the office
9 of its authority to institute or continue a disciplinary proceeding against the licensee or registrant
10 upon any ground provided by law or to enter an order suspending or revoking the license or
11 certificate of registration, or otherwise taking disciplinary action against the licensee or registrant
12 on any such ground.

13 9. Section 11319, subsection (a) states:

14 Notwithstanding any other provision of this code, except as provided in subdivision (b), the
15 Uniform Standards of Professional Appraisal Practice constitute the minimum standard of
16 conduct and performance for a licensee in any work or service performed that is addressed by
17 those standards. If a licensee also is certified by the Board of Equalization, he or she shall follow
18 the standards established by the Board of Equalization when fulfilling his or her responsibilities
19 for assessment purposes.

20 **REGULATORY PROVISIONS**

21 10. California Code of Regulations, title 10, section 3702, subsection (a), states in
22 relevant part:

23 (a) The Chief finds and declares as follows:

24 (1) That the profession of real estate appraisal is vested with a fiduciary relationship of trust
25 and confidence as to clients, lending institutions, and both public and private guarantors or
26 insurers of funds in federally-related real estate transactions and that the qualifications of honesty,
27 candor, integrity, and trustworthiness are directly and substantially related to and indispensable to
28 the practice of the appraisal profession;

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(3) Every holder of a license to practice real estate appraisal, Registrant, Controlling Person of an Appraisal Management Company, or person or entity acting in a capacity requiring a license or Certificate of Registration shall be required to demonstrate by his or her conduct that he or she possesses the qualifications of honesty, candor, integrity, and trustworthiness.

11. California Code of Regulations, title 10, section 3721, states in relevant part:

(a) The Chief may issue a citation, order of abatement, assess a fine or private or public reproof, suspend or revoke any license or Certificate of Registration, and/or may deny the issuance or renewal of a license or Certificate of Registration of any person or entity acting in a capacity requiring a license or Certificate of Registration who has:

...

(6) Violated any provision of USPAP;

(7) Violated any provision of the Real Estate Appraisers' Licensing and Certification Law, Part 3 (commencing with Section 11300) of Division 4 of the Business and Professions Code, or regulations promulgated pursuant thereto; or any provision of the Business and Professions Code applicable to applicants for or holders of licenses or Certificate of Registration.

UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE (USPAP)
2020 TO 2021 REQUIREMENTS

12. USPAP Standard Rule 1 states:

In developing a real property appraisal, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal.

13. USPAP Standard Rule 1-1 states:

In developing a real property appraisal, an appraiser must:

(a) be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal;

(b) not commit a substantial error of omission or commission that significantly affects an appraisal; and

1 (c) not render appraisal services in a careless or negligent manner, such as by making a
2 series of errors that, although individually might not significantly affect the results of an
3 appraisal, in the aggregate affects the credibility of those results.

4 14. USPAP Standard Rule 1-2 states in relevant part:

5 In developing a real property appraisal, an appraiser must:

6 ...

7 (b) identify the intended use of the appraiser's opinions and conclusions;

8 ...

9 (e)(i) identify, from sources the appraiser reasonably believes to be reliable, the
10 characteristics of the property that are relevant to the type and definition of value and intended
11 use of the appraisal, including: (i) its location and physical, legal, and economic characteristics;

12 ...

13 (h) determine the scope of work necessary to produce credible assignment results in
14 accordance with the SCOPE OF WORK RULE.

15 15. USPAP Standard Rule 1-3, subsection (b), states:

16 When necessary for credible assignment results in developing a market value opinion, an
17 appraiser must: (b) develop an opinion of the highest and best use of the real estate.

18 16. USPAP Standard Rule 1-4, states, in relevant part:

19 In developing a real property appraisal, an appraiser must collect, verify, and analyze all
20 information necessary for credible assignment results.

21 (a) When a sales comparison approach is necessary for credible assignment results, an
22 appraiser must analyze such comparable sales data as are available to indicate a value conclusion;

23 (b)(i) When a cost approach is necessary for credible assignment results, an appraiser must:

24 (i) develop an opinion of site value by an appropriate appraisal method or technique;

25 (b)(ii) analyze such comparable cost data as are available to estimate the cost new of the
26 improvements (if any);

27 ...

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1 (c)(i) When an income approach is necessary for credible assignment results, an appraiser
2 must: (i) analyze such comparable rental data as are available and/or the potential earnings
3 capacity of the property to estimate the gross income potential of the property.

4 ...

5 17. USPAP Standard Rule 1-6, subsection (a), states:

6 In developing a real property appraisal, an appraiser must:

7 (a) reconcile the quality and quantity of data available and analyzed within the approaches
8 used.

9 18. USPAP Standard Rule 2-1 states:

10 Each written or oral real property appraisal report must:

11 (a) clearly and accurately set forth the appraisal in a manner that will not be misleading;

12 (b) contain sufficient information to enable the intended user(s) of the appraisal to
13 understand the report properly; and

14 (c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical
15 conditions, and limiting conditions used in the assignment.

16 19. USPAP Standard Rule 2-2 states in relevant part:

17 Each written real property appraisal report must be prepared under one of the following
18 options and prominently state which option is used: Appraisal Report or Restricted Appraisal
19 Report.

20 An appraiser may use any other label in addition to, but not in place of, the labels set forth
21 in this Standards Rule for the type of report provided. The use of additional labels such as
22 analysis, consultation, evaluation, study, or valuation does not exempt an appraiser from
23 adherence to USPAP.

24 The report content and level of information requirements in this Standards Rule are
25 minimums for each type of report. An appraiser must supplement a report form, when necessary,
26 to ensure that any intended user of the appraisal is not misled and that the report complies with
27 the applicable content requirements.

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- 1 (a) The content of an Appraisal Report must be appropriate for the intended use of the
2 appraisal and, at a minimum:
- 3 ...
- 4 (iii) state the intended use of the appraisal;
- 5 ...
- 6 (iv) contain information, documents, and/or exhibits sufficient to identify the real estate
7 involved in the appraisal, including the physical, legal, and economic property characteristics
8 relevant to the assignment;
- 9 ...
- 10 (viii) summarize the scope of work used to develop the appraisal;
- 11 ...
- 12 (x)(5) provide sufficient information to indicate that the appraiser complied with the
13 requirements of STANDARD 1 by: (5) summarizing the information analyzed and the reasoning
14 that supports the analyses, opinions, and conclusions, including reconciliation of the data and
15 approaches;
- 16 ...
- 17 (xii) when an opinion of highest and best use was developed by the appraiser, state that
18 opinion and summarize the support and rationale for that opinion.

19 20. USPAP Standard Rule 2-3, subsection (a), states:

20 A signed certification is an integral part of the appraisal report.

21 (a) The wording of a certification does not have to match the following verbatim, but each
22 of the elements must be addressed:

23 I certify that, to the best of my knowledge and belief:

24 — the statements of fact contained in this report are true and correct.

25 — the reported analyses, opinions, and conclusions are limited only by the reported assumptions
26 and limiting conditions and are my personal, impartial, and unbiased professional analyses,
27 opinions, and conclusions.

28 — I have no (or the specified) present or prospective interest in the property that is the subject of

1 this report and no (or the specified) personal interest with respect to the parties involved.

2 — I have performed no (or the specified) services, as an appraiser or in any other capacity,
3 regarding the property that is the subject of this report within the three-year period immediately
4 preceding the agreement to perform this assignment.

5 — I have no bias with respect to the property that is the subject of this report or to the parties
6 involved with this assignment.

7 — my engagement in this assignment was not contingent upon developing or reporting
8 predetermined results.

9 — my compensation for completing this assignment is not contingent upon the development or
10 reporting of a predetermined value or direction in value that favors the cause of the client, the
11 amount of the value opinion, the attainment of a stipulated result, or the occurrence of a
12 subsequent event directly related to the intended use of this appraisal.

13 — my analyses, opinions, and conclusions were developed, and this report has been prepared, in
14 conformity with the Uniform Standards of Professional Appraisal Practice.

15 — I have (or have not) made a personal inspection of the property that is the subject of this
16 report. (If more than one person signs this certification, the certification must clearly specify
17 which individuals did and which individuals did not make a personal inspection of the appraised
18 property.)

19 — no one provided significant real property appraisal assistance to the person signing this
20 certification. (If there are exceptions, the name of each individual providing significant real
21 property appraisal assistance must be stated.)

22 21. The USPAP ETHICS RULE states in relevant part:

23 An appraiser must promote and preserve the public trust inherent in appraisal practice by
24 observing the highest standards of professional ethics.

25 An appraiser must comply with USPAP when obligated by law or regulation, or by
26 agreement with the client or intended users. In addition to these requirements, an individual
27 should comply any time that individual represents that he or she is performing the service as an
28 appraiser.

1 **CONDUCT:**

2 An appraiser must perform assignments with impartiality, objectivity, and independence,
3 and without accommodation of personal interests.

4 An appraiser:

5 ...

- 6 • Must not perform an assignment in a grossly negligent manner.

7 22. The USPAP SCOPE OF WORK RULE states in relevant part:

8 For each appraisal and appraisal review assignment, an appraiser must:

9 1. identify the problem to be solved;

10 2. determine and perform the scope of work necessary to develop credible assignment
11 results; and

12 3. disclose the scope of work in the report.

13 An appraiser must properly identify the problem to be solved in order to determine the
14 appropriate scope of work. The appraiser must be prepared to demonstrate that the scope of work
15 is sufficient to produce credible assignment results.

16 **PROBLEM IDENTIFICATION**

17 An appraiser must gather and analyze information about those assignment elements that are
18 necessary to properly identify the appraisal or appraisal review problem to be solved.

19 **FINE PROVISIONS**

20 23. Section 11316, subdivision (a) states:

21 The director may assess a fine against a licensee, applicant for licensure, person who acts in
22 a capacity that requires a license under this part, course provider, applicant for course provider
23 accreditation, or a person who, or entity that, acts in a capacity that requires course provider
24 accreditation for violation of this part or any regulations adopted to carry out its purposes.

25 24. California Code of Regulations, title 10, section 3724 states:

26 (a) Where the Chief has verified a notice of acts or omissions by a licensed appraiser,
27 Registrant or person or entity acting in a capacity requiring a license or Certificate of Registration
28 which constitute a violation of statute, regulation or USPAP, he/she may issue a citation in

1 writing which describes with particularity the nature of the violation and including specific
2 reference to the law, regulation or professional practice standard determined to have been
3 violated. The citation may include a notice of abatement fixing a reasonable period of time for
4 abatement of the violation, assessment of private or public reproof, suspension, revocation,
5 restriction of license, fine or any combination of these actions.

6 (b) Fines shall not exceed \$10,000 per incident. In assessing a fine, the Chief shall give due
7 consideration to:

- 8 (1) The gravity of the violation;
- 9 (2) The good or bad faith of the person cited;
- 10 (3) The history of previous violations;
- 11 (4) Evidence that the violation was willful;
- 12 (5) The extent to which the cited person has cooperated with the Bureau;
- 13 (6) The extent to which the cited person has mitigated or attempted to mitigate any
14 loss or potential loss caused by the violation; and
- 15 (7) Such other matters as the Chief determines are in the interest of justice.

16 (c) Citations issued hereunder shall be subject to review as provided in subsection (b) of
17 Section 3721.

18 **COST RECOVERY**

19 25. Section 11409, subsection (a), states:

20 Except as otherwise provided by law, any order issued in resolution of a disciplinary
21 proceeding may direct a licensee, applicant for licensure, person who acts in a capacity that
22 requires a license under this part, registrant, applicant for a certificate of registration, course
23 provider, applicant for course provider accreditation, or a person who, or entity that, acts in a
24 capacity that requires course provider accreditation found to have committed a violation or
25 violations of statutes or regulations relating to real estate appraiser practice to pay a sum not to
26 exceed the reasonable costs of investigation, enforcement, and prosecution of the case.

27 26. Section 125.3 provides that the Bureau may request the administrative law judge to
28 direct a licensee found to have committed a violation or violations of the licensing act to pay a

1 sum not to exceed the reasonable costs of the investigation and enforcement of the case, with
2 failure of the licentiate to comply subjecting the license to not being renewed or reinstated. If a
3 case settles, recovery of investigation and enforcement costs may be included in a stipulated
4 settlement.

5 **FACTUAL ALLEGATIONS – KINGSLEY PROPERTY**

6 27. L.D.K. is the owner of a multi-unit property located at 1340 N. Kingsley Drive, Los
7 Angeles, CA 90027 (Kingsley Property). L.D.K. was advised by his attorney to retain an
8 appraiser to obtain an appraisal report of the Kingsley Property for purposes of potentially
9 resolving a legal dispute.

10 28. On or about July 29, 2021, L.D.K. contacted Respondent to engage his services to
11 perform an appraisal of the Kingsley Property.

12 29. On or about August 12, 2021, L.D.K. met Respondent at the Kingsley Property and
13 paid Respondent \$700.00 by check for an appraisal report. L.D.K. and Respondent signed an
14 engagement letter. According to the engagement letter, the property would be valued as of June
15 4, 2021, and the estimated completion date of the appraisal would be August 18, 2021.

16 30. On September 1, 2021, L.D.K. inquired the status of the appraisal report via text
17 message. Respondent responded that the appraisal report will be provided to L.D.K. on
18 September 2, 2021.

19 31. On September 2, 2021, at approximately 5:43 p.m., L.D.K. inquired the status of the
20 appraisal report via text message. Respondent responded that he was “wrapping it up tonight”
21 and that L.D.K. can expect the appraisal report “[f]irst thing in the morning.”

22 32. On September 3, 2021, at approximately 11:58 a.m., L.D.K. inquired the status of the
23 appraisal report via text message. Respondent responded by requesting photographs of the
24 Kingsley Property, stating that he had “been very busy,” and assuring that L.D.K. would receive
25 the appraisal report by September 10, 2021.

26 33. On September 13, 2021, Respondent inspected the Kingsley Property. Respondent
27 additionally charged L.D.K. \$150.00 for the appraisal report, which L.D.K. paid.

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1 34. On September 14, 2021, Respondent informed L.D.K. that he would send L.D.K. the
2 appraisal report on September 15, 2021.

3 35. On September 15, 2021, L.D.K. inquired the status of the appraisal report via text
4 message. Respondent responded that the “report is almost done.”

5 36. On September 21, 2021, L.D.K. received the appraisal report. The date of the
6 appraisal report and Respondent’s signature was September 21, 2021.

7 37. On or about October 15, 2021, L.D.K. submitted a complaint against Respondent
8 with the Bureau. The complaint alleged Respondent committed unprofessional conduct. The
9 Bureau subsequently initiated an investigation, which revealed multiple violations of USPAP.

10 **FIRST CAUSE FOR DISCIPLINE**

11 (USPAP Violations – Kingsley Property)

12 38. Respondent is subject to disciplinary action under California Code of Regulations,
13 title 10, section 3721, subsections (a)(6) and (a)(7) for violating California Code of Regulations,
14 title 10, section 3701, in that Respondent violated provisions of USPAP, including but not limited
15 to the following:

16 a. Standards Rules 1-2(b) and 2-2(a)(iii): Respondent was required to, at a minimum,
17 both identify the intended use of his opinions and conclusions and state within the report an
18 intended use that was not misleading. Respondent failed to identify and report the correct
19 intended use. Respondent reported the intended use was for a mortgage finance transaction, even
20 though he was aware that the intended use was for legal purposes.

21 b. The USPAP SCOPE OF WORK RULE, Standards Rules 1-2(h) and 2-2(a)(viii):
22 Respondent was required, at a minimum, to state within the report an effective date of the
23 appraisal that was not misleading. Respondent failed to determine the scope of work necessary to
24 produce credible assignment results. Respondent reported the effective date to be the same date
25 as the inspection date but also reported the effective date as June 4, 2021. June 4, 2021 was not a
26 possible inspection date because it was prior to Respondent being engaged to perform the
27 assignment and inspection.

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1 c. Standards Rules 1-2(e)(i) and 2-2(a)(iv): Respondent was required, at a minimum, to
2 identify, from sources the appraiser reasonably believed to be reliable, the characteristics of the
3 property that were relevant to the type and definition of value and intended use of the appraisal
4 including the subject's physical characteristics. Respondent reported inconsistent and
5 contradictory information regarding the condition of the Kingsley Property. Respondent
6 inconsistently reported the condition to be poor and average in the appraisal report.

7 d. Standards Rules 1-2(e)(i), 2-2(a)(iv), and 2-3(a): Respondent certified that he
8 "reported the condition of the improvements in factual, specific terms." Respondent falsely
9 certified the appraisal when he failed to report specific and factual information about the physical
10 deficiencies that were readily visible at the time of his inspection.

11 e. Standards Rules 1-3(b) and 2-2(a)(xii): Respondent was required, at a minimum, to
12 develop an opinion of the highest and best use of the real estate, state that opinion, and summarize
13 the support and rationale for that opinion. Respondent used an extraordinary assumption as the
14 basis for his opinion that the highest and best use was both as vacant and as improved as a two-
15 unit property. Respondent failed to summarize the support for his opinion. Respondent
16 obfuscated the requirement when he inappropriately used an extraordinary assumption instead of
17 reporting a summarization of support for the opinion of highest and best use.

18 f. Standards Rules 1-4(a) and 2-2(a)(x)(5): Respondent was required, at a minimum, to
19 collect, verify and analyze all information necessary for credible assignment results and analyze
20 comparable sales data as were available to indicate a value conclusion. Respondent developed
21 and reported a Sales Comparison Approach that was not credible and was misleading when the
22 cited support was contradictory to what was developed and reported with in the approach, as
23 follows:

24 i. Respondent specifically cited Comparable Sales Two and Three as the basis of
25 the comparisons used to support Respondent's opined \$330.00 per square foot of Gross Building
26 Area (GBA) adjustment factor. Respondent represented Comparable Sales Two and Three as
27 being equal in all respects except a \$4,000.00 sale or financing adjustment that was applied to
28 Comparable Sale Two. In calculating the GBA adjustment factor, Respondent failed to subtract

1 \$4,000 from the sale price of Comparable Sale Two. Based on the reported data, the GBA
 2 adjustment factor should have been a negative \$315.90 per square foot of GBA.

3 ii. Comparable Sales Two had a smaller GBA and a higher sale price than
 4 Comparable Sale Three. Based on this pairing, market participants paid more money for a
 5 smaller amount of GBA. Accordingly, this pairing documented a negative market response for
 6 larger GBA. Because Comparable Sales Two and Three both had larger GBA than the Kingsley
 7 Property, a negative GBA adjustment factor should have been applied based on Respondent's
 8 pairing. Respondent applied the GBA adjustment factor as a positive factor, which is the wrong
 9 direction. If the GBA adjustment factor had been correctly applied, the adjusted sales prices for
 10 Comparable Sales Two and Three would be as follows¹:

	Comparable Sale Two	Comparable Sale Three
11 Unadjusted sale price	\$1,150,000	\$1,063,875
12 Adjusted sale price with 13 correct application of the 14 GBA adjustment factor	\$1,246,640	\$1,250,315
15 Adjusted sale price with 16 Respondent's <i>incorrect</i> application of the GBA adjustment factor	\$845,360	\$677,435

17 Respondent's error had a significant impact on the credibility of the assignment results.

18 iii. Respondent failed to analyze and report the market's response for identified
 19 differences between the Kingsley Property and the comparable sales. For example, the reported
 20 differences between the Kingsley Property and Comparable Sale One (excluding GBA) were as
 21 follows:

Reported Differences	Kingsley Property	Comparable Sale One
22 Condition	Poor	Average
23 Bedroom count	2	4
Bathroom count	2	3
24 Heating/Cooling	Radiant	None
Parking on/off site	2-car garage	Driveway

25 Respondent did not apply market responses for each of these differing contributory
 26 elements.

27
 28 ¹ Respondent's GBA adjustment factor of \$330.00 per square foot was used in this illustration.

1 On the occasions where Respondent cited support for failing to apply such market
2 responses, the cited support was flawed. For example, Respondent reported:

3 BEDROOM COUNTS AND BATH COUNTS WERE NOT SUPPORTED. FOR
4 EXAMPLE, COMP 2 SHOWS HIGHER BEDROOM COUNTS AND LOWER PRICING
5 WHEN COMPARED TO COMPS 1 AND 3.

6 Comparable Sales One, Two and Three all had four total bedrooms. Comparable Sale One
7 and Two each sold for \$1,150,000, and Comparable Sale Three sold for \$1,063,875. This
8 evidences false support for Respondent's opinion and conclusion that there was no support for
9 differences in bedroom counts.

10 g. Standards Rules 1-4(b)(i), 1-4(b)(ii), and 2-2(a)(x)(5): Respondent was required, at a
11 minimum, to collect, verify and analyze all information necessary for credible assignment results
12 and analyze site, cost, and depreciation data as were available to indicate a value conclusion.
13 Respondent developed and reported a Cost Approach that was not credible and was misleading.
14 Respondent failed to appropriately develop and report a site value with the cited methodology,
15 failed to support the reported replacement cost figures, and failed to report replacement costs for
16 the Kingsley Property's detached garage, as follows:

17 i. Respondent reported that the site of the Kingsley Property was estimated based
18 on the abstracted land values of Comparable Sales One, Two, and Three. The Dictionary of Real
19 Estate Appraisal defines abstraction, also known as extraction, as "A method of estimating land
20 value in which the *depreciated* cost of the improvements on an improved property is calculated
21 and deducted from the total sale price to arrive at an estimated sale price for the land." [Emphasis
22 added.] Respondent failed to apply depreciation to the Comparable Sales used in this
23 methodology.

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1 ii. For example, Respondent reported Comparable Sale One to be in average
2 condition and the Kingsley Property to be in poor and average condition. Respondent reported
3 that no significant market reaction exists for the difference between properties in poor and
4 average conditions. Respondent also reported that the improvements on the Kingsley Property
5 were 90% depreciated. Therefore, 90% depreciation should also have been applied to
6 Comparable Sale One. Respondent applied 0% depreciation to Comparable Sale One.

7 iii. Respondent opined a replacement cost of brand new improvements at \$300 per
8 square foot and cited a contractor survey and dwellingcost.com as his sources. There was no
9 documentation supporting any contractor survey. Respondent failed to include any other
10 documentation supporting the opined replacement cost figure of \$300 per square foot. The only
11 documentation included supported a replacement cost new figure of \$122.75 per square foot of
12 GBA.

13 iv. Respondent failed to report any replacement cost for the Kingsley Property's
14 detached garage.

15 h. Standards Rules 1-4(c)(i) and 2-2(a)(x)(5): Respondent was required, at a minimum,
16 to collect, verify and analyze all information necessary for credible assignment results and
17 analyze comparable rental data to estimate the subject property's income potential as available to
18 indicate a value conclusion. Respondent developed and reported a misleading Income Approach
19 when he opined a market rent for Kingsley Property's two units when neither unit was in a
20 condition to be rented for market rent. In addition, he reconciled to the midpoint of the price per
21 square foot of living area for units when the Kingsley Property was inferior to all analyzed and
22 reported comparable rentals.

23 i. Standards Rule 1-1(a) and (b): Based on the above allegations, Respondent failed to
24 be aware of, understand, and correctly employ those recognized methods and techniques that are
25 necessary to produce a credible appraisal, and committed substantial errors of omission and
26 commission that significantly affected the appraisal.

27 j. Standards Rule 2-1(a) and (b): Based on the above allegations, Respondent failed to
28 clearly and accurately set forth the appraisal in a manner that would not be misleading and failed

1 to report sufficient information to enable the intended user of the appraisal to understand the
2 appraisal properly.

3 k. The USPAP ETHICS RULE: Based on the above allegations, Respondent performed
4 the assignment concerning the Kingsley Property in a grossly negligent manner.

5 Paragraphs 27 to 37 are re-alleged as if fully set forth herein.

6 **SECOND CAUSE FOR DISCIPLINE**

7 (Failure to Demonstrate Qualifications of an Appraiser)

8 39. Respondent is subject to disciplinary action under California Code of Regulations,
9 title 10, section 3721, subsection (a)(7) for violating California Code of Regulations, title 10,
10 section 3702, subsections (a)(1) and (a)(3). Respondent failed to demonstrate the qualifications
11 of an appraiser, such as honesty, candor, integrity, and/or trustworthiness, when he consistently
12 made false representations to L.D.K regarding the estimated time of transmission of the appraisal
13 report. Paragraphs 27 to 37 are re-alleged as if fully set forth herein.

14 **FACTUAL ALLEGATIONS – CREST PROPERTY**

15 40. Respondent was a contract appraiser for ServiceLink Valuation Solutions, LLC, an
16 appraisal management company (ServiceLink). ServiceLink assigned Respondent to perform an
17 appraisal of the single family home located at 1551 S. Crest Drive, Los Angeles, CA 90035 (Crest
18 Property).

19 41. Respondent completed an appraisal of the Crest Property. The date of the appraisal
20 report was February 12, 2020. The intended user of the appraisal report was Wells Fargo Bank,
21 and the intended use was for a mortgage finance transaction.

22 42. On or about May 8, 2020, ServiceLink submitted a complaint to the Bureau. The
23 complaint alleged inconsistent and inaccurate reporting of the Crest Property information,
24 inaccurate reporting of comparable features, and unsupported adjustments. The Bureau
25 subsequently initiated an investigation, which revealed multiple violations of USPAP.

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1 **THIRD CAUSE FOR DISCIPLINE**

2 (Violations of USPAP – Crest Property)

3 43. Respondent is subject to disciplinary action under California Code of Regulations,
4 title 10, section 3721, subsections (a)(6) and (a)(7) for violating California Code of Regulations,
5 title 10, section 3701, in that Respondent violated provisions of USPAP, including but not limited
6 to the following:

7 a. Standards Rules 1-4(a) and 2-2(a)(x)(5): Respondent was required, at a minimum, to
8 collect, verify and analyze all information necessary for credible assignment results and analyze
9 comparable sales data as were available to indicate a value conclusion. Respondent failed to
10 develop and report a credible Sales Comparison Approach to value as follows:

11 i. Respondent failed to report a credible Gross Living Area (GLA) adjustment.
12 Respondent reported that the GLA adjustment was based on a matched pair analysis with
13 Comparable Sales One and Three, but also reported that Comparable Sale Three was an
14 “anomaly.” Additionally, the GLA adjustment was greater than the GLA divided by the sale
15 price for all comparable sales and more than four times the replacement cost estimate.

16 ii. Respondent failed to report and analyze a relevant characteristic for
17 Comparable Sale Six – a guest house that was cited in Respondent’s data source. Respondent
18 failed to report the guest house and its impact, if any, on the market value.

19 b. Standards Rules 1-6(a) and 2-2(a)(x)(5): Respondent was required, at a minimum, to
20 summarize the information analyzed and the reasoning that supports the analyses, opinions, and
21 conclusions, including reconciliation of the data and approaches. Respondent failed to adequately
22 summarize and report a credible final reconciliation. Respondent reported that he gave the
23 greatest weight to Comparable Sales Two, Three and Four because they present the lowest net
24 and gross adjustments. Respondent failed to report the rationale for his reported opinion and
25 conclusion that Comparable Sale Three was a “market anomaly” and “given diminished weight as
26 a result,” but did not require any adjustments.

27 c. Standards Rule 2-1(a) and (b): Based on the above allegations, Respondent failed to
28 clearly and accurately set forth the appraisal in a manner that would not be misleading and failed

1 to report sufficient information to enable the intended users of the appraisal to understand the
2 appraisal properly.

3 Paragraphs 40 to 42 are re-alleged as if fully set forth herein.

4 **PRAYER**

5 WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged,
6 and that following the hearing, the Chief of the Bureau of Real Estate Appraisers issue a decision:

7 1. Revoking or suspending Real Estate Appraiser License Number AG 029246, issued
8 to Daniel E. Rinsch;

9 2. Ordering Daniel E. Rinsch to pay the Bureau of Real Estate Appraisers the reasonable
10 costs of the investigation and enforcement of this case, pursuant to Business and Professions
11 Code section 11409;

12 3. Ordering Daniel E. Rinsch to pay the Bureau of Real Estate Appraisers a fine in the
13 amount of \$10,000.00 pursuant to Business and Professions Code section 11316; and

14 4. Taking such other and further action as deemed necessary and proper.

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18 DATED: _____

JOHN HASSLER
Chief of Enforcement
Bureau of Real Estate Appraisers
Department of Consumer Affairs
State of California
Complainant

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