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7  
8 **BEFORE THE**  
**BUREAU OF REAL ESTATE APPRAISERS**  
**DEPARTMENT OF CONSUMER AFFAIRS**  
9 **STATE OF CALIFORNIA**

10  
11 In the Matter of the Accusation Against:

Case No. A20150220-02

12 **GOLDEN STATE APPRAISAL**  
**MANAGEMENT COMPANY LLC,**  
13 **1436 Glenoaks Blvd., #116**  
14 **Glendale, CA 91201**

**A C C U S A T I O N**

15 **Appraisal Management Company**  
**Registration No. 1264**

16 Respondent.

17  
18  
19 Complainant alleges:

20 **PARTIES**

21 1. Elizabeth Seaters, acting on behalf of the Bureau of Real Estate Appraisers  
22 (Complainant), Department of Consumer Affairs, brings this Accusation solely in her official  
23 capacity as Chief of Enforcement for Complainant.

24 2. On or about May 28, 2010, the Bureau of Real Estate Appraisers (BREA) formerly  
25 Office of Real Estate Appraisers issued Appraisal Management Company Registration Number  
26 1264 to Golden State Appraisal Management Company LLC (Respondent). The registration  
27 expired on May 27 2012. BREA resissued the registration on June 18, 2012, which subsequently  
28

1 expired June 17, 2014. BREA reissued the registration on July 8, 2014, which subsequently  
2 expired on June 7, 2016. BREA reissued the registration on July 8, 2016, which will expire on  
3 July 7, 2018. The Appraisal Management Company Registration was in full force and effect at  
4 all times relevant to the charges brought herein.

5 3. Respondent has two Controlling Persons: Ovanes J. Gyurjian, (AR042579) and Aren  
6 Kalustian (AR042670), and was initially registered on May 28, 2010. At that time, Ovanes J.  
7 Gyurjian, the Designated Officer, held the AL license (AL042579) and Aren Kalustian, the other  
8 Controlling Person held the AL license (AL042670).

### 9 JURISDICTION

10 4. This Accusation is brought before BREA for the Department of Consumer Affairs,  
11 under the authority of the following laws. Business and Professions Code section 11313 states, in  
12 pertinent part:

13 "The bureau is under the supervision and control of the Director of Consumer Affairs. The  
14 duty of enforcing and administering this part is vested in the chief, and he or she is responsible to  
15 the Director of Consumer Affairs therefor. The chief shall adopt and enforce rules and regulations  
16 as are determined reasonably necessary to carry out the purposes of this part."

17 All section references are to the Business and Professions Code unless otherwise indicated.

### 18 STATUTORY PROVISIONS

19 5. Code section 11316 provides in pertinent part:

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

25 6. Code section 11328.1 provides in pertinent part:

26 "If the director has a reasonable belief that a registrant, or person or entity acting in a  
27 capacity that requires a certificate of registration, has engaged in activities prohibited under this  
28

1 part, he or she may submit a written request to the registrant, person, or entity, requesting copies  
2 of written material related to his or her investigation. Any registrant, person, or entity receiving a  
3 written request from the director for information related to an investigation of prohibited activities  
4 shall submit that information to the director or the office within a reasonable period of time,  
5 which shall be specified by the director in his or her written request.”

6 7. **Code section 11345.4** provides in pertinent part:

7 “No person or entity acting in the capacity of an appraisal management company shall  
8 improperly influence or attempt to improperly influence the development, reporting, result, or  
9 review of any appraisal through coercion, extortion, inducement, collusion, bribery, intimidation,  
10 compensation, or instruction. Prohibited acts include, but are not limited to, the following:

11 (a) Seeking to influence an appraiser to report a minimum or maximum value for the  
12 property being valued. Such influence may include, but is not limited to, the following:

13 (1) Requesting that an appraiser provide a preliminary estimate or opinion of  
14 value for one or more properties prior to entering into a contract with that appraiser for appraisal  
15 services related to that property or properties.

16 (2) Conditioning whether to hire an appraiser based on an expectation of the  
17 value conclusion likely to be returned by that appraiser.

18 (3) Conditioning the amount of an appraiser’s compensation on the value  
19 conclusion returned by that appraiser.

20 (4) Providing an appraiser with an anticipated, estimated, encouraged, or  
21 desired valuation prior to their completion of an appraisal.

22 (b) Withholding or threatening to withhold timely payment to an appraiser because  
23 the person does not return a value at or above a certain amount.

24 (c) Implying to an appraiser that current or future retention of that appraiser depends  
25 on the amount at which the appraiser estimates the value of real property.

26 (d) Excluding an appraiser who prepares an appraisal from consideration for future  
27 engagement because the appraiser reports a value that does not meet or exceed a predetermined  
28 threshold.

1 (e) Conditioning the compensation paid to an appraiser on consummation of the real  
2 estate transaction for which the appraisal is prepared.

3 (f) Requesting the payment of compensation from an appraiser for purposes of  
4 enabling that appraiser to achieve higher priority in the assignment of appraisal business.”

5 8. **Code section 11409** provides in pertinent part:

6 “(a) Except as otherwise provided by law, any order issued in resolution of a disciplinary  
7 proceeding may direct a licensee, applicant for licensure, person who acts in a capacity that  
8 requires a license under this part, registrant, applicant for a certificate of registration, course  
9 provider, applicant for course provider accreditation, or a person who, or entity that, acts in a  
10 capacity that requires course provider accreditation found to have committed a violation or  
11 violations of statutes or regulations relating to real estate appraiser practice to pay a sum not to  
12 exceed the reasonable costs of investigation, enforcement, and prosecution of the case.”

13 **REGULATORY PROVISIONS**

14 9. **Title 10, California Code of Regulations (CCR) section 3577** provides in pertinent  
15 part:

16 “All Appraisal Management Companies must ensure that they adhere to the following  
17 business practices when performing appraisal management services for properties located within  
18 the State of California:

19 ...

20 (b) Appraisal Management Companies must adopt reasonable procedures designed to  
21 ensure that all appraisal assignments completed by its independent contractor or employee  
22 appraisers are performed in accordance with the Uniform Standards of Professional Appraisal  
23 Practice.

24 10. **Title 10, California Code of Regulations (CCR) section 3721** provides in pertinent  
25 part:

26 (a) The Chief may issue a citation, order of abatement, assess a fine or private or public  
27 reproof, suspend or revoke any license or Certificate of Registration, and/or may deny the  
28

1 issuance or renewal of a license or Certificate of Registration of any person or entity acting in a  
2 capacity requiring a license or Certificate of Registration who has:

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

7 **FANNIE MAE (FNMA) GUIDELINE**

8 11. FNMA Selling Guidelines require that lenders ensure that appraisals conform to the  
9 Appraiser Independence Requirements:

10 "No employee, director, officer, or agent of the Seller, or any other third party acting as  
11 joint venture partner, independent contractor, appraisal company, appraisal management  
12 company, or partner on behalf of the Seller, shall influence or attempt to influence the  
13 development, reporting, result, or review of an appraisal through coercion, extortion collusion,  
14 compensation, inducement, intimidation, bribery, or in any other manner including but not limited  
15 to:

16 ... (6) Providing to an appraiser an anticipated, estimated, encouraged, or desired value  
17 for a subject property or a proposed or target amount to be loaned to the Borrower, except that a  
18 copy of the sales contract for purchase transactions may be provided."

19 **STATEMENT OF FACTS**

20 12. On or about January 28, 2015, JM accepted an appraisal assignment from the  
21 Respondent, which she completed and submitted to Respondent on February 5, 2015. The  
22 appraisal report was submitted to the government-sponsored enterprises for Submission Summary  
23 Reports (SSR). Respondent received a request to have the value reconsidered from an agent.  
24 The client, HomeBridge Financial, represented approximately half of Respondent's business  
25 according to Aren Kalustian.

26 13. On or about February 6, 2015, Respondent communicated to JM, asking for  
27 reconsideration of the value conclusion. On or about February 8, 2015, JM was notified her  
28



1 appraisal report contained an incorrect address for the subject property, and then a second request  
2 for reconsideration of the value conclusion was communicated to her.

3 14. On or about February 9, 2015, JM resubmitted an appraisal report to the Respondent,  
4 correcting the address, but retaining the same value conclusion.

5 15. Aren Kalustian consulted with MF regarding the matter and it was decided that MF  
6 would complete a review appraisal of JM's appraisal for Respondent. On or about February 11,  
7 2015, JM received a review appraisal report completed by MF.

8 16. On or about February 12, 2015, MF communicated to JM a series of insults in emails,  
9 followed by a threat.

10 17. On or about February 18, 2015, JM filed a complaint with BREA alleging coercion.

11 **False Certification in the Original Appraiser's Appraisal**

12 18. Respondent's workfile contains one page of notes stating that an agent (no name  
13 included) called stating that the tenant (in the subject property) stated that a man inspected the  
14 subject property, and that no woman was there. The unidentified caller requested a  
15 reconsideration (of value). Investigator Schmidt questioned each of Respondent's controlling  
16 persons on this matter, and neither one knew whether JM inspected the subject property nor  
17 would they provide the name of the caller or tenant.

18 19. JM signed a certification included in her appraisal report stating that she inspected the  
19 subject property. The allegation from the unidentified caller involves a serious matter, because if  
20 it is true, JM's appraisal cannot be used, nor can it be rectified as the signor has been determined  
21 to be dishonest.

22 20. During a telephone interview on September 2, 2015, MF stated to Investigator  
23 Schmidt that he spoke with a broker who told him that JM did not inspect the property that she  
24 appraised. Investigator Schmidt asked MF for the name and telephone number of the broker. MF  
25 stated he did not have the information in front of him. Investigator Schmidt emphasized that the  
26 information was important as the appraisal reviewed includes a signed certification stating that  
27 the signing appraiser did inspect the subject property. A false certification renders the appraisal  
28

1 report invalid and it cannot be corrected as the signing appraiser cannot be trusted due to the  
2 breach in ethics.

3 21. Aren Kalustian wrote in a letter addressed to BREa that MF is a staff member. MF  
4 wrote a similar letter. MF wrote in a letter to BREa that he determined JM did not inspect the  
5 subject property. After Investigator Schmidt emphasized the importance of the certification  
6 statement with Respondent's controlling persons in their interviews, MF was interviewed for a  
7 second time, during which he stated that he had not determined whether JM had in fact inspected  
8 the subject property. This statement contradicted MF's earlier statement, and his letter to BREa.

9 **Government Sponsored Enterprise Reports – Submission Summary Reports**

10 22. The Fannie Mae (FNMA) and the Federal Home Loan Mortgage Corporation  
11 (FHLMC) are government- sponsored enterprises who purchase loans on the secondary market.  
12 The government sponsored-enterprises (GSE's) operate the Uniform Collateral Data Portal  
13 (UCDP). Lenders submit appraisals to UCDP, which returns to them messages on Submission  
14 Summary Reports (SSR) regarding the appraisal submitted. The SSR from FNMA includes a  
15 rating, indicating the risk in the collateral side of the loan. The first appraisal report completed by  
16 JM included the wrong unit number of the condominium appraised. Accordingly, the SSR had  
17 erroneous messages on them, which Respondent failed to detect.

18 23. Respondent obtained another appraisal from JM with a corrected address. But SSR's  
19 with the correct address were not found in Respondent's workfile. FNMA instructions require  
20 lenders and their agents not to assume that the SSR's are correct and to use human intervention to  
21 ascertain their accuracy. Respondent ordered a review appraisal from MF, which purports to  
22 address problems with JM's appraisal report causing the alleged bad rating from FNMA. Copies  
23 of the SSRs were included in Schmidt investigative report. Each SSR contains less than one and  
24 a half pages. The second page of each report contains the proprietary edit findings from each of  
25 the GSE's. The difference in the findings stands out as FNMA has four findings but FHLMC  
26 has only one finding, which was not included in the four from FNMA. This discovery led  
27 Investigator Schmidt to check the front pages of each report to see if they were on the same  
28 property. They were, but it was not the property JM appraised. Accordingly, the rating from

1 FNMA and messages from both GSEs should have met with human intervention. Neither of the  
2 officers from GSAMC nor MF were familiar with the SSR's contents. MF wrote numerous  
3 comments in emails deriding JM for the poor score he blamed on her.

4 24. Respondent communicated to JM that the owner's opinion of value was \$800,000  
5 plus. Respondent further stated the comparables well support \$800,000. This communication  
6 violates the Appraiser Independence Requirements of FNMA.

7 25. A second communication was sent to JM which included comparables and  
8 adjustments to those comparables supporting the owner's value which was once again shown as  
9 \$800,000. This communicates a direction in value. JM concluded the value of the subject  
10 property at \$780,000. The requested increase is relatively small, but it was denied.

11 **MF's Appraisal Review of JM's Appraisal**

12 26. MF indicated that the intended use of his appraisal review was quality control  
13 regarding elements in the appraisal that he reviewed which caused a high risk score from FNMA.  
14 Accordingly, MF needs to know what the messages are in the SSR from FNMA that are  
15 considered in that rating. MF did not have that information in his workfile, did not have it in his  
16 appraisal review, and provided no explanation during the interview.

17 27. MF's review does not address any of the findings in FNMA's SSR. GSAMC was  
18 grossly negligent in determining whether it met its stated purpose. Kalustian wrote a letter with a  
19 false statement to BREa regarding the matter as he stated that MF's review was well suited for its  
20 stated intended use.

21 28. MF stated in his review that the original appraiser should not refer to the subject  
22 property as a single-family residence. During an interview, he stated that the "live-work"  
23 nomenclature indicated potential non-residential use, but he had not established that it actually  
24 could be used for anything other than residential use. The description of the subject property in  
25 the original appraiser's report includes a sketch diagram that shows only residential use.

26 29. MF stated in his review that statistical information shows that the market was  
27 changing at the time the appraisal being reviewed was prepared and that JM needed to consider  
28 that in her analysis of comparable sales by making time adjustments. The original appraiser, who



1 has geographic competency, provided an article to Investigator Schmidt explaining that the  
2 market for houses was increasing, however, the market for condominiums showed a small drop in  
3 prices. Accordingly, she was not willing to adjust the comparables upward when her evidence  
4 indicated a lull in the market.

5 30. MF stated in his review that bathroom adjustments need to be proven to him. Making  
6 bathroom adjustments has been standard practice throughout the industry for decades. He  
7 explained that small differences in living area need to be adjusted for, and he adjusted for only  
8 four square feet in difference between two such properties. This is inappropriate methodology as  
9 it is inconsistent with standards of measurement and appraisal practice.

10 31. MF stated that the balcony adjustment was incorrect and that he called a real estate  
11 broker to determine the adjustment. This is an inappropriate way to resolve this matter as only  
12 JM is known to have seen the balcony.

13 32. MF included a number of sales in his review and partially analyzed them into value  
14 indications. The sales were only partially described and the analysis is incomplete. Missing from  
15 the descriptions are: data source, verification source, list price, days on market, condition of the  
16 sale property, quality of the sale property, description of amenities, and the terms of sale. MF's  
17 description and analysis of the sales are not compliant with the Uniform Standards of Professional  
18 Appraisal Practice, which Respondent is responsible for ensuring.

19 33. Aren Kalustian, on behalf of Respondent, stated that he was not aware of the  
20 requirement that the review appraisal had to comply with the Uniform Standards of Professional  
21 Appraisal Practice (USPAP) and that he did not even read it.

22 **Additional Communication Made to JM Via Emails**

23 34. MF stated in an email: "At a bare minimum I would want my updated final version to  
24 be the official record on file at GSAMC rather than the deficient report identified. At a minimum  
25 the CLIENT REQUIREMENT required YOU to personally inspect on an interior and exterior  
26 basis. The occupant of the property reported to GSAMC that only a uale appraiser inspected the  
27 property inside. THAT part is too late to correct, but you COULD restate levels of inspection by  
28 each party so that there is clarity without the appearance of deliberate deception." This statement

1 calls for the report to be corrected, despite the fact that it violated what the client required, what  
2 the GSEs require, and the fact that it allegedly contained a false statement on the matter. Such an  
3 appraisal report is not useable and is not correctible, if in fact, the allegation is true.

#### 4 **Intimidation**

5 35. MF stated to JM: "Sophistry and parsing does not explain the apparent contradiction  
6 within the appraisal itself." "It is clear that sound real estate appraisal practices and USPAP may  
7 also confuse you." "This is purely an ongoing example of exceptionally bad judgment on your  
8 part." "I will offer one final caution about further sophistry and or attacks on credibility of the  
9 messenger of the unsatisfactory CU score. You have an egregiously deficient appraisal report (in  
10 my opinion) sitting out there. Since you do not appear to have either the open mind to over ride  
11 your ego, or the mental agility to pick up on the negative issues found within the report, let me  
12 help you." MF's statements in his emails are intimidation.

#### 13 **Inducement**

14 36. MF stated to JM: "Had I performed a field review with similar results, I can assure  
15 you a copy of it would already be in the mail to BREa." MF's statement in his emails constitute  
16 inducement.

#### 17 **Coercion**

18 37. MF stated to JM: "If I were in your shoes, I would either be figuratively falling on my  
19 sword right now trying to correct my report of every single deficiency noted, and addressing  
20 those areas that you disagree factually and demonstratively rather than argumentatively. That's  
21 just in case it is sent to BREa by any of the parties involved in handling it to this point. NOT  
22 because you agree with me, but because you KNOW you have left your license in extreme  
23 jeopardy." MF's last statement reveals the true nature of Respondent's intentions, despite all of  
24 the denials. The pressure was increased to the point of a threat in an effort to get the original  
25 appraiser to adopt a value conclusion that JM would not support, breaching the mandate of  
26 appraiser independence.

#### 27 **Letter to BREa**

1       38. Aren Kalustian signed a letter addressed to the BREa, which stated that MF is a  
2       quality control specialist and part time member of his staff. "His work and desk review were  
3       completely within the agreed upon scope of work and was well suited for it's intended use and  
4       intended user(s). It met all of our needs and requirements."

5       39. During the interview of Respondent's Controlling Persons, they had not read MF's  
6       appraisal review, contradicting the letter. Respondent did not ascertain that MF's review did not  
7       deal with the messages from the SSR in Respondent's workfile.

8                               **FIRST CAUSE FOR DISCIPLINE**

9                               **(Improper Influence)**

10       40. Respondent is subject to disciplinary action under California Code of Regulations, title  
11       10, section 3721(a)(7) for violating Code section 11345.4. Specifically, Respondent attempted to  
12       influence the development, reporting, and result of an appraisal report through coercion,  
13       inducement, and intimidation via a series of communications. Respondent sent JM two separate  
14       communications encouraging a higher appraised valuation of \$800,000 as well as stating  
15       additional comparables well support such a valuation. Further Respondent made many additional  
16       comments to intimidate, induce, and coerce JM to change her appraisal report. Such actions fail to  
17       respect the appraiser independence requirement and are improper influence.

18                               **SECOND CAUSE FOR DISCIPLINE**

19                               **(Failure to Adopt Reasonable Procedures)**

20       41. Respondent is subject to disciplinary action under California Code of Regulations,  
21       title 10, section 3721(a)(7) for violating California Code of Regulations, title 10, section 3577(b).  
22       Specifically, Respondent failed to adopt reasonable procedures designed to ensure that all  
23       appraisal assignments completed by its independent contractor and employee appraisers are  
24       performed in accordance with USPAP. Respondent failed to adopt reasonable procedures to:  
25       determine the correct SSRs are received before ordering a review appraisal analyzing any aspect  
26       of the SSR; recognize the foundational importance of whether the appraisers had signed a false  
27       certification; recognize that it is responsible for USPAP compliance on all appraisal reports that  
28       they order including review appraisals; and prevent conduct that constitutes improper influence.

**PRAYER**

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

1. Revoking or suspending Appraisal Management Company Registration Number 1264, issued to Golden State Appraisal Management Company LLC;

2. Ordering Respondent to pay BREa the reasonable costs of the investigation and enforcement of this case, pursuant to Business and Professions Code section 11409;

3. Ordering Respondent to pay BREa a fine in the amount of \$10,000.00 pursuant to Business and Professions Code section 11316; and

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

DATED: 12/20/16

**Original Signed**

ELIZABETH SEATERS  
Chief of Enforcement  
Bureau of Real Estate Appraisers  
Department of Consumer Affairs  
State of California  
Complainant

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