

# APPRAISER REPORT

## NEW BOARD APPOINTMENTS

President Pro Tempore of the Senate Phil Berger appointed Sarah J. Burnham to the Appraisal Board for a three-year term ending June 30, 2020. Ms. Burnham is a CPA who specializes in software conversions, fulfilling outsourced controller functions, integration of manufacturing and point of sale software with QuickBooks, and in training clients and their employees. She is a graduate of the University of North Carolina at Chapel Hill, with a B.A. in Political Science, and Appalachian State University, with a Masters in Accounting. Following her graduate studies, she worked as an auditor for KPMG and Deloitte and Touche, focusing on the financial industry; as a controller in commercial real estate; and started her professional practice in 2002. She was born and raised in Asheville, NC, and since 1998 has lived in Hickory, NC.

Charles L. McGill was reappointed by House Speaker Tim Moore to a three-year term to expire June 30, 2020. Mr. McGill is a certified residential appraiser located in Raleigh and has served on the Board since July 2011.

Timothy N. Tallent was also reappointed by House Speaker Tim Moore to a three year term to expire June 30, 2020. Mr. Tallent is a certified general appraiser located in Concord and has served on the Board since July 2011.

### BOARD ELECTS OFFICERS

Charles L. McGill has been elected Chairman of the Appraisal Board for 2017-2018. House Speaker Thom Tillis appointed Mr. McGill to the Board in 2011.

David E. Reitzel and Dwight C. Vinson have been elected as Co-Vice-Chairmen of the Appraisal Board for 2017-2018. Governor Pat McCrory appointed Mr. Reitzel and Mr. Vinson to the Board in 2013.

### Investigator Terri Haywood Retires

The Board and staff are both happy and sad to announce the retirement of Terri S. Haywood effective September 30, 2017. Terri has served the Board as an investigator for 11 years, after 30 years of residential appraising in the Raleigh, NC area. Her contributions have been integral to the success of the Board's enforcement program and in enhancing the public's trust in the appraisal profession in North Carolina.

Terri's hard work, commitment, and dedication will be greatly missed. The Board and staff would like to wish her the best of luck.

# APPRAISER REPORT

Published as a service to appraisers to promote a better understanding of the Appraiser's Act and Board rules, as well as proficiency in appraisal practice. Information in the articles published herein may be superseded by changes in laws, rules, or USPAP. No part of this publication may be reprinted or reproduced in any other publication without specific reference being made to their original publication in the North Carolina Appraisal Board *Appraiserreport*.

## NORTH CAROLINA APPRAISAL BOARD

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Roy Cooper, Governor

## APPRAISAL BOARD MEMBERS

|                      |               |            |
|----------------------|---------------|------------|
| Charles L. McGill    | Chairman      | Raleigh    |
| David E. Reitzel     | Vice-Chairman | Conover    |
| Dwight C. Vinson     | Vice-Chairman | Franklin   |
| Sarah J. Burnham     |               | Hickory    |
| Samuel Cory Gore     |               | Wilmington |
| Hector R.M. Ingram   |               | Wilmington |
| Fern H. Shubert      |               | Marshville |
| Christie L. Standish |               | Murphy     |
| Timothy N. Tallent   |               | Concord    |

## STAFF

Donald T. Rodgers, *Executive Director*  
Roberta A. Ouellette, *Legal Counsel*  
Thomas W. Lewis, III, *Deputy Director*  
Jeffrey H. Davison, *Investigator*  
H. Eugene Jordan, *Investigator*  
Jacqueline Kilty, *Administrative Assistant*  
Deborah C. Liggins, *Administrative Assistant*  
Pam A. Privette, *Administrative Assistant*  
Mindy M. Sealy, *Executive Assistant*

## APPRAISER COUNT

(As of August 31, 2017)

|                       |      |
|-----------------------|------|
| Trainees              | 358  |
| Licensed Residential  | 76   |
| Certified Residential | 1864 |
| Certified General     | 1255 |
| Total Number          | 3553 |

## APPRAISER

## EXAMINATION RESULTS

May 1, 2017 – August 31, 2017

| Examination           | Total | Passed | Failed |
|-----------------------|-------|--------|--------|
| Certified Residential | 6     | 5      | 1      |
| Certified General     | 3     | 3      | 0      |

Examinations are administered by a national testing service. To apply for the examination, please submit an application which may be downloaded from the Appraisal Board's website at <http://www.ncappraisalboard.org/forms/ApplicationForLicensure.pdf>

## TRAINEE POCKET CARD

Since 1995, the Board has placed a red stamp on cards of appraisers who opt off of the National Registry stating that they are not eligible for appraisal work on federally related transactions. This red stamp was also placed on trainee pocket cards. The Board recently voted to remove the stamp on trainee pocket cards and no longer affixes the stamp to them. Trainee pocket cards that do have the stamp are still valid, and the new cards issued next year upon renewal will not have the stamp. If you are a trainee and are having an issue with a client because of the stamp, you can contact staff about replacing your pocket card.

## NEW EDITION OF USPAP EFFECTIVE JANUARY 1, 2018

The 2018-2019 edition of USPAP has been adopted by the Appraisal Standards Board and will be valid for two years, effective January 1, 2018 through December 31, 2019. As with the current edition of USPAP, the new edition will include guidance from the ASB in the form of the USPAP Advisory Opinions and the USPAP Frequently Asked Questions (FAQs).

This new edition of USPAP will be available in October 2017, and the 2018-2019 7 hour USPAP update course should be available soon after. Appraisal Board rules require that trainees and appraisers must take the 2018-2019 version of the 7 hour USPAP update by May 31, 2018 in order to renew your credential. If you fail to take the course by that date, you will not be allowed to renew until you take the course, and not until after July 1, 2018 (which will result in a late fee). The course may be taken online.

## 2017 Board Meeting Dates

October 31

December 5

All meetings are conducted at the North Carolina Appraisal Board building located at 5830 Six Forks Road, Raleigh.

# Trainee Assistance and Property Inspection on FNMA Appraisal Reports

On January 31, 2017 Fannie Mae issued a Selling Guide Announcement in an attempt to clarify their policy on trainees performing property inspections. The announcement is noted as Selling Guide Announcement SEL-2017-01 and can be viewed as follows:

<https://www.fanniemae.com/content/announcement/sel1701.pdf>

The purpose of the clarification was to make clear that for their purposes a trainee may complete the property inspection in the absence of their supervisory appraiser as long as they are qualified to do so. The clarification also states that when the trainee completes the property inspection, the supervisory appraiser is not required to also inspect the property, but can if necessary.

Fannie identifies the appraiser as the individual that:

- personally inspected the property being appraised,
- inspected the exterior of the comparable sales,
- performed the analysis, and
- prepared and signed the appraisal report.

Therefore, if a trainee has performed all of the above, they should sign the URAR on the left as the appraiser. The supervisor should sign the appraisal report on the right hand side as the supervisory appraiser and indicate whether or not they personally inspected the subject property and the comparable sales. If the trainee has participated in or performed only a portion of the above tasks, they have provided significant appraisal assistance and that assistance should be identified in the report.

The supervisor must insure that the description of the trainee's assistance is specific enough so that the intended user of the appraisal can understand exactly the trainee's role in the assignment. In addition, the trainee's assistance must be explained sufficiently enough for the Board to be able to award experience credit to the trainee.


Remember, that it is up to the supervisor to assess whether or not the trainee is competent to perform a task on their own. Supervisors and trainees need to make sure that they determine their scope of work in light of their assignment conditions. There are clients that will always insist that the supervisor sign the appraisal report as the appraiser. Under those circumstances it would not be appropriate for the supervisor to allow the trainee to conduct the inspection alone and then sign the appraisal on the left hand side of the report as the appraiser. To do so would be misleading and represent a false certification that could lead to significant disciplinary action that could affect both the supervising appraiser and trainee.

Licenses are encouraged to consult with the FNMA Selling Guide for further explanation and comment. The 2017 Fannie Mae Selling Guide can be found <https://www.fanniemae.com/content/guide/sel042517.pdf>

## Mission Statement

The mission of the North Carolina Appraisal Board is to protect consumers of real estate services provided by its licensees by assuring that these licensees are sufficiently trained and tested to assure competency and independent judgment. In addition, the Board will protect the public interest by enforcing state law and Appraisal Board rules to assure that its licensees act in accordance with professional standards and ethics.

# Appraisal Update



Appraisers are often asked to update a prior appraisal assignment. In many instances clients or their agents will contact an appraiser and request an updated value for any number of reasons. As with any assignment that an appraiser receives, the Board would recommend a thorough scope of work analysis. It is crucial that you as an appraiser understand what you are being asked for, and that you pay special attention to the assignment elements communicated by the client. USPAP tells us that the appraiser should gather information and analyze the assignment elements in order to properly identify the appraisal problem to be solved. Assignment elements include:

- Client and any other intended users;
- Intended use of the appraiser’s opinions and conclusions;
- Type and definition of value;
- Effective date of the appraiser’s opinions and conclusions;
- Subject of the assignment and its relevant characteristics; and
- Assignment conditions

A request to update a prior assignment should be considered in the light of the above assignment elements. If any of the above assignment elements should change, the appraiser should consider that the “update” he is being asked for is actually a new assignment, especially if a new client is being introduced or the effective date is changing. Advisory Opinion 3 of USPAP states the following, “Regardless of the nomenclature used, when a client seeks a more current value or analysis of a property that was the subject of a prior assignment, this is not an extension of that prior assignment that was already completed –it is simply a new assignment.”

Alterations to the assignment conditions can also signal a new assignment. An assignment prepared under one set of conditions will lead to assignment results that are particular to those conditions. Changes in assignment conditions in most cases will affect the assignment results, making conclusions that would have been accurate under one set of conditions completely different than an opinion formed under a different set of assignment conditions.

## **Form 1004D**

The staff often receives questions from appraisers and others regarding the use of the 1004D form.

The 1004 D is a Fannie Mae and Freddie Mac form that serves two purposes.

- The form can serve as a format for an update of a prior appraisal assignment or
- The form can serve as a means to certify that requirements or conditions that were present in a prior report have been met.

The first section of the form relates to an update of a prior assignment. Special attention should be paid to the term “update”. The intended use of the appraisal update section of the form states: “...for the lender/client to evaluate the property that is the subject of this report to determine if the property has declined in value since the date of the original appraisal for a mortgage finance transaction.” When the appraiser is utilizing this part of the 1004D, he is giving an opinion of value, which means he is providing an appraisal. Since the value being given does not correspond with the

same effective date as the first value, this is a new assignment. Appraisers should insure that they have done an appropriate scope of work that at a minimum equals the printed scope of work on the form which reads,

“The appraiser must, at a minimum:

- (1) concur with the original appraisal,
- (2) perform an exterior inspection of the subject property from at least the street, and
- (3) research, verify, and analyze current market data in order to determine if the property has declined in value since the effective date of the original appraisal.”

In many instances the scope of work required for an update of a prior assignment is considerably less than the scope of work required for the original appraisal. While the update is considered a new assignment, it is up to the appraiser to decide what fee to charge the client, if any.

Appraisers will often be asked to appraise a property under a certain condition. More often than not an appraiser will be asked to appraise improvements that are under construction. In many instances the appraiser will also be asked to provide a certification of completion as part of this assignment. When an appraiser accepts an engagement that requires a certification of completion, that service could be considered an extension of the prior assignment. Considering this, appraisers should thoroughly analyze their engagement so that they know exactly which services they are being asked to perform.

The Certification of Completion portion of the 1004D form does not report a value conclusion and is not considered an appraisal. The form does, however, contain an Appraiser’s Certification which means that the person using this form is acting as an appraiser and is performing appraisal practice. Appraisal practice requires the appraiser to comply with portions of USPAP. The Definitions, the Preamble, the ETHICS RULE, COMPETENCY RULE, and the JURISDICTIONAL EXCEPTION RULE are all portions of USPAP that the appraiser must comply with when performing appraisal practice.

On some occasions it could be appropriate for an appraiser to use both sections of the 1004D form. An example might be when an appraiser accepts an engagement to provide an appraisal of proposed improvements, a certification of completion after construction is completed, and an updated opinion of value as of the date of completion. In this situation both sections of the form could be applicable and would be accurate as long as the appraiser’s scope of work met the minimum requirements of the printed scope on the form. Regardless, the appraiser should recognize that certifying the value is an appraisal. As such, the appraiser needs to make sure that the “update” is performed in compliance with USPAP. Regardless of the fee or the terms of the original assignment, when an appraiser is asked to give a more current opinion of value the appraiser is performing an appraisal and it is a new assignment.

### **Trainee/Supervisor Course Workshop**

In order to teach the Trainee/Supervisor course, which is required by individuals applying to become a Registered Trainee and anyone taking on a new trainee after January 1, 2015, you must take a workshop on teaching the course given by Board staff. Staff is currently planning to offer the workshop in the 1<sup>st</sup> quarter of 2018. If you would like to teach the Trainee/Supervisor course, or you are a course sponsor who needs an instructor approved to teach the course, please contact the Board office at 919-870-4854 or [ncab@ncab.org](mailto:ncab@ncab.org) so that we can contact you once a date and time have been established. If you took the workshop when it was originally offered and would like to participate again, please sign up as well.

# AQB Q&A

The Appraiser Qualifications Board (AQB) of The Appraisal Foundation establishes the minimum education, experience and examination requirements for real property appraisers to obtain a state license or certification. The AQB Q&A is a form of guidance issued by the AQB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of the Real Property Appraiser Qualification Criteria and Interpretations of the Criteria in specific situations and to offer advice from the AQB for the resolution of appraisal issues and problems. The AQB Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. AQB Q&A does not establish new Criteria. AQB Q&A is not part of the Real Property Appraiser Qualification Criteria. AQB Q&A is approved by the AQB without public exposure and comment.

## **TRAINEE / SUPERVISOR REQUIREMENTS**

**Question:** The *Real Property Appraiser Qualification Criteria (Criteria)* restricts supervisory appraisers to a maximum of three trainee appraisers “at one time” (unless the state has a program that would allow for more under the *Criteria*). The phrase “at one time” can be somewhat ambiguous. In what context is the phrase intended in this application?

**Response:** It is the intent of the *Criteria* for supervisory appraisers to have no more than three trainee appraisers under his or her direct control and supervision at any specific time. For example, if a supervisory appraiser wished to bring on a fourth trainee appraiser, the supervisory appraiser would have to discontinue the supervision of at least one of the three trainee appraisers currently being supervised.

It is not the intention of the *Criteria* for supervisory appraisers to “supervise” only on a daily, or assignment-by-assignment basis. Supervision is intended to be more long term, and ongoing. However, there are appraisal firms that perform assignments for a wide variety of property types and intended uses, and may employ different appraisers who specialize in these differing property types. In such cases, it’s possible that the “lead appraiser” for a particular assignment might not be the trainee appraiser’s identified supervisory appraiser. This is permissible as long as the trainee appraiser continues to work under the overall supervision of the assigned supervisory appraiser, and the supervisory appraiser complies with the requirements set forth in the *Criteria*.

It’s important to remember that to be eligible for experience credit, the supervisory appraiser must sign the trainee appraiser’s USPAP-compliant appraisal report, taking full responsibility for its contents. In addition, if the trainee appraiser does not sign the appraisal report, the supervisory appraiser must identify the trainee appraiser in the appraisal report’s certification, and the tasks performed by the trainee must be stated within the appraisal report (as also required by USPAP).

The supervisory appraiser is also responsible, along with the trainee appraiser, to maintain a log of the trainee appraiser’s assignments as specified in the *Criteria*.

## **CONTINUING EDUCATION**

**Question:** I understand that to be eligible for continuing education to renew a real property appraiser credential, a course or seminar must be a minimum of two (2) hours in length. However, some courses include material that is not real property-related. For example, if one hour of a two-hour course were designed for personal property appraisers, would the course still be eligible for two hours of continuing education credit for real property appraisers? If not, would the course be eligible for one hour of credit for real property appraisers?

**Response:** Only the real property appraisal-related portion of a continuing education offering is valid towards the renewal of a real property appraiser credential. In the example cited, the two-hour course would not be valid for two hours of continuing education credit, since it did not address real property appraisal-related topics for the entire two hours.

Further, this particular course would not be eligible for *any* real property appraiser continuing education credit, since the real property appraisal-related portion of the course did not constitute a minimum of two hours in duration. If, alternatively, a three hour course included two hours devoted to real property appraisal-related topics, that course would be eligible for two hours of continuing education credit.

# Disciplinary Actions:

*The following is a summary of recent disciplinary actions taken by the Appraisal Board. This is only a summary; for brevity, some of the facts and conclusions may have not been included. Because these are summaries only, and because each case is unique, these summaries should not be relied on as precedent as to how similar cases may be handled.*

In many cases appraisers are required to complete additional education as part of a consent order. Please check with the Board office if you have questions regarding an individual's current license status.

## **Eugene C. Meyer A4777 (Garner)**

By consent, the Board issued a reprimand to Mr. Meyer effective July 1, 2017. Mr. Meyer also agreed to complete a class in sales comparison by October 1, 2017. If he fails to do so, this reprimand will be vacated and a one month suspension imposed as of that date. Mr. Meyer performed an appraisal of a property located in Fayetteville, North Carolina. He originally valued the subject at \$208,400 effective October 5, 2016, based on an exterior inspection of the subject. He later performed an interior inspection and issued another report effective October 14, 2016 that valued the property at \$220,000. The subject is a 2,302 square foot one and a half story dwelling with four bedrooms and three and a half bathrooms. One of the comparable sales used in both reports was reported as a 2,294 square foot two story dwelling with no basement. This property actually had 1,792 square feet above ground and a 1,475 square foot finished basement. Another sale had a pool, which was not mentioned in the report. Mr. Meyer described the condition of the subject as C3, stating that there have been no updates within the past 15 years. Two years prior to the appraisal, a new full bathroom was added on the second floor and there were numerous other updates to the subject. These updates were not mentioned in the report.

## **Kathleen M. Seligson A5996 (Chapel Hill)**

By consent, the Board suspended Ms. Seligson's residential certification for a period of three months effective July 1, 2017. The suspension is stayed until March 1, 2018, provided that the Ms. Seligson completes the 15 hour National USPAP class, a class in appraiser liability, and a class in sales comparison by that date. In addition, she must take and pass the state certified residential examination by that date. The hours from these courses may not be used for Respondent's continuing education requirement. Ms. Seligson performed an appraisal of a property located in Burlington, North Carolina. She originally valued the subject at \$150,000 effective April 27, 2016. She later issued another report with the same effective date that valued the property at \$235,000. The subject is a 2887 square foot brick 1.5 story built in 1939 and situated on a 18,861 square foot lot in a historic district of a small town. In the original appraisal report, the subject condition was rated as C4 with no updates in the prior 15 years. The owner was not

available at the time of Respondent's inspection of the house. On his return he provided specific information about various updates. As a result, Ms. Seligson prepared a revised report in which she changed the condition rating from C4 to C3. She did not adequately explain in the report why she changed the condition rating. Ms. Seligson used five closed sales, four of which she noted to be private sales. Data for the sales price and square footage of these four sales was obtained online, and she utilized an extraordinary assumption regarding condition and terms of sale for these comparables without a conspicuous disclosure or indication as to how the assumption affected the assignment results. In the original report, Ms. Seligson noted the prior sale of the subject as \$95,000, with the data sources being MLS and public records. She revised her report stating that the sales price was \$190,000, with her data sources stated as the owner and public records. The owner indicated that following his mother's death he and his sister each had one-half interest in the house and that the \$95,000 transfer represented payment for his sister's half interest in the house. Ms. Seligson concluded that the \$95,000 transfer was thus the equivalent of a \$190,000 sale. This was not adequately explained in the report. In the final report, Ms. Seligson changed the value from \$150,000 to \$235,000. She stated in this report that the change in the prior sales price for the subject was crucial in the formation of her value. She also changed the condition rating of one of her sales from C3 to C5, based on information obtained from the property owner who heard it from another person. This information could not be verified. As a result of the changes in condition ratings, her adjustments changed and the value was significantly increased. In the first report, Ms. Seligson indicated a value by the cost approach of \$157,992. In the final report, the indicated value by the cost approach increased to \$229,291. She increased the site value from \$7,000 to \$15,000, and increased the replacement cost of the dwelling from \$85 to \$115. Although she did not rely on the cost approach in valuing the subject, there was no support for this increase in value in the cost approach.

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