



NORTH CAROLINA APPRAISAL BOARD

APPRAISER REPORT

Volume 15

January 2005

Number 1

2005 Changes To USPAP

There are several changes to USPAP for 2005. The definition of APPRAISAL REVIEW was changed to limit the definition only to the work of another appraiser in appraisal, appraisal review or appraisal consulting assignments. The definition of CASH FLOW ANALYSIS and the comment in the definition of REPORT were deleted.

The term "purpose" was replaced with the use of the terms *type and definition of value, intended use or problem to be solved*. This is especially noted in Rules 1-2 (c) and 2-2(a)(v), (b)(v) and (c)(v), where a requirement has been added for the appraiser to include the citation for the source of the value definition used.

Rules 1-3(b) has been amended to remove the requirement in the development of highest and best use that land must always be valued as if vacant and available for development. This does not mean that appraisers do not have to develop an opinion of the subject land. The Appraisal Standards Board has stated that this requirement is one of methodology, which is covered by Rule 1-1(a).

Rules 2-1, 2-2 and 3-2 have been amended to require *clear and conspicuous* disclosure of extraordinary assumptions and hypothetical conditions. The requirement that the appraiser indicate the impact on value of an extraordinary assumption or hypothetical condition has been deleted.

Rule 2-2 has been clarified regarding reporting requirements for reconciliation.

Rule 2-3, the appraiser's certification, has been amended to require that the certification state whether any one has provided significant *real property appraisal* assistance. Formerly this section required the appraiser to mention any person who gave significant *professional* assistance.

In Standard 3, a clarification was made that this standard applies only to the work of another appraiser in *an appraisal, appraisal review or appraisal consulting assignment*. Previously, this standard applied to another's appraiser's *work*.

Two Statements on Appraisal Standards were amended. Statement 6 was changed to delete the requirement to

report exposure time in all assignments. The appraiser is still required to develop an estimate of exposure time in market value assignments. Statement 7 was changed to correctly address levels of reliability. Previously this Statement indicated that a Complete Appraisal had the highest level of reliability, while Limited Appraisals had varying levels of reliability. This language has been eliminated.

Advisory Opinion 6 has been retired, and changes were made to Advisory Opinion 21 to clarify an appraiser's obligations for complying with USPAP.

Finally, one potentially important issue is noticed on the cover of the 2005 edition of USPAP. This edition is not limited to just the calendar year 2005. It is entirely possible that either there will not be a 2006 edition, or that the 2006 edition will not become effective until some time after January 1, 2006.

The 2005 edition of USPAP may be viewed on the Appraisal Foundation's website at www.appraisalfoundation.org.

□

New Board Building

The Appraisal Board has worked many years in anticipation of constructing or purchasing an office building as additional space is needed and rents continue to increase. The Board purchased a building site some two years ago and began developing plans for a new office building. An architect was employed after receiving bids and conducting interviews. Many hours have been devoted to developing plans for a building containing approximately 14,000 square feet of modern design with size to meet our needs

now and in the future. Competitive sealed bids were received and a contract was recently negotiated and signed to begin construction which is anticipated to take one year. The location of the new office is approximately 1.5 miles north of the existing office directly on Six Forks Road in North Raleigh. The Board and staff will be able to better serve all licensees with this new facility which is considered financially feasible after analyzing future space needs and rent rates in the Raleigh area. □

BOARD NEWS

The *Appraisereport* will be published in January and July each year with an expanded amount of information and all disciplinary actions of the Board. The Board website at www.ncappraisalboard.org will be updated and expanded to include any pertinent monthly news and all disciplinary actions. These changes are being made in an effort to improve communications with licensees and to better utilize our website. More information will be published as we work to develop online renewals and the electronic transmission of various forms.

APPRAISERREPORT

Published as a service to appraisers to promote a better understanding of the Law, Rules and Regulations, and proficiency in ethical appraisal practice. The articles published herein shall not be reprinted or reproduced in any other publication, without specific reference being made to their original publication in the **North Carolina Appraisal Board Appraisereport.**

NORTH CAROLINA APPRAISAL BOARD

Mailing Address:

P.O. Box 20500
Raleigh, North Carolina 27619-0500

Street Address:

3900 Barrett Drive, Suite 101
Raleigh, North Carolina 27609
Phone: 919/420-7920
Fax: 919/420-7925

Website:

www.ncappraisalboard.org

Email Address:

ncab@ncab.org

Michael F. Easley, Governor

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Christy Henson, *Office Assistant*

APPRAISER COUNT

(As of January 24, 2005)

Trainees	1235
Licensed Residential	388
Certified Residential	1837
Certified General	935
Total Number	4395

APPRAISER EXAMINATION RESULTS

July-December 2004

Examination	Total	Passed	Failed
Trainee	207	148	59
Licensed Residential	32	29	3
Certified Residential	54	31	23
Certified General	14	5	9

Examinations are administered by a national testing service. For information, please contact the North Carolina Appraisal Board in writing at P.O. Box 20500, Raleigh, NC 27619-0500.

New Employee

Christy Henson began employment in January as a part-time office assistant. Ms. Henson has a BSBA degree from the University of Florida and an MBA degree from Fuqua School of Business, Duke University. She will be working primarily with Legal Counsel and the Deputy Director of Investigations. Ms. Henson is involved as a volunteer in many organizations and she and her family make their home in Wake Forest. □

Reciprocity

North Carolina and Virginia signed a reciprocal licensing agreement allowing appraisers from both states to obtain an appraisal license or certificate in the other state in a streamlined manner. For a complete list of states North Carolina holds reciprocal agreements with, please visit the Board's website at: <http://ncappraisalboard.org/reciprocity/default.htm>

Note: Reciprocal agreements do not apply to trainees. □

Top Trainee Problems

You became a trainee a few years ago, worked under the supervision of an appraiser and compiled the correct amount of appraisal experience. You send in your application to upgrade your status, but then receive a letter from the Appraisal Board stating that your application is being returned because you do not have enough points to qualify to upgrade. What happened?

In order to receive experience credit, the appraisals you have done must have been made in compliance with USPAP and applicable state laws and rules. Unfortunately, in too many instances trainees have not made sure that their supervisor has complied with Board rules when performing supervision. What can a trainee do to make sure the appraisals will be counted?

1. Make sure that your supervisor has sent in the supervisor declaration form to the Appraisal Board before you begin work with that supervisor. Although you can have more than one supervisor, each supervisor must be on record as a supervisor, or reports done for a supervisor not on record will not be given credit. Do not wait to begin employment before checking that the Appraisal Board has received the form and documented the supervision in both of your files.
2. Make sure that either you sign the appraisal report, or, if you do not sign the report, that the appraisal report states that you have provided significant real estate appraisal assistance in the preparation of the report.
3. Keep a copy of the appraisal report for your own records, or have an agreement in writing with your supervisor that the supervisor will give you a copy of any appraisal report you work on if you ask for it.
4. Make sure that a supervisor accompanied you on the first 50 appraisals you did once you are registered.
5. Make sure your supervisor goes with you on **all** inspections of the subject property, no matter how many appraisals you have done, if the property is located more than 50 miles from the supervisor's primary business location.
6. Make sure that your supervisor completes the Supervisor Verification of Experience form for all appraisals you do, and that you have a copy of that form for each appraisal.
7. Make sure that you are using the most recent Appraisal Board appraisal log to report your experience. Older versions will not be accepted. □

Important Changes To Appraiser Qualifications!!!

On February 20, 2004, the Appraiser Qualifications Board of The Appraisal Foundation adopted changes to the *Real Appraiser Qualification Criteria* that will become effective on

January 1, 2008. These changes represent the minimum national requirements that each state must implement for individuals applying for a real estate appraiser license or certification as of

January 1, 2008. The changes include increased required education, which is summarized as follows:

Category	Current Requirements	1/1/08 Requirements	1/1/08 College-Level Course Requirements
License	90 Hours	150 Hours	None
Certified Residential	120 Hours	200 Hours	Twenty-one (21) semester credit hours covering the following subject matter courses: English Composition; Principles of Economics (Micro or Macro); Finance; Algebra, Geometry or higher mathematics; Statistics; Introduction to Computers-Word Processing/Spreadsheets; and Business or Real Estate Law. In lieu of the required courses, an Associate degree will qualify.
Certified General	180 Hours	300 Hours	Thirty (30) semester credit hours covering the following subject matter courses: English Composition; Micro Economics; Macro Economics; Finance; Algebra, Geometry or higher mathematics; Statistics; Introduction to Computers - Word Processing/ Spreadsheets; Business or Real Estate Law; and two (2) elective courses in accounting, geography; ag-economics; business management; or real estate. In lieu of the required courses, a Bachelors degree will qualify.

Segmented Option For 2008 Appraiser Education Changes

The Appraiser Qualifications Board (AQB) of the Appraisal Foundation has adopted new standards for education for appraisers effective January 1, 2008. As of that date, applicants seeking to be licensed or certified appraisers must have substantially more education than is currently required. Questions have arisen regarding education obtained before January 1, 2008.

There are two options for implementation of this change. The first option, the "drop dead" or "firm date" option, requires that before any license or certificate can be issued on or after January 1, 2008, the applicant must meet the new education requirement. The second option, the "segmented" option, breaks down certification into three components: education, experience, and examination.

The North Carolina Appraisal Board has adopted the segmented option in North Carolina.

Under the segmented option, an applicant must meet the criteria in effect at the time the segment is completed, not the criteria in effect when the application is filed or when the license or certificate is issued. For example, if a state-certified residential appraiser currently desires to upgrade to state-certified general, he or she must complete an additional 60 hours of education, consisting of G-2 and G-3, and pass the examination. Under the segmented approach, if the appraiser takes the additional 60 hours before January 1, 2008, he or she does not have to comply with the new 2008 educational requirement.

The examination to become a licensed or certified appraiser will be changed effective January 1, 2008. If an applicant completes his or her education prior to January 1, 2008 and files an application with the Board, the old examination can be taken up to and

including December 31, 2007. If the applicant does not pass the examination before January 1, 2008, the applicant will have to take and pass the new examination. □

2005 Board Meeting Dates

January 18-19
 February 15-16
 March 15-16
 April 19-20
 May 17-18
 June 21-22
 July 19-20
 August 16-17
 September 20-21
 October 18-19
 November 15-16
 December 13-14

Information from the Office of the Commissioner of Banks for Real Estate Appraisers

The Office of the Commissioner of Banks (OCOB) provided the following guidance on their agency's procedures for handling unpaid appraisal complaints.

The following provisions of the Mortgage Lending Act require brokers and lenders to promptly pay, when due, fees for appraisals they requested be done. This same statute also prohibits them from attempting to inappropriately direct an appraiser in the performance of his/her job.

§ 53-243.11. Prohibited activities.

In addition to the activities prohibited under other provisions of this Article, it shall be unlawful for any person in the course of any mortgage loan transaction:

(9) To fail promptly to pay when due reasonable fees to a licensed appraiser for appraisal services that are:

a. Requested from the appraiser in writing by the mortgage broker or mortgage banker or an employee of the mortgage broker or mortgage banker; and

b. Performed by the appraiser in connection with the origination or closing of a mortgage loan for a customer or the mortgage broker or mortgage banker.

(11) To influence or attempt to influence through coercion, extortion, or bribery, the development, reporting, result, or review of a real estate appraisal sought in connection with a mortgage loan. Nothing in this subdivision shall be construed to prohibit a mortgage broker or mortgage banker from asking the appraiser to do one or more of the following:

a. Consider additional appropriate property information.

b. Provide further detail, substantiation, or explanation for the appraiser's value conclusion.

c. Correct errors in the appraisal report.

If a licensed broker or lender engages in these prohibited activities, they are subject to penalties or loss of license under the Mortgage Lending Act.

Unpaid appraisal complaints are processed by the Consumer Assistance Group if at least ninety days have passed from the date the fee was due (most often near or at closing) and supportive documentation is included i.e., the appraisal request form, past due invoice, any related written contracts, and evidence of collection attempts. We will not reject any complaint filed sooner than this, but will (i) hold it as "pending" and (ii) generate a response letter addressed to the complaining appraiser requiring the complainant to contact us again at or after the 91st day if he or she still hasn't been paid. We expect the appraiser to have exhausted all reasonable means of collecting the outstanding balance before submitting a complaint to our office. Our office will not undertake to adjudicate disputes between an appraiser and lender/broker. One way to ensure that no facts are in dispute is to obtain a judgment against the lender/broker prior to submitting a complaint to this office.

The OCOB advises appraisers to use its website www.nccob.com to verify their client is licensed as a mortgage lender/broker before submitting a complaint. Real estate and property management companies, national banks, federally chartered thrifts, credit unions, and certain entities of those wholly owned subsidiaries are not required to be licensed by the OCOB; thus, the OCOB has limited jurisdiction over them.

Once a complaint has been filed with supporting documentation, the Consumer Assistance Group sends a letter to the respondent requesting a written response within three weeks. Upon receipt of the response, it is reviewed to determine if the complaint has been resolved or if continued investigation is needed. As stated, failure to follow the

law may have serious consequences for the lender/broker; however, this office does not view itself as a collection agency for appraisers. Appraisers need to take some responsibility to check out the clients and discontinue working for them if not paid in a timely manner. □

In Memory

*Pioneer member of the
North Carolina Appraisal Board,*

William G. Brown,

passed away July 9, 2004.

*Mr. Brown served a
three-year term beginning
in 1991 after appointment by
former Governor Jim Martin.*

RULEMAKING IN PROGRESS

The Appraisal Board has begun the process of changing some of its rules. The proposed text of the rules will be published in the March 15, 2005 edition of the **North Carolina Register**, which can be viewed on line at <http://www.ncoah.com/rules/register/>. A public hearing will be scheduled for some time after that date. Check the Board's website for up-to-date information.

Appraisal Board Guidelines on Measurement, Calculation and Reporting of Square Footage of Residential Improvements to Real Estate

Adopted December 14, 2004

Many appraisals require the appraiser to measure structures, calculate areas and report the results. These actions are an important component in development of the cost, sales and income approaches to value. Many provisions of the Uniform Standards of Professional Appraisal Practice (USPAP) apply to measurement, area calculation and description of property improvements, including the ETHICS, COMPETENCY, JURISDICTIONAL EXCEPTION, and SUPPLEMENTAL STANDARDS RULES, as well as Standards Rules 1-1(a), (b) and (c), 1-2(e)(i), 2-1(a) and (b), and 2-3.

The appraiser's objective must be to measure accurately, calculate competently, and describe the various areas of an improvement in a manner that is not misleading and facilitates understanding of the property. The North Carolina Appraisal Board recognizes that assignments from various clients and for various purposes may require adherence to specific supplemental standards for measurement, calculation and description. Appraisers may need to utilize, among others, supplemental standards imposed by courts, secondary mortgage market or mortgage guaranty agencies, or other governmental agencies.

No one scheme for measuring, calculating areas and describing improvements can perfectly address all the varied designs and construction types found in North Carolina real estate. For each method, exceptions are easily identified. No one standard or methodology can measure market reaction. Thus, responsibility lies with appraisers to engage their experience and judgment so as to apply supplemental standards and methodologies relating to square footage in a manner that is not misleading and does not conflict with

the Uniform Standards of Professional Appraisal Practice.

The North Carolina Appraisal Board recognizes, but does not require adherence to, ANSI Standard Z765-2003, titled "American National Standard for Single-Family Residential Buildings", "Square Footage-Method for Calculating." In addition, the Appraisal Board recognizes, but does not require adherence to, the Residential Square Footage Guidelines published by the North Carolina Real Estate Commission (known as the "yellow book"). **The Appraisal Board considers that using either of the above standards as guidelines for measuring and calculating areas is appropriate appraisal methodology.**

In certain assignments the appraiser may be required to rely on subject property measurements, calculations and descriptions supplied by clients, or obtained from other sources such as governmental agencies, builders, architects, engineers or marketing organizations. Such reliance should be explained in the scope of work of the appraisal. When the appraiser relies on data developed by others, this fact must be clearly disclosed in the report.

The description of areas below grade has been an item of controversy

for many years. Appraisers should exercise care when describing areas which may be characterized as basement, garden level, semi-basement, walk out basement, or the like. At times, additional photographs may be advisable to assist the reader in understanding the subject property. A description of the level of finish may also assist recipients of reports. These cautions have particular application to hillside and multi-level structures.

Note: The ANSI Standard may be ordered from:

NAHB Research Center, Inc.
400 Prince George's Boulevard
Upper Marlboro, MD 20774-8731
Inquiry Phone: (301) 249-4000
Order Phone: 1-800-638-8556

An online version is available at:

www.nahbr.org/bookstore

The Residential Square Footage Guidelines may be ordered from:

North Carolina Real Estate
Commission
PO Box 21500
Raleigh, NC 27619
(919) 875-3700

An online version is available at:

<http://www.ncrec.state.nc.us/>

RENEWAL NOTICES

The Appraisal Board will mail renewal notices to licensees in early May. This will be the only renewal notification appraisers will receive from the Board's office. Renewal fees and forms must be submitted by June 30th to avoid late fees.

Reissuing Or Assigning An Appraisal Report

Who is my client? What are my obligations to my client? When do those obligations end? Can my client have me reassign the report to others? Can I appraise the same property for a different client? What if the lender hires me but the homeowner pays my fee at the door? These are some of the many questions we receive regarding the appraiser-client relationship.

Question 1. I recently performed an appraisal on a subject property for a lender, and now a mortgage broker has contacted me to ask me if I can transfer the report to him. He wants to have a different lender's name placed in the client line. He says he has the permission of the first lender for me to do this. Is this okay under USPAP?

Answer: **No. Once a report has been prepared for a named client, the appraiser cannot readdress or transfer the report to another party. Simply changing the client name on the report cannot change or replace the original appraiser-client relationship that was established with the first client. See Advisory Opinion 26 for more information.**

Question 2. I know that I cannot transfer a report from one client to another, but I get calls all the time asking me to do this. Is there any way I can accept the assignment and comply with USPAP?

Answer: Yes. The appraiser can consider the request a new assignment and establish a new appraiser-client relationship with the second client. See Advisory Opinion 27 for more information.

Question 3. I recently performed an appraisal on a subject property and a new lender contacted me to request a separate but complete appraisal on the same property. Can I do this new assignment?

Answer: Yes. As long as the appraiser does not use any confidential information given to him or her by the first client, the appraiser can accept an assignment to appraise the same property for a different client. See Advisory Opinion 27 for more information.

Question 4. The lender hired me to do an appraisal, and told me to collect at

the door. The homeowners paid my fee, and now they want a copy of the report. What can I do?

Answer: USPAP defines the client as "the party or parties who **engage** an appraiser (by employment or by contract) in a specific assignment". The determining factor is not who pays for the appraisal or how it is paid, but who contacted the appraiser in the first place and placed the appraisal order. For a federally-related transaction, federal law requires the lender to be the one to engage the appraiser's services. In many, if not most cases, the homeowner pays for the appraisal either directly to the appraiser or indirectly through the lender, thus payment for services is not the determining factor. In the above scenario, it is the lender who is the client, not the homeowner, and the appraiser cannot give a copy of the report to the homeowner without the lender's consent.

Lenders are required by federal law (the Equal Credit Opportunity Act) to furnish a copy of the appraisal to the borrower if the borrower requests a copy in writing. This applies to both consumer and business loans for which real estate will be collateral. If the homeowner wants a copy of the appraisal, they can be told to contact the lender directly or the appraiser can ask the client for permission to send a copy.

Question 5. A mortgage broker hires me to appraise a property. The broker asks that his name not be used as the client, but that I instead identify the client as a local lender on the written appraisal report. The mortgage broker's name or relationship to the parties is not to be mentioned in the report. Can I do this?

Answer: Once an appraiser places a client name on the appraisal report, that person or company **is** the client, resulting in an appraiser-client relationship. If a mortgage broker wants an appraiser to perform an appraisal on a property that will then be offered to several lenders, the appraiser should not submit an appraisal report naming anyone other than the broker as the client. The appraiser could state that intended users

include lending institutions, without naming any one lender. If the appraiser does state a client name in the appraisal report, the appraiser cannot simply change the name of the client and submit the appraisal to a new lender (See Question 1 above).

Question 6. What if it is the homeowner who engages my services and wants me to put a lender's name on the report as the client?

Answer: First of all, before the appraiser accepts the assignment, the appraiser must disclose to the homeowner that a lender or its agent is required to directly engage the services of an appraiser in a federally-related transaction. The appraiser should make it clear to the homeowner that a lender may not accept the report even if he states on the report that the lender is the client. Also, the homeowner should be informed that once the appraiser states in the report the name of the client, the appraiser cannot change the name of the client on the report.

For more information on these and other questions, see Advisory Opinions 26 and 27.

USPAP

Questions & Answers

Analyzing and Reporting of Exposure Time

Question 1. Why was language in STATEMENT No. 6 related to the reporting of exposure time deleted from USPAP?

Answer: The following passage,

The discussion of reasonable exposure time should appear in an appropriate section of the appraisal report, one that presents the discussion and analysis of market conditions, and also be referenced at the statement of the value definition and at the value conclusion.

was deleted from STATEMENT No. 6 *Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions* because:

- USPAP requires that each real property and personal property appraisal report contain sufficient information to enable the intended users of the appraisal to understand the report properly. Meeting this requirement does not require the reporting of exposure time in all assignments;
- The amount of detail in which exposure time is reported should be determined based on the intended user, the intended use and the type and definition of value. It should not be a “one-size-fits-all” reporting requirement for every appraisal assignment; and
- The reporting requirement for all comments related to the definition of value, including exposure time, is incorporated in the Comment to Standards Rules 2-2(a)(v), 2-2(b)(v), 8-2(a)(v), and 8-2(b)(v), which states:

*Stating the definition of value requires the definition itself, an appropriate reference to the source of the definition, and **any comments needed to clearly indicate to the reader how the definition is being applied.** (bold added for emphasis)*

If disclosure of the exposure time is necessary for intended users to understand the report, this reporting requirement necessitates inclusion of an appropriate discussion.

Note: The deletion in STATEMENT No. 6 related to the reporting of exposure time **does not** change the development requirement to analyze exposure time if the value opinion to be developed is market value, i.e., Standards Rules 1-2(c)(iv) and 7-2(c)(iv).

Appraising Land

Question 2. I am appraising a property improved with an apartment complex, but have found that the land is zoned for commercial use. My research indicates that such commercial land would have a value different from that of apartment land, but still far less than the current total value of the apartment complex.

According to USPAP, how should I value the land?

Answer: USPAP does not dictate the use of any particular theory or technique. You may apply any method, as long as it is recognized, applicable, and correctly employed. SR 1-1(a) only requires the

appraiser to *correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal.*

Edits to the 2005 edition of USPAP resulted in the elimination of language in the Standards Rules that appeared to require a particular theory.

Type and Definition of Value, and Citation of Source

Question 3. USPAP requires appraisal reports to identify the type and definition of value and cite the source of the definition. What is the “type of value?” Why is this no longer referred to as the “purpose” of the assignment? What sources can be used to comply with the requirement to cite the source of the definition of value?

Answer: STANDARDS 2, 6, 8 and 10 require that appraisal reports state the type and definition of value and cite the source of the definition. The exact wording varies by reporting option.

Previously, the term “purpose” in USPAP was used to refer to several different concepts, including the type and definition of value. For the 2005 edition of USPAP, this and other special meanings of this term were eliminated to increase clarity. Where it is now used “purpose” will only convey the standard dictionary meaning of the word.

The “type of value” is the general class or category of value. Examples include market value or fair value.

The “definition of value” provides a specific description of the characteristics and conditions of the type of value. Examples include definitions provided on a form report, in FIRREA, in U.S. accounting regulations, and U.S. tax regulations.

USPAP does not provide any specific definition of value or endorse any particular source. Sources could include, for example, a regulatory agency, a legal jurisdiction, an engagement letter, or a textbook.

Reporting Use of Extraordinary Assumptions and Hypothetical Conditions

Question 4. What are the USPAP reporting requirements relating to the use of extraordinary assumptions and hypothetical conditions in an appraisal assignment?

Answer: The report must clearly disclose the use of extraordinary assumptions and hypothetical conditions and notify intended users that the extraordinary assumptions and hypothetical conditions might have affected the assignment results. For example, Standards Rule 2-1 (c) states that each written or oral real property appraisal report must:

*clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions **used** in the assignment. (bold added for emphasis)*

This requirement creates an obligation to disclose all extraordinary assumptions and hypothetical conditions used in the assignment.

For example, Standards Rule 2-2 (a)(viii) states that Self-Contained Appraisal Report must, at a minimum:

*(viii) **clearly and conspicuously:***

- **state** all extraordinary assumptions and hypothetical conditions; and
- **state** that their use might have affected the assignment results; (bold added for emphasis)

This requirement directs the appraiser to provide a clear and conspicuous statement of the extraordinary assumptions and hypothetical conditions. The form and location of the statement is left to the discretion of the appraiser, but it must be clear and conspicuous to intended users.

The requirement further directs the appraiser to provide notice to intended users that the use of the extraordinary assumptions and hypothetical conditions might have affected the assignment results. The appraiser is not required to report on the impact of the extraordinary assumptions and hypothetical conditions on assignment results.

Note: The requirements for other report types are similar. Neither appraiser is required to have custody of the workfile. However, an appraiser who does not have custody must make appropriate arrangements for retention, access, and retrieval. For further information, regarding USPAP Q&A, please contact: John S. Brennan, Director of Research & Technical Issues, The Appraisal Foundation, 1029 Vermont Avenue NW, Suite 900, Washington, DC 20005. (202) 624-3044 (202) 347-7727, fax. □

Approved Continuing Education Courses

(As of January 5, 2005)

Listed below are the courses approved for appraiser continuing education credit as of date shown above. Course sponsors are listed alphabetically with their approved courses. Shown parenthetically beside each course title are sets of numbers [for example: (15/10)]. The first number indicates the number of actual classroom hours and the second number indicates the number of approved continuing education credit hours. You must contact the course sponsor at the address or telephone number provided to obtain information regarding course schedules and locations.

A. JOSH TUNNELL, JR.

P.O. Box 554
Elizabeth City, NC 27907-0554 (252) 335-5219

National USPAP Update (7/7)
Working with Underwriters (7/7)

ALAMANCE COMMUNITY COLLEGE

P.O. Box 8000
Graham, NC 27253 (336) 578-2002

Appraising Small Residential Income Properties (10/10)
Intro to Commercial Real Estate (4/4)
New Exstg Residential Codes Affecting RE Appr (10/10)
Real Estate Finance (4/4)

ALLEN TATE SCHOOL OF REAL ESTATE - A DAN MOHR SCHOOL

6632 Fairview Road
Charlotte, NC 28210 (704) 362-2296

Mfg/Mod Homes & Real Property (7/7)
National USPAP Update (7/7)
New Rules & Regs FHA/HUD (14/14)
Residential Construction Seminar (14/14)
Staying Out of Trouble - NC Ap (7/7)

ALLSTATE HOME INSPECTION TRAINING INSTITUTE

Route 1, Box 130
Randolph Center, VT 05061 (800) 245-9932

Environmental Awareness Seminar (8/8)
FHA Test Preparation (8/8)
Introduction to Home Inspection (8/8)
USPAP Refresher (8/8)

AMERICAN SCHOOL OF REAL ESTATE APPRAISERS

P.O. Box 275
Cherryville, NC 28021 (704) 435-1111

National USPAP Update (7/7)
Value? What Value? (4/4)

AM SOC FARM MANGRS & RURAL APPRAISERS

950 S. Cherry Street, Suite 508
Denver, CO 80222 (303) 758-3513

A-12 Part 1 ASFMRA Code of Ethics (7/7)
A-12 (III) National USPAP Update (7/7)
Eminent Domain A-25 (19/19)
Highest & Best Use A-29 (15/15)

Advanced Appraisal Review A-35 (49/30)
Advanced Resource Appraisal A-34 (30/30)
Appraising Agricultural Land in Transition (8/8)
Appraising Broiler Grower Far (16/16)
Appraising Rural Residential Properties (15/15)
Conservation Easements (16/14)
Rural Business Valuation (16/16)
Yllw Bk - Uniform Standards for Fed Land Acq (8/8)

AM SOCIETY OF APPRAISERS NC CHAPTER

159 Lake Ellen Drive
Chapel Hill, NC 27514 (919) 942-2544

Appr Sm Residential Income Properties (7/7)
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Peoria, IL 61614 (309) 681-8100

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Chicago, IL 60607 (312) 335-4236

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330 Apartment Appr: Cncpts & (14/14)
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410 National USPAP (15/16)
420 Business Practice and Ethic (7/7)
500 Adv Res Form & Narrative (40/30)

520 High & Best Use & Mkt Anal (40/30)
530 Adv Sales Comp & Cost Appr (40/30)
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Appraising in NC (4/4)
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Rates & Ratios: Making Sense of GIM's, OAR's & DCF's

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The UDO: Regulating RE Use & Dev (4/4)

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DUKE UNIVERSITY

A108B LSR/Box 90328
Durham, NC 27708 (919) 613-8082

What's it Worth - Forest Appraisal (36/30)

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Hacienda Heights, CA 91745 (800) 888-8827

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Greensboro, NC 27410 (336) 854-3075

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Washington, DC 20006-4665 (202) 862-4236

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Orange, CA 92868 (714) 935-1161

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Greenville, NC 27858 (252) 756-7288

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Knapp Building, CB#3330
Chapel Hill, NC 27514 (919) 966-4157

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INTERNATIONAL RIGHT OF WAY ASSOCIATION

19750 S. Vermont Avenue, Suite 220
Torrance, CA 90502-1144 (213) 538-0233

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JOHNSTON CC

P.O. Box 2350
Smithfield, NC 27577 (919) 934-3051

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Altamonte Springs, FL 32714 (407) 774-3344

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P.O. Box 188
Kinston, NC 28502-9946 (252) 527-6223

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Warren, PA 26365 (814) 723-6979

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MEL BLACK

P.O. Box 459
Cherryville, NC 28021 (704) 435-0753

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MINGLE SCHOOL OF REAL ESTATE

P.O. Box 35511
Charlotte, NC 28235 (704) 372-2984

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MOULTRIE B. WATTS

P.O. Box 447
Cary, NC 27512 (919) 851-2100

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NAIFA

7501 Murdoch Avenue
St. Louis, MO 63119 (314) 781-6688

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NC RE EDUCATION FOUNDATION (NCAR)

4511 Weybridge Lane
Greensboro, NC 27407 (800) 443-9956

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NCDOT

1605 Westbrook Plaza Drive, Suite 301
Winston-Salem, NC 27103 (336) 760-1925

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2801-3V Ward Boulevard
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NCSU FORESTRY ED OUTREACH PROGRAM

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Raleigh, NC 27695 (919) 515-3184

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NCSU SOIL SCIENCE DEPT

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REALETECH.COM

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STACEY P. ANFINDESEN

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Cary, NC 27511 (919) 460-7993

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SURRY CC

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Charlotte, NC 28209 (704) 372-5855

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TOM DANIEL SCHOOL OF RE

2932 Breezewood Avenue, Suite 110
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TRIANGLE APPRAISAL & REAL ESTATE SCHOOL

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Wilson, NC 27693 (252) 291-1200
or (919) 971-1887

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WENDELL HAHN & ASSOCIATES

P.O. Box 245
Columbia, SC 29250 (803) 779-4721

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WESTERN PIEDMONT COMMUNITY COLLEGE

1001 Burkemont Avenue
Morganton, NC 28655 (828) 438-6104

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WORLD SAVINGS

4101 Wiseman Boulevard
San Antonio, TX 78251 (210) 543-5464

Appraisal Review 2 (8/8)
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Verify Your Comparable Sales Information!

Appraisers obtain comparable sales information from listing services, tax records, real estate agents and others in performing appraisals. For the most part, that information is correct and reliable. Sometimes, however, the information is incorrect and relying upon it will result in a misleading appraisal.

USPAP Standards Rule 1-4 (a) requires that appraisers “collect, **verify**, and analyze such comparable sales data as are available to indicate a value conclusion.” This is a three-step process. First, you obtain the information from your data source. Then you are required to verify the information from another source. Finally, you analyze all the information you received.

For example, if you obtain comparable sales information from MLS, you then verify the information by calling the listing or sales agent, the tax office, or another source. If there is any discrepancy between these two sources, you must continue to research the sale until you are confident that the information you will use in your analysis is correct. This is especially important if you receive verbal information, especially from a homeowner.

You should also be careful to correctly identify both your data source and verification source, and to keep in your workfile a copy of the information relied upon for the appraisal. For example, if you use listing service data as your data source and tax records as your verification source, you should have a copy of the listing service sheet and tax record in your file. Sometimes you may receive information orally, such as from the listing broker over the telephone. You should make a note for the file of your conversation, including the name and telephone number of the source of information and the date, as well as a summary of the information received.

Verifying information is even more important when you are performing an appraisal outside your geographic area.

It is difficult to know who will give reliable data and who will not. Listing services may use different ways to report items such as square footage. Lack of knowledge about a particular market area does not relieve the appraiser of responsibility for the misinformation in the report, since the USPAP Competency Provision makes it clear that appraisers in an unfamiliar location must spend sufficient time to understand the nuances of the local market.

Verification of comparable sales information for manufactured housing is especially important. You must make sure that the sale is not a land home package, since a land home package has not been exposed to the market and is not an appropriate comparable. If you obtain a HUD settlement on the sale of a manufactured home, you should always check public records such as the deed office. If the tax stamps indicate a much lower sales price than that on the HUD statement, it is likely that the sale was for the land only, and you are dealing with a land home package and you cannot use the sale. When you find a manufactured home sale in a listing service, you still must verify that it was not a land home package. In addition, since there are often financing considerations and incentives involved in the sale of manufactured homes, you must analyze the data very carefully to make sure to take these into account.

The question is often raised as to whether it is ever appropriate to use a stick-built home as a comparison sale for a manufactured home. Generally speaking, it usually is not appropriate to do so. There may be occasions, however, where there are no sales that can legitimately be used, and stick built homes that are similar to the subject are all that are available. If such sales are used, adjustments should be made for all appropriate factors, especially quality of construction. The appraiser must note that the comparison sales are stick built and must explain why they were

chosen as comps for a manufactured home.

USPAP requires appraisers to maintain a copy of the workfile for every appraisal assignment for at least five years after preparation or two years after court testimony, whichever period expires last, thus it is important to keep copies of all information and verification in the file. Remember, the appraiser and anyone else signing the report take full responsibility for the data in the report, and if the information source provides inaccurate data, that fact does not absolve the appraiser of responsibility. □

Continuing Education REMINDER

Appraisers and trainees must have 28 hours of continuing education credit in order to renew their licenses this year, including the 7-hour National USPAP Update course.

→ If you took the 15-hour National USPAP course between July 1, 2003 and December 31, 2004, the 15-hour class will count towards the 7-hour USPAP class requirement. If you take the 15-hour class on or after January 1, 2005, you may still receive continuing education credit, but you will still have to take the 7-hour National USPAP Update course in order to renew your registration, license or certificate.

→ Appraisal Board rules allow you to take up to 14 hours of the 28-hour requirement as on-line courses. You will not get continuing education credit for any on-line courses that exceed 14 hours.

→ No continuing education credit will be carried over from the 2003-2005 education cycle into the 2005-2007 cycle. □

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.

Ronald Best (Cornelius)—By consent, the Board suspended Mr. Best's general certification for a period of six months. The Board ordered Mr. Best to take a sales comparison course, and a course in appraiser liability or NC Board laws and rules by May 1, 2005. If he completes the courses by that date, the suspension will be inactive. Mr. Best also agrees that he will no longer supervise any trainees. The Board found that a trainee working under the supervision of Mr. Best appraised a manufactured home located in Shelby, NC in November 2003, finding an appraised value of \$90,000. The trainee did not sign the report, and Mr. Best signed the report on the left side. He then checked the "Did not inspect" box on the right side. Respondent noted in an addendum that the trainee had provided significant professional assistance, including inspecting and measuring the subject property. The appraisal report stated that subject was on a paved road, and the photograph of the street in the report shows a paved road with markings. The subject is actually at the end of a long unpaved, fair to poorly maintained gravel road. The MLS sheet in the work file states that the subject road is gravel. The sales prices of the first and second comparable sales could not be verified in the public records. Mr. Best stated that there had been no prior sales of his third comparable sale that took place within one year of the appraisal, but there had in fact been one sale within that time period. The trainee obtained his comparable sales information from MLS but did not verify the data. There were limited sales of homes in the subject neighborhood that were listed on the local MLS.

Dewayne Boyd (Wake Forest)—By consent, the Board suspended Mr. Boyd's residential certification for a period of 18 months effective November 1, 2004. Before Mr. Boyd can renew his certification, he must complete all required continuing education, and must successfully complete a 7-hour sales comparison class and a course in appraiser liability. The Board found that Mr. Boyd completed an appraisal on two properties located in Zebulon, NC in September 2002, indicating final values of \$101,000 and \$86,000. A local realtor with knowledge of the historical and current local real estate market estimated that the property would sell for no more than \$80,000 and that the other property would sell for no more than

\$50,000. Mr. Boyd selected comparable sales for his appraisals of both properties that were superior in location, design and appeal when compared to the subject properties. The subject neighborhoods included a mixture of single-family and 2-4 family homes. One of the subject properties had double-wide and singlewide homes in the neighborhood. None of those characteristics were mentioned in Mr. Boyd's appraisal reports.

Michael Casey (Raleigh)—By consent, the Board suspended Mr. Casey's residential license for a period of thirty days, beginning November 2004. Mr. Casey also must successfully complete a course in property inspection by December 31, 2004. If he fails to do so, he will receive an additional one-month suspension. The Board found that Mr. Casey appraised a property located in Raleigh, NC in May 2003, finding an appraised value of \$850,000. He reported that the house contained 5,239, when it actually contained 3989 square feet. Mr. Casey admits that he added 1,250 square feet of unfinished second level area to the heated square footage by mistake. This error was caused by incorrectly inputting the 1,250 square foot unfinished attic information into his software program. The value for the subject property would have been lower based on the correct square footage of 3,989.

Tammy Childers (Kings Mountain)—By consent, the Board suspended Ms. Childers' trainee registration for a period of one year. The first month of the suspension will become active on September 1, 2004. The remaining months are stayed until December 1, 2004. Ms. Childers also agrees to take two courses approved by the Appraisal Board; a sales comparison course and the 15-hour national USPAP course. These courses must be completed by December 1, 2004, or the remainder of the suspension will become active. The Board found that Ms. Childers, while working under the supervision of a state-licensed appraiser, appraised a 2120 square foot home located in Monroe, NC in December 2003, finding an appraised value of \$230,000. Sales in the subject subdivision were all smaller than the subject property, ranging from 1143 to 1804 square feet, so Ms. Childers chose sales from other subdivisions located near the subject subdivision. Those sales were all of similar size, and adjustments were made for differences in age. The sales

were located in neighborhoods that were superior to the subject neighborhood in maintenance, appeal and quality, yet Ms. Childers made no adjustments for those factors. The unadjusted sales prices of the comparable sales were \$231,000, \$235,000 and \$252,000. The "customer estimated value" on the appraisal order form was \$220,000. The appraisal was done for refinancing purposes, but the loan did not close.

Corey Clark (Charlotte)—By consent, the Board suspended Mr. Clark's trainee registration for a period of six months. The suspension is stayed until November 1, 2004. Mr. Clark must take R-3 and a 14-hour course in standards (USPAP) by November 1, 2004. Since he took the courses, the suspension is inactive. The Board found that Mr. Clark, while working under the supervision of a state licensed appraiser, appraised a home located in Kannapolis, NC in November 2001, finding an appraised value of \$100,000. The subject property is a 36-year-old 920 square foot ranch. Although Mr. Clark described the house as of average quality and condition, he used cost figures for a good quality home. He gave the house an effective age of 10 years. There was no mention in the appraisal report of any upgrades or renovations. Mr. Clark stated that the condition of the comparable sales was also average, even though they were either new or one-year old, and he made no adjustments for condition. All of the comparable sales in the report were either new or one year old, and Mr. Clark used an across the board adjustment of minus \$8,500 for age. There were a total of 95 sales in the neighborhood ranging in value from \$22,000 to \$127,500. Of these sales, 20 were built between 1950 and 1980 which would have been within 15-years on either side of the time the subject was constructed. Those sales ranged predominantly from \$70,000 to \$85,000.

Robert C. Cox (Morganton)—Following a hearing, the Board revoked Mr. Cox's residential license. The Board found that an appraiser previously employed by Mr. Cox filed a complaint with the Board alleging irregularities in the appraisal assignments and reports she prepared while a trainee in Respondent's employment. She further alleged that Respondent did not adequately supervise her work and that he made false statements on appraisal reports. Although Mr. Cox sent in a response to the complaint, he failed or refused to send in

Disciplinary Actions

thirteen appraisal reports after numerous requests by Board staff that he do so, a violation of state law and Appraisal Board rules.

Arthur Dec (Raleigh)—By consent, the Board issued a reprimand to Mr. Dec. He must also successfully complete a sales comparison course by December 1, 2004, or the reprimand will be vacated and a one-month suspension will be imposed as of that date. The Board found that Mr. Dec appraised a home located in Durham, NC in October 2003, finding an appraised value of \$724,000. The subject property is located on a gravel road in a rural area. The comparable sales are located on paved streets in subdivisions that appear to be superior. Comparable 3 is located on the fairway of a golf course. Mr. Dec made no adjustments for location as he believed the location adjustments were offset by the subject's 2.06-acre site versus the comparable sites of .7 to 1.18 acre sites. There were other differences between the subject and the comparable sales that Mr. Dec offset in his appraisal process, but he failed to mention in this appraisal report. He also inadvertently left out 1294 square feet of unfinished basement area on one of his comparable sales.

Margaret English (Gold Hill)—By consent, the Board accepted the voluntary surrender of Ms. English's residential certification.

Norma Harless (Lenoir)—By consent, the Board suspended Ms. Harless' residential license for a period of six months. She must take a course in sales comparison before her license will be returned to her. The Board found that Ms. Harless performed three appraisals of a property located in Granite Falls, NC. The first appraisal was performed in March 2002 and indicated a value of \$198,100. The second appraisal was performed in August 2002 and indicated a value of \$212,000. The third appraisal report was performed in October 2002 and indicated a value of \$239,000. The first appraisal report correctly indicated that the subject had an addition that was incomplete at the time of the inspection, but Ms. Harless valued the property as though the addition were completed even though she stated that the appraisal was done "as is". The second two appraisal reports stated that the addition was complete, although it was not. She again valued the property as though the addition were complete, but did both those appraisal reports "as is". Ms. Harless stated that the actual age of the property was 28 years, when in fact the subject dwelling was built in 1945, indicating an actual age of 57 years. She

averaged the actual age of the dwelling and the age of the new addition to indicate her actual age, but she did not provide an explanation in the report. The sales utilized in the appraisal reports were superior to the subject, and there were other sales available that would have indicated a lower value for the subject.

Nathan Henderson (Wilmington)—Following a hearing, the Board revoked Mr. Henderson's trainee registration. The Board found that in August 2001, Mr. Henderson filed an application to become a state-registered trainee. On his application, Mr. Henderson reported that in September 1994, he had been found guilty of possession of drug paraphernalia and possession of marijuana. The Appraisal Board deferred his application, and a hearing was held so that Mr. Henderson could demonstrate that he possessed the requisite trustworthiness, honesty and integrity to engage in the business of a real estate appraiser trainee. After that hearing, the Appraisal Board granted his application, and his registration as a trainee was issued in December 2001. In June 2004, Mr. Henderson notified the Board that he had been charged with growing marijuana at his personal residence. He admitted that he was convicted in June 2004 of manufacturing marijuana, a Schedule VI controlled substance, which is a felony conviction, and that at the time of the hearing, he was on probation for that offense. He testified that he grew the marijuana for his personal use as a way to control pain. The pain was the result of a 1998 incident where his arm was severely injured. Mr. Henderson presented no medical testimony regarding his injury or treatment. He continued to use marijuana after the Appraisal Board granted him a trainee registration in 2001. His use of marijuana during this time may have affected his performance in the real estate appraisal business.

Nadine Hicks (Marshville)—By consent, the Board issued a reprimand to Ms. Hicks. She must also complete a course in appraiser liability by December 31, 2004 or the reprimand will be vacated and a one-month suspension will be activated on that date. The Board found that Ms. Hicks appraised a home located in Charlotte, NC in September 2001, finding an appraised value of \$68,000. On the effective date of the appraisal, the owner of the subject property was Richard Strikeleather. Although Respondent had a tax card in her work file indicating that Mr. Strikeleather was the owner, she listed SS & Associates as the owner in the appraisal report as she also had an

unrecorded deed that showed the transaction date as August 2000. In the appraisal report, Respondent indicated that the data sources for all her comparable sales were "Drive by/MLS Public Records", when none of her comparable sales were listed on MLS. Respondent obtained her comparable data solely from the local GIS service, which did not list details of the condition of those sales and also did not list any sales concessions. On the appraisal report, she stated that all comparable sales were in average condition and that there were no seller concessions, but there was no evidence in her work file to support these statements. There were limited sales of homes in the subject neighborhood that were listed on the local MLS. Sales that were listed indicate a lower value for the subject property.

Benny Hilliard (Winston-Salem)—By consent, the Board issued a reprimand to Mr. Hilliard. Mr. Hilliard must also successfully complete a course in property inspection, by September 30, 2004 or the reprimand will be vacated and one-month suspension will be imposed as of that date. The Board found that Mr. Hilliard appraised a home located in Winston-Salem, North Carolina on November 15, 2003, finding an appraised value of \$149,000. The subject is a single-family residential dwelling with associated site improvements located on a 1.39-acre site. A private school surrounds the subject site with the school building and parking lot to the rear or west of the subject. The entrance driveway for the school bounds the north side of the subject site and the exit driveway for the school bounds the south side of the subject site. The school and parking lot lie below the subject site with a well-landscaped embankment that slopes down from the subject site to the parking lot. Additionally, there is a high-tension power line easement and substation located adjacent to the north side of the school and within view of the subject dwelling. There was no mention of the school or the power lines within the report.

Nathaniel Holloway (Durham)—By consent, the Board suspended Mr. Holloway's general certification for a period of six months. The suspension is stayed until March 1, 2005. If Mr. Holloway completes a course in sales comparison and an appraiser liability course by that date, the suspension will be inactive. The Board found that Mr. Holloway completed an appraisal report on a property located at 915 Chalice Drive, Durham, North Carolina, indicating a final value of \$200,000 on September 8, 2001. Mr.

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Holloway stated in the appraisal report that the subject property had an above grade living area of 2417 square feet. Of that total, 354 square feet was a den that was not heated and cooled like the remaining area of the subject property, and thus should not have been included in gross living area. The subject property is a split-level home located in the Archer Woods subdivision. Mr. Holloway used three comparable sales in his report. Two of the sales were in Westwood Estates, which is a somewhat superior section of a subdivision connected to the subject subdivision. One of those sales was a two story and one was a one and a half story, yet Mr. Holloway made no adjustments for design or location. The third sale was from the subject subdivision. By utilizing the incorrect square footage for the subject and by failing to make appropriate adjustments for differences in design and location in the appraisal report, the final value for the subject property was higher than it should have been.

Sandra Keith (Winston-Salem)—By consent, the Board suspended Ms. Keith's residential certification for a period of six months. The suspension is stayed until March 1, 2005. If Ms. Keith takes a sales comparison course and a course in appraiser liability, the suspension shall be inactive. The Board found that Ms. Keith and another appraiser performed an appraisal on a property located at 2668 S. Stratford Road, Winston-Salem, NC, indicating a final value of \$251,000 as of April 8, 2002. The appraisal was made "as is". The subject property was a vacant two-story building located on a .52 acre lot that was zoned LO-S (limited office - special use). It was located on a major four lane road, and was surrounded by properties which were either vacant or were being used for non-residential purposes. Ms. Keith was aware that the borrower owned several residential rental properties, and believed that she was planning to make the subject property her home. She appraised the property as residential, indicating in the appraisal report that the "highest and best use" was the present use as a single-family residence. By appraising the property as residential, the borrower was able to obtain financing at more favorable rates. The subject had been used as an office for at least two years prior to the appraisal report and was being used as a mortgage company office at the time of the Board's investigation. The highest and best use of the property should have been indicated as commercial. Ms. Keith used three single-family residences as comparable sales. Even if she had appraised the

property to its correct highest and best use, the value would not have been significantly different.

B. Carter Kennemur (Zebulon)—By consent, the Board suspended Mr. Kennemur's general certification for a period of one year effective September 15, 2004, the first month of which shall be active. In addition, Mr. Kennemur agrees that he will perform no more appraisals for condemnation or eminent domain proceedings until he have successfully completed 30 hours of education regarding condemnation appraising. The Board found that Mr. Kennemur and another appraiser appraised a property located in Navassa, NC in September 2002, with an effective date of April 2000. The subject property consists of approximately 196 acres of undeveloped, heavily wooded land. Brunswick County had acquired 35 acres of the subject property in order to expand a wastewater treatment plant. Mr. Kennemur valued the subject property before the taking at \$3,472,000. He valued 163.8 acres of upland at \$21,000 per acre and 32 acres of wetland at \$1,000 per acre. He valued the 160.748 acres that remained after the taking at \$2,060,000, a difference of \$1,412,000 for the value of the 35 acres taken. He used four sales in their report. Three of the four sales were developed lots in an industrial park, complete with access streets and utility service. These sales ranged from \$20,530 to \$29,596 per acre, and ranged from 6.69 to 12.81 acres. These sales were not truly comparable to the subject property, and Mr. Kennemur made inadequate adjustments to these sales. The other sale was a lot near the subject that contained 60.1369 acres and that sold for \$1,300,000. Although that site was improved with an old fertilizer plant, since the lot was already cleared it would have taken substantially less cost to develop it as opposed to the subject site, which was heavily wooded. Forty acres were usable upland and the remaining were wetlands. Mr. Kennemur stated in the appraisal report that the price per acre was \$32,500 based on 40 acres of upland, and \$21,617 per acre straight through; however, he used a figure of \$32,500 per acre in the appraisal. This sale had significant frontage along the Brunswick River and was purchased by a boat manufacturing company specifically because it had river frontage south of a railroad bridge tender. Although a large portion of the sales price was paid by the county, Mr. Kennemur did not note this fact in the appraisal report or make any adjustments for it. There were larger acreage sales available that were located further in distance than the comparables

used, but were much more similar than the comparables used. These sales ranged \$2,333 to \$8,405 per acre. In the after condition, Mr. Kennemur valued the upland at \$15,750 per acre, and the wetlands at \$1000 per acre. He used the same four comparable sales as in the before condition, then stated the property was diminished by 25% by the taking. There was insufficient information contained in the work file to support this adjustment. The appraisal report did not comply with USPAP Standards Rule 2-2(c) in that the report did not disclose the scope of work, nor did it describe the appraisal procedures followed in the valuation of the property in the after condition.

John Kennemur (Zebulon)—By consent, the Board suspended Mr. Kennemur's residential certification for a period of one-year effective September 15, 2004, the first month of which shall be active. In addition, Mr. Kennemur agrees that he will perform no more appraisals for condemnation or eminent domain proceedings until he have successfully completed 30 hours of education regarding condemnation appraising. The Board found that Mr. Kennemur and another appraiser appraised a property located in Navassa, NC in September 2002, with an effective date of April 2000. The subject property consists of approximately 196 acres of undeveloped, heavily wooded land. Brunswick County had acquired 35 acres of the subject property in order to expand a wastewater treatment plant. Mr. Kennemur valued the subject property before the taking at \$3,472,000. He valued 163.8 acres of upland at \$21,000 per acre and 32 acres of wetland at \$1,000 per acre. He valued the 160.748 acres that remained after the taking at \$2,060,000, a difference of \$1,412,000 for the value of the 35 acres taken. He used four sales in their report. Three of the four sales were developed lots in an industrial park, complete with access streets and utility service. These sales ranged from \$20,530 to \$29,596 per acre, and ranged from 6.69 to 12.81 acres. These sales were not truly comparable to the subject property, and Mr. Kennemur made inadequate adjustments to these sales. The other sale was a lot near the subject that contained 60.1369 acres and that sold for \$1,300,000. Although that site was improved with an old fertilizer plant, since the lot was already cleared it would have taken substantially less cost to develop it as opposed to the subject site, which was heavily wooded. Forty acres were usable upland and the remaining were wetlands. Mr. Kennemur stated in the appraisal report that the price per acre was \$32,500 based on 40

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acres of upland, and \$21,617 per acre straight through; however, he used a figure of \$32,500 per acre in the appraisal. This sale had significant frontage along the Brunswick River and was purchased by a boat manufacturing company specifically because it had river frontage south of a railroad bridge tender. Although a large portion of the sales price was paid by the county, Mr. Kennemur did not note this fact in the appraisal report or make any adjustments for it. There were larger acreage sales available that were located further in distance than the comparables used, but were much more similar than the comparables used. These sales ranged \$2,333 to \$8,405 per acre. In the after condition, Mr. Kennemur valued the upland at \$15,750 per acre, and the wetlands at \$1000 per acre. He used the same four comparable sales as in the before condition, then stated the property was diminished by 25% by the taking. There was insufficient information contained in the work file to support this adjustment. The appraisal report did not comply with USPAP Standards Rule 2-2(c) in that the report did not disclose the scope of work, nor did it describe the appraisal procedures followed in the valuation of the property in the after condition.

Karen Faith Mims (Four Oaks)—By consent, the Board accepted the voluntary surrender of Ms. Mims' residential certification.

Dexter G. Moore (Grifton)—By consent, the Board suspended Mr. Moore's general certification for a period of six months. Mr. Moore also agreed to successfully complete a course in condemnation appraising by May 1, 2005. If he completes the course by that date, only three months of the suspension shall be active. The Board found that Mr. Moore performed an appraisal of 47 acres of land located in Rocky Mount, North Carolina in October 2002, with an effective date of January 4, 2001. His client was the owner of property, which was subject to condemnation. The condemnation involved the taking of about 1.5 acres of the land for a sewer pump station and a sewer easement. Part of the subject was in a 100-year flood plain and the other part was in a 500-year floodplain. The 1.5 acres taken during the condemnation was from the center and highest part of the property. The entire property was flooded during Hurricane Floyd in September 1999, which was over a year before the taking. Mr. Moore stated that the land was worth \$470,000 before the taking and \$27,000 after the taking. He used 3 sales in his appraisal to value the property in the

before condition. These sales were superior to the subject in location and drainage, yet Mr. Moore did not make adjustments for drainage. Mr. Moore stated that in the after condition, the property was worth only \$600 per acre. Although he had supporting information in his file from several local developers concerning the difficulty of developing the property in the after condition, he had no support in the appraisal report for this opinion of value.

E. Lindsay Morris (Troy)—By consent, the Board suspended Mr. Morris's residential certification for three months effective October 1, 2004. The Board found that Mr. Morris appraised the subject property located in Albemarle, NC in December 1998, indicating a final value of \$66,000. Although there was a buyer and seller name listed on the appraisal report, Mr. Ramsey failed to identify a sales price, and failed to address the sales contract. The subject property transferred two times on December 22, 1998. It first sold for \$38,000, and then immediately sold for \$66,000. On his appraisal report, Mr. Morris failed to identify the client. He also failed to state the type of reporting format used for the appraisal report. In addition, his work file was not complete in that it did not contain copies of his limiting conditions and his certification.

Gina Morris (Salisbury)—By consent, the Board issued a reprimand to Ms. Morris. Ms. Morris agrees to take a sales comparison course and a course in appraiser liability by April 30, 2005. If she does not take these courses before this date, the reprimand will be vacated and a two-month active suspension will be activated. The Board found that Ms. Morris, working under the supervision of a state-certified residential appraiser, appraised a home located in Charlotte, NC in June 2002, finding an appraised value of \$105,000. The subject is a mostly brick 1126 square foot home, with three bedrooms and two bathrooms. The sales used in the appraisal report were all of similar size (1001 to 1048 square feet) and age (all 53 years old), and were located within .5 miles of the subject. They were located in a neighborhood that was superior to the subject neighborhood in maintenance and appeal, yet Ms. Morris made no adjustments for location. The sales used in the report were \$118,500, \$104,900 and \$125,000. The "customer estimated value" on the appraisal order form was \$105,000. The property was foreclosed in June 2003 for \$50,000, sold by the lending institution for \$48,000 in November 2003 and sold again in December 2003 for \$84,000.

John Norwood (Belmont)—By consent, the Board suspended Mr. Norwood's residential certification for a period of six months effective November 1, 2004. If Mr. Norwood takes a class in sales comparison course and the 15-hour National USPAP course, only the first month of the suspension shall be active. The Board found that Mr. Norwood appraised a home located in Rutherfordton, NC in February 2001, finding an appraised value of \$74,000. The subject is a 1498 square foot ranch style home, with three bedrooms and one bathroom. It was 63 years old at the time of the appraisal, and in average condition. The subject street contains manufactured homes, both single and doublewide manufactured homes, block homes, and deteriorating buildings, none of which were mentioned in the appraisal report. Mr. Norwood chose sales from superior areas within a mile of the subject neighborhood, where the homes were of similar age, but the homes in those areas were well maintained and frequently updated. The sales used in the appraisal report were superior in quality to the subject, having improvements such as 10' ceilings, fresh interior paint, pine floors, new carpet and vinyl, etc., yet Mr. Norwood made an adjustment for condition to only one of his sales, and that was for \$1000. He made no adjustment for the fact that his comparable sales were located in superior neighborhoods.

Chappell V. "Dick" Parker (Smithfield)—Following a hearing, the Board revoked Mr. Parker's general certification. The Board found that Mr. Parker appraised a property located in Wayne County in March 2003. His final estimate of value for the property was \$560,000. The subject property was a new 3,855 square foot custom built home situated on a rural lot. Mr. Parker's work file contained a detailed list of the specifications for construction for the subject. The original total cost to build was \$398,312; however, the cost figure on the subject increased after all change orders and adjustments were made. Mr. Parker stated in the appraisal report that the gross living area of Comparable Sale No. 1 was 4,361 square feet, when it actually contained 5,061 square feet. He reported that Comparable Sale No. 2 had four baths and a double garage, when it actually had four and a half baths and a three-car garage. He reported that his third sale sold on April 20, 2002, when it actually sold on April 20, 2000. Mr. Parker had MLS sheets in his work file that indicated the correct information for his three comparable sales, but he reported incorrect information in his appraisal report without any explanation. Mr. Parker's three

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comparable sales were located in a private country club known as Walnut Creek, which has a golf club, swimming pool, clubhouse and various other amenities. Lot values for properties in Walnut Creek run from about \$40,000 for interior lots to \$150,000 for lots on the golf course or with a lake view. Two of his three comparable sales were located on the golf course, and one was located on the lake; their lot values all exceeded \$125,000. Mr. Parker stated in the Cost Approach in his appraisal report that the subject site was worth \$25,000. Despite the significant differences in lot values between the subject and the comparable sales, Mr. Parker made no adjustment for site for his first two comparable sales, and made a \$12,500 negative adjustment to his third sale. The subject was located on a road in a rural area. It was not in a subdivision and had no subdivision amenities or view, yet Mr. Parker made no adjustments for differences in location for the subject property. His comparable sales sold in December 1999, April 2000 and October 2001, while the appraisal was performed in March 2003. Mr. Parker chose the three highest priced sales that had ever sold in the county. Another appraiser performed a review on Mr. Parker's appraisal report in April 2003. In his review, he used three sales that were much more comparable to the subject. Those sales ranged in price from \$283,000 to \$347,460 and ranged from 3223 square feet to 3965 square feet. The oldest sale he used was from June 2001. The reviewer valued the property at around \$300,000. There were several other sales that were more comparable to the subject property. Those sales ranged in price from \$275,000 to \$315,000 and ranged from 2950 to 4310 square feet. By using sales that were not comparable to the subject property, and by not making appropriate adjustments for the differences, Mr. Parker inflated the value the subject property. Mr. Parker had previously been disciplined by the Appraisal Board in two separate consent orders. In the first consent order, his certification was actively suspended for three months, and in the second, his certification was actively suspended for two months.

John Parrish (Concord)—By consent, the Board suspended Mr. Parrish's residential certification for a period of two months. The suspension is stayed until April 30, 2005. If Mr. Parrish takes a sales comparison course and the course in the role of a supervisor by that date, the suspension will be inactive. Mr. Parrish also agrees that he will not act as a supervisor for either of his trainees until he has completed the course

in the role of a supervisor. The Board found that Mr. Parrish and a trainee appraised a home located in Charlotte, NC in June 2002, finding an appraised value of \$105,000. The subject is a mostly brick 1126 square foot home, with three bedrooms and two bathrooms. The sales used by in the appraisal report were all of similar size (1001 to 1048 square feet) and age (all 53 years old), and were located within .5 miles of the subject. They were located in a neighborhood that was superior to the subject neighborhood in maintenance and appeal, yet Mr. Parrish made no adjustments for location. The sales used in the report were \$118,500, \$104,900 and \$125,000. The "customer estimated value" on the appraisal order form was \$105,000. The property was foreclosed in June 2003 for \$50,000, sold by the lending institution for \$48,000 in November 2003 and sold again in December 2003 for \$84,000.

Jack A. Ramsey, Jr. (Mt. Ulla)—By consent, the Board suspended Mr. Ramsey's residential certification for a period of three months. If Mr. Ramsey takes a course in manufactured housing and a course in appraiser liability by December 1, 2004, the suspension will be inactive. The Board found that Mr. Ramsey appraised a home located in Dallas, NC in August 2003, indicating a final value of \$122,500. The subject was a modular home, and the appraisal was made "as is." The tax value on the property at the time of appraisal was \$143,690. There were no sales in the immediate area that could be used as comparable sales, and Mr. Ramsey did discuss in the report that the manufactured/modular home resale market in the subject areas was minimal. Mr. Ramsey made a minus \$19,100 adjustment for Sale No. 1 having superior quality of construction. He made positive adjustments of \$8,300 for Sale No. 2 and \$7,750 for Sale No. 3, due to both having inferior quality of construction compared to the subject. There was no support in the appraisal report or work file for these adjustments. Although there was a buyer and seller name listed on the appraisal report, Mr. Ramsey stated in the report that there was no contract pending on the subject.

Leslie Robinson (Kings Mountain)—By consent, the Board suspended Ms. Robinson's residential license for a period of one year. The first month of the suspension will become active on September 1, 2004. The remaining months are stayed until December 1, 2004. Ms. Robinson also agrees to take two courses approved by the Appraisal Board; a sales comparison course

and the 15-hour national USPAP course. These courses must be completed by December 1, 2004, or the remainder of the suspension will become active. The Board found that a trainee working under the supervision of Ms. Robinson appraised a 2120 square foot home located in Monroe, NC in December 2003, finding an appraised value of \$230,000. Sales in the subject subdivision were all smaller than the subject property, ranging from 1143 to 1804 square feet, so Ms. Robinson chose sales from other subdivisions located near the subject subdivision. Those sales were all of similar size, and adjustments were made for differences in age. The sales were located in neighborhoods that were superior to the subject neighborhood in maintenance, appeal and quality, yet Ms. Robinson made no adjustments for those factors. The unadjusted sales prices of the comparable sales were \$231,000, \$235,000 and \$252,000. The "customer estimated value" on the appraisal order form was \$220,000. The appraisal was done for refinancing purposes, but the loan did not close.

Richard Simmons (Charlotte)—By consent, the Board suspended Mr. Simmons' residential certification for a period of two (2) years with the first year being active. The Board found that Mr. Simmons Respondent appraised a property located in Charlotte, NC in May 2002, finding an appraised value of \$255,000. The appraisal report, dated May 24, 2002, was completed for the sale of the property. The closing statement indicated a contract price of \$255,000. Mr. Simmons appraised the subject property again on January 9, 2003, indicating a final value of \$265,000. The appraisal report, dated January 9, 2003, was completed for the refinancing of the property. Sales in the subject neighborhood ranged from \$153,000 to \$218,000. In the 2002 appraisal report, Mr. Simmons adjusted approximately \$22.50/square foot for Gross Living Area. In the 2003 report, Mr. Simmons adjusted approximately \$15.00/square foot. There was no explanation as to why the adjusted value changed by 33% in approximately 8 months. The photographs of the comparables in both of the appraisal reports were not of the correct properties.

Donald Spake (Hickory)—By consent, the Board issued Mr. Spake a reprimand and ordered him to take a course in condemnation or eminent domain appraising. If he does not complete the course by March 1, 2005, the reprimand will be vacated and a one-month suspension will be activated.

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ed. The Board found that Mr. Spake performed an appraisal for condemnation purposes of a property located in Gastonia, NC. Mr. Spake estimated that the property market value was \$259,000 before the taking (it was a total take). The jury awarded \$263,000 in damages to the property owner. The subject property consists of a half-acre site, improved with a split-level style single-family dwelling. On the effective date of the appraisal the property was zoned O & I 1C. He made a positive adjustment for costs to convert the subject to an office, when he should have made a negative adjustment for those expenditures. Although Mr. Spake stated that there was a shortage of similar sales within the city and that he therefore used office sales from another area, there were several sales of dwellings converted to commercial use that were located closer to the subject.

John Vestal (Charlotte)—By consent, the Board issued a reprimand to Mr. Vestal. Mr. Vestal also agreed to successfully complete a course in sales comparison by March 1, 2005. If he does not complete the course by that date, the reprimand will be vacated and a one-month suspension will be activated. The Board found that Mr. Vestal performed an appraisal of a property located in Charlotte, NC in August 22, 2001, finding an estimated value of \$110,000. He used three comparable sales that were all located outside the subdivision. Those properties were all newer than the subject, were superior in quality to the subject and were in superior neighborhoods, yet Mr. Vestal failed to make adequate adjustments for those factors.

There was only one sale in the subject subdivision that had sold within a year of the Mr. Vestal's appraisal. This sale was significantly smaller than the subject and would have required excessive adjustments. Mr. Vestal should have mentioned the sale in his report as it was within the subject subdivision.

Samuel Walters (Winston-Salem)—By consent, the Board suspended Mr. Walter's residential certification for a period of six months. The suspension is stayed until March 1, 2005. If Mr. Walters takes a sales comparison course and a course in appraiser liability, the suspension shall be inactive. The Board found that Mr. Walters and another appraiser performed an appraisal on a property located at 2668 S. Stratford Road, Winston-Salem, NC, indicating a final value of \$251,000 as of April 8, 2002. The appraisal was made "as is". The subject property was a vacant two-story building located on a .52 acre lot that was zoned LO-S (limited office - special use). It was located on a major four lane road, and was surrounded by properties which were either vacant or were being used for non-residential purposes. Mr. Walters was aware that the borrower owned several residential rental properties, and believed that she was planning to make the subject property her home. He appraised the property as residential, indicating in the appraisal report that the "highest and best use" was the present use as a single-family residence. By appraising the property as residential, the borrower was able to obtain financing at more favorable rates. The subject had been used as an

office for at least two years prior to the appraisal report and was being used as a mortgage company office at the time of the Board's investigation. The highest and best use of the property should have been indicated as commercial. Mr. Walters used three single-family residences as comparable sales. Even if he had appraised the property to its correct highest and best use, the value would not have been significantly different.

Michael Wright (Concord)—By consent, the Board issued a reprimand to Mr. Wright. He must also successfully complete a sales comparison course by April 1, 2005, or the reprimand will be vacated and a one-month suspension will be imposed as of that date. The Board found that Mr. Wright performed an appraisal in October 2000 of a property located in Charlotte, NC, finding an appraised value of \$106,000. The appraisal report incorrectly indicated that the subject had two fireplaces when it only had one. Mr. Wright adjusted the square footage differences for two of his comparable sales at \$15 per square foot and at \$20 per square foot for one comparable sale, when the square footage adjustment for all sales should have been \$20 per square foot. Mr. Wright stated in the income approach section of the appraisal report that the market rent for the subject property would be \$950 and the appropriate gross rent multiplier is \$110, but he provided no support for those figures in his report or within his work file. The final indicated market value would have been slightly lower if not for the errors in the appraisal report.

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