



NORTH CAROLINA APPRAISAL BOARD

APPRAISER REPORT

Volume 16

January 2006

Number 1

Board Member Appointments

Henry E. Faircloth of Salemburg has been reappointed for further service on the Board upon the recommendation of President Pro Tempore of the North Carolina Senate, Marc Basnight. The appointment is for a three-year term that expires on June 30, 2008.

Mr. Faircloth was first appointed to the Board on July 1, 1991 and has served continuously to the current date. He led the Board as Chairman in the Board's first year as an autonomous agency in 1995-1996 and has served as Chairman on three additional occasions in 1998-1999, 2001-2002 and 2004-2005. He is the Board's only public member, as required by Statute and has a great amount of real estate appraisal expertise by having served for this record-breaking term.

Mr. Faircloth has been a building contractor for over thirty years and owns a construction company which specializes in commercial construction. He is on the Board of Trustees for Sampson Community College and is very active in both civic and community organizations. He and his wife, Faye, make their home in Salemburg.

Winston T. (Tom) Morgan of Raleigh has been appointed to a three-year term that expires on June 30, 2008 upon the recommendation of House Speaker James B. Black.

Mr. Morgan was born in Mississippi and graduated from Mississippi State University with a Bachelors of Science in Industrial Technology. He served in the United States Navy from 1963 to 1972 with his last assignment being in the Raleigh Recruiting Station. After his military service he remained a resident of Raleigh and has established a career in both real estate sales and appraisals.

Mr. Morgan has thirty years of appraisal experience in both residential and commercial properties and was in the first group of individuals to receive a general certification in 1991. He currently is the owner of Morgan & Company, a full-service appraisal company serving Wake and surrounding counties. He is a member of the Raleigh Board of Realtors, Independent Fee Appraisers Society and National Association of Realtors.

Mr. Morgan and wife Sandy have a son, Tommy and two daughters, Kelly and Christina, and a total of six grandchildren. □

STAFF UPDATE

Tom Lewis has been employed by the Board as a new Investigator. Mr. Lewis is a veteran of the United States Army and the North Carolina Army National Guard with over 16 years of service as a military policeman to include combat action in Panama and Iraq. A native of Columbia, South Carolina, Mr. Lewis graduated from Western Carolina University with a bachelor's degree in Political Science. Mr. Lewis is a Certified General Appraiser.

Before joining the Board staff, Mr. Lewis worked for the Equifirst Corporation as a Collateral Risk Analyst. Prior to that Mr. Lewis was employed by the North Carolina Department of Transportation as a Staff Appraiser. Mr. Lewis comes to the Board with 6 years of full-time appraisal experience in both commercial and residential properties.

Mr. Lewis is married and has two children. Mr. Lewis and his family have recently relocated from Concord to Raleigh. □

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

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ncab@ncab.org

Michael F. Easley, Governor

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W. Tom Morgan Raleigh
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Kim N. Giannattasio, *Administrative Assistant*
Lynn White, *Appraiser Secretary*
Paula Ford, *Appraiser Clerk*
Christy Henson, *Office Assistant*

APPRAISER COUNT

(As of November 18, 2005)

Trainees	1049
Licensed Residential	399
Certified Residential	1843
Certified General	913
Total Number	4204

APPRAISER EXAMINATION RESULTS

June - October 2005

Examination	Total	Passed	Failed
Trainee	207	141	66
Licensed Residential	27	24	3
Certified Residential	57	32	25
Certified General	9	6	3

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.

Important Information For Trainees and Supervisors

Several changes in the rules regarding trainee supervision became effective in July 2005. The most important change is that an appraiser wanting to declare a new trainee must take the Board's new 4-hour course in trainee supervision. This course can only be taken from the Board; a course taken by another provider will not count towards this requirement. Supervisors will only have to take this course once. The course costs \$50.00, and participants will receive 4 hours of continuing education credit. The course has been offered across the state in the past several months. Check the Appraisal Board's web site for future course offerings. **Trainees are especially encouraged to attend the course, and will receive continuing education credit for attendance.**

Another change is that trainees are now responsible to make sure their supervisor has properly completed and sent the Supervisor Declaration Form to the Appraisal Board on or before the trainee begins assisting the supervising appraiser. Supervisor Declaration Forms are not retroactive. The date of association or disassociation will be the date stated on the form or the date received, whichever is later. **Trainees will not receive appraisal experience credit for appraisals performed if their supervisor was not declared with the Board on the date the trainees performed those appraisals.**

One question that frequently arises is whether a trainee can have more than one supervisor. There is nothing in Board rules that prevents this. Each supervisor must declare the trainee and must attend the supervisor course.

Rule-Making Proceedings

The Board has initiated rule-making proceedings. It is anticipated that these new rules will take effect in the spring of 2006. Although most of the changes are technical and made for clarification purposes, some are more substantive.

One important proposed change is that continuing education will need to be taken before June 1 in any odd numbered year in order to receive continuing education credit for the course.

Another important proposed change is that until January 1, 2008, applicants for upgrade will be able to take the examination any time after they complete their education for that new level of licensure. They will not have to wait to acquire their experience before taking the examination. Exam results will only be valid for 24 months, so applicants taking the examination before acquiring experience should speak with someone at the Board office before deciding when to take the examination.

Comments on the proposed rules must be made in writing and received by January 17, 2006. If you wish to receive a copy of the proposed rule changes, please visit the Board's web site or contact the Board's office. Written comments are welcome and should be addressed to Roberta Ouellette, Legal Counsel.

2006 USPAP CHANGES - SCOPE OF WORK

The Appraisal Standards Board has approved major changes in the 2006 edition of USPAP which removes the Departure Rule and introduces a Scope of Work Rule. The 2006 edition will become effective on July 1, 2006 and remain in effect until December 31, 2007.

The Scope of Work (type and extent of research and analyses) will be based on what is required to produce credible assignment results. The existing requirement to report the Scope of Work will take on greater importance because users will rely on this disclosure to understand the type and extent of research and analysis in the assignment rather than on potentially misleading development labels of "Complete" and "Limited."

The term credible becomes very important and is defined as worthy of belief. A comment is

made that credible assignment results require support, by relevant evidence and logic, to the degree necessary for the intended use.

An appropriate Scope of Work is the result of an appraiser's proper identification of the problem to be solved. The Scope of Work in an assignment is acceptable when it meets or exceeds both market participant expectations and an appraiser's peers' actions in the same or a similar assignment. The benchmarks of competent performance in the development standards include the requirement to understand and correctly employ recognized methods and techniques.

This is a brief overview of the new changes, and information in this article was based on published information by the Appraisal Standards Board. All appraisers are strongly encouraged to read and

study the changes to the 2006 edition of USPAP. Additional information on Scope of Work and the removal of the Departure Rule can be found on the website of The Appraisal Foundation (www.appraisalfoundation.org). □

New Board Building

The construction of the new Appraisal Board building is progressing on schedule with completion expected by April 1, 2006. This is an attractive building of a modern and functional design containing approximately 14,000 square feet of finished area. The location is 5830 Six Forks Road, Raleigh, which is about one mile north of the new North Hills Shopping Mall complex. This building will help us to better serve the real estate appraisers and citizens of this State for many years. Please check our website in the spring for updates on the opening of this new facility. □

Effective Date of 2005/2006 USPAP

The Appraisal Standards Board (ASB) extended the effective date of the 2005 USPAP to June 30, 2006. The 2006 USPAP, 2006 National USPAP courses and related publications will be released in the first quarter of 2006. The effective date of the 2006 USPAP will be July 1, 2006 and extend through December 31, 2007. The ASB states that this publication schedule will allow for a greater transition period for appraisers, clients, education providers and regulators especially given the major changes in the 2006 edition related to Departure and Scope of Work.

North Carolina Board Rule 57A.0204(b) states that the seven-hour National USPAP Update Course may be taken once for each edition of USPAP. If you have already taken the 2005 USPAP Update Course, you must wait for the 2006 Update to receive credit for continuing education.

The Board will send out order forms giving you the opportunity to order the 2006 edition at a reduced cost. The order forms will be mailed when we are notified that the 2006 edition is ready for purchase by The Appraisal Foundation. □

2006 Board Meeting Dates

January 17-18
February 14-15
March 14-15
April - No Meeting
May 16-17
June 20-21
July 18-19
August 15-16
September 12-13
October - No Meeting
November 14-15
December 12-13

Questions & Answers

This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. The ASB USPAP Q&A is issued to inform appraisers, regulators, and users of appraisal services of the ASB responses to questions raised by regulators and individuals; to illustrate the applicability of the Uniform Standards of Professional Appraisal Practice (USPAP) in specific situations; and to offer advice from the ASB for the resolution of appraisal issues and problems.

Fannie Mae Appraisal Report Forms Q & A

Numerous questions and comments have been presented to the Appraisal Standards Board (ASB) regarding the recently revised Fannie Mae appraisal report forms. Many of the questions, which are summarized and presented below, are related to Item #23 in the Appraiser's Certification on report Form 1004, the Uniform Residential Appraisal Report. (The statement in Item #23 on Form 1004 also appears in the other Fannie Mae forms.) The first question is included because the answer is central to the issue raised about Item #23.

Question 1. What is meant by the term Intended User in USPAP?

Response: Intended User is defined in USPAP as:

the client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the ap-

praiser on the basis of communication with the client at the time of the assignment.

Although the client provides information to the appraiser regarding the Intended Users, it is the appraiser who is responsible for specifying the parties he or she is identifying as Intended Users.

Knowing the Intended Users is important because USPAP requires that reports contain sufficient information to allow Intended Users to understand the report. Without clear knowledge of the Intended Users in an assignment, an appraiser cannot be certain that the report content is appropriate. Some Intended Users will require more information than others in order to facilitate understanding.

Furthermore, identification of the Intended Users is important in understanding the Intended Use or Uses of the appraisal; different Intended Users may have different Intended Uses for the appraisal.

Question 2. I have studied the recently issued revised Fannie Mae appraisal report Form 1004. On that form, the lender/client is identified as the Intended User. However, Item #23 in the Appraiser's Certification states:

"The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties."

I am concerned that Item #23 is not clear, and I wonder if the parties listed in Item #23 could interpret it to mean that they are also Intended Users. To be in compliance with USPAP, what should I do about this item in the Appraiser's Certification?

Response: USPAP requires that each written appraisal report must:

... clearly and accurately set forth the appraisal in a manner that will not be misleading.

Part of satisfying this requirement is clarifying which parties are Intended Users. USPAP requires the appraiser to identify the Intended User(s) and to state in the report who the Intended Users are. (See the definition of Intended User, Standards Rule 1-2(a), and Standards Rule 2-2(b)(i).)

The revised Fannie Mae appraisal report Form 1004 clearly states that the lender/client is the Intended User. However, the language in the Appraiser's Certification Item #23 confuses the matter.

Therefore, in order to clearly and accurately set forth the appraisal in a manner that is not misleading, the revised Fannie Mae report Form 1004 requires supplementation to clarify which parties the appraiser is identifying as Intended Users. As stated in USPAP:

An appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraisal is not misled

Part of not misleading the Intended Users is ensuring that they know who they are.

Question 3. Does the ASB consider Item #23 in the Appraiser's

Certification on report Form 1004 confusing?

Response: The statement that the parties listed, “. . . **may rely on** this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties” [**bold added for emphasis**] is subject to various interpretations.

First, from a practical standpoint, there is little distinction between parties who “use” the report and parties who “rely” on the report. It is difficult to determine the difference between those parties given permission to “rely on” the appraisal report (from the Fannie Mae report forms) and those parties identified as “users of” the appraisal report (from the USPAP definition of Intended Users).

Another matter of confusion is the meaning of the word “may” in the phrase “may rely on.” One interpretation could be that the appraiser is granting permission. This permission for the parties to “rely” on the report suggests that they are Intended Users. Another interpretation could be that the appraiser is simply acknowledging the possibility that another party might choose to rely on the report, even if that party is not an Intended User. This possibility has always existed; the appraiser cannot control to whom the client provides copies of the report.

Question 4. What should an appraiser do if the parties listed in Appraiser’s Certification Item #23 are determined by the appraiser to be Intended Users? What if the appraiser determines they are not Intended Users?

Response: If the appraiser intends any of the parties listed in Appraiser’s Certification Item #23 to be Intended Users, the report must state that fact, and the appraiser must comply with the USPAP

requirements associated with these other Intended Users. For example, further supplementation might be necessary to comply with Standards Rule 2-1(b), requiring that the appraisal report must:

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

If the appraiser does not intend the parties listed in Appraiser’s Certification Item #23 to be Intended Users, the report must be supplemented to clearly explain this. For example, as indicated in USPAP Statement on Appraisal Standards No. 9, a statement similar to the following may be appropriate:

This report is intended for use only by (identify the client and any other intended users). Use of this report by others is not intended by the appraiser.

Question 5. But how can I supplement the Fannie Mae appraisal report forms? Fannie Mae prohibits supplementation of the certification regarding anything material.

Response: The ASB cannot comment on Fannie Mae policies. However, USPAP requires that the appraiser supplement an appraisal report form if the form is not adequate. As stated in STANDARD 2 of USPAP:

*An appraiser **must** supplement a report form, when necessary, to ensure that any intended user of the appraisal is not misled and that the report complies with the applicable content requirements set forth in the Standards Rules. [**bold added for emphasis**]*

Each assignment is different, and no form could cover all USPAP requirements for all assignments. Appraisal report forms are simply tools to assist in organizing the reporting of assignment results.

It is the responsibility of the appraiser to properly develop an appraisal and to properly report the assignment results. A template or form may or may not adequately report the assignment results. □

Fannie Mae UPDATE

Due to the many questions and concerns expressed by real estate appraisers concerning the new forms which were revised on November 1, 2005, a Frequently Asked Questions paper has been issued by Fannie Mae. You can download a copy of the FAQ at www.efanniemae.com/sf/formsdocs/form_s/pdf/sellingtrans/appraisal-faqs.pdf Question (11) eleven helps to clear up concerns about certification No. 23 dealing with the Lender/Client and Intended User. When the appraiser believes the Lender/Client is the only Intended User the following notice or statement will be accepted as an addition to the new form “The Intended User of this appraisal report is the Lender/Client. The Intended Use is to evaluate the property that is the subject of this appraisal for a mortgage finance transaction, subject to the stated Scope of Work, purpose of the appraisal, reporting requirements of this appraisal report form, and Definition of Market Value. No additional Intended Users are identified by the appraiser.”

Fannie Mae will not accept appraisals with additional notices or statements that may conflict with certification No. 23.

Approved Continuing Education Courses

(As of November 18, 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.

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
5000 Nations Crossing Road, Suite 206
Charlotte NC 28217 (704) 362-2296

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

AMERICAN SCHOOL OF REAL ESTATE APPRAISERS

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

National USPAP Update 2005 (7/7)
Value? What Value? (4/4)

AM SOC FARM MANAGRS & 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 (14/14)
Appraising Agricultural Land in Transition (8/8)
Appraising Rural Residential Properties (15/15)
Conservation Easement Valuation & Case Stud (24/24)
Conservation Easements (16/14)
Cost Estimating (8/8)
Identifying Intangible Assets (16/16)
Yllw Bk – Uniform Standards for Fed Land Acq (8/8)

AM SOCIETY OF APPRAISERS NC CHAPTER

121 SE 21st Street
Oak Island, NC 28465 (910) 278-7151

Appr Rural Residential Part Time Farms (7/7)
Appr Sm Residential Income Properties (7/7)
National USPAP Update (7/7)
The Appraisal of Small Subdivisions (7/7)
Using Marshall & Swift/Res Prop (7/7)

APPRAISAL ACADEMY (THE)

3802 N. University Street
Peoria, IL 61614 (309) 681-8100

O/L Fundamentals of Small Business Valuation (7/7)
O/L Limiting Appraiser Liability Exposure (7/7)
O/L Manufactured Home Appraising (7/7)
O/L Tough Residential Appraisal Assignment (4/4)

APPRAISAL INSTITUTE

550 W. Van Buren Street, Suite 1000
Chicago, IL 60607 (312) 335-4236

320 General Applications (39/30)
330 Apartment Appr: Cncpts & (14/14)
400 National USPAP Update (7/7)
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)
600 Inc Val of Sm Mixed-Use Prop (15/15)
610 Cst Val of Sm Mixed-Use Prop (15/15)
620 Sls Comp Val Sm Mixed-Use (15/15)
700 Appraisers as Expert Witness (15/15)

705 Litigation Appr: Splcd Topics & (16/16)
710 Condemnation Appr: Basic Prin & (15/15)
720 Condemnation Appr: Adv Topics & (15/15)
810 Computer-Enhanced Cash F (15/15)
Analyzing Commercial Lease c (7/7)
Appr Consulting: A Solutions Appr (7/7)
Appraisal Review – General (7/7)
Appraisal Review – Single Fam Resid (7/7)
Appraising Convenience Stores (7/7)
Appraising Manufactured Housing (7/7)
Appraising the Tough Ones (7/7)
Avoiding Liability as a Residential Appraiser (7/7)
Case Studies Resid Highest & Best Use (7/7)
Case Studies in Limited Partnership &
Common Tenancy Valuation (14/14)
FHA & the New Residential Appraisal Forms (7/7)
Gen Demo Appr Rpt Writing Sem (7/7)
General Market Analysis & Highest & Best Use (28/28)
Intro to Income Capitalization (7/7)
Market Analysis & the Site to Do Business (7/7)
Mathematically Modeling Real Est (7/7)
O/L Eminent Domain & Condemnation (7/7)
O/L 320: General Applications (7/7)
O/L Course 400: 7-Hr National USPAP (7/7)
O/L Course 420: Business Practices & Ethics (8/7)
O/L Analyzing Distressed RE (4/4)
O/L Analyzing Operating Expen (7/7)
O/L Appraisal of Nursing Facilities (7/7)
O/L Appraising from Blueprints (7/7)
O/L Apartment Appraising, Concepts
& Applications (15/15)
O/L Cool Tools: New Technologies for
RE Appraisers (7/7)
O/L Feasibility, Mkt Value, Investment (7/7)
O/L Internet Search Strategies for R (7/7)
O/L Intro to GIS Apps for RE App (7/7)
O/L Overview of RE Appr Princip (7/7)
O/L Professional's Guide to the URAR (7/7)
O/L Res Design & Functional Uti (7/7)
O/L Res Property Construction & In (7/7)
O/L Scope of Work: Expanding Your Range
of Services (7/7)
O/L Sm Hotel/Motel Val: Lmtd S (7/7)
O/L The Cost Approach to Commercial Appraising (7/7)
O/L The FHA and the Appr Proce (7/7)
O/L Using Your HP12C Financial (7/7)
O/L Val of Detrimental Conditions (7/7)
Opportunities for Appraiser: Consultants Under
the Brownsfield Act of 2002 (7/7)
Rd Less Traveled: Spl Purpose Pr (7/7)
RE Finance, Stats, Valuation M (14/14)
RE Finance, Value, Invest Mode (7/7)
Res Demo Appr Report Writing S (7/7)
Res Market Analysis & Highest and Best Use (14/14)
Residential Rpt Writing & Case Stud (14/14)
Reviewing Residential Appr Rpt (7/7)
Residential Sales Comparison & Income
Approaches (28/28)
Residential Site Valuation & Cost Approach (14/14)
Scope of Work: Expanding Range (7/7)
Subdivision Valuation (7/7)
The Professional's Guide to the URAR (7/7)
Uniform Appraisal Standards for Federal Land
Acquisitions (16/15)
What Clients Want Apprs to Know (7/7)

APPRAISAL INSTITUTE, NC CHAPTER
2306 W. Meadowview Road, Suite 101
Greensboro, NC 27407 (336) 297-9511

Evaluating Commercial Construction (16/16)
RE Development: How to Increase Profits (4/4)

APPRAISAL SCHOOLS BY M. CURTIS WEST
PO Box 947
Zebulon, NC 27597 (919) 217-8040

National USPAP Update 2005 (7/7)
Scope of Work in the Appraisal Process (7/7)

ASHEVILLE-BUNCOMBE TECH CC

340 Victoria Road
Asheville, NC 28801 (828) 254-1921

National USPAP Update (7/7)
PDH RE - Basic Surveying (5/5)
The UDO: Regulating RE Use & Dev (4/4)

BOB IPOCK & ASSOCIATES, INC.

1218 Heatherloch Drive
Gastonia, NC 28054 (704) 807-1985

Appraising In NC (4/4)
Back to Basics (4/4)
National USPAP Update (8/7)

CAREER WEBSCHOOL

1395 S. Marietta Pkwy., Bldg. 400, Suite 107
Marietta, GA 30067 (770) 919-9191

O/L Appraisal Methods (14/14)
O/L FHA Single Family Appraisal (14/14)
O/L Overview of Appr Process (14/14)
O/L Uniform Resid Appr Rpt (14/14)

CCIM INSTITUTE

430 N Michigan Avenue, 8th Floor
Chicago, IL 60611-4092 (312) 321-4473

C1101 Fin Analysis Comm Invest (30/30)
C1102 Market Analysis Comm In (30/30)
C1103 User Decision Analysis Comm (30/30)
C1104 Invest Analysis Comm Inv (30/30)
Introduction to Com Investment RE An (12/12)

DAN MOHR RE SCHOOLS

1400 Battleground Avenue, Suite 150
Greensboro, NC 27408 (800) 639-9813

Depreciation Workshop (7/7)
Environmental Hazards-Residential Prop (7/7)
Extraction of Data from Market Res (7/7)
HP 12C Course (7/7)
Intro to Residential Construction (30/30)
Mfg/Modular Homes & Real Property Appr Review (7/7)
National USPAP Update (7/7)
New Fannie Mae Forms (7/7)
Res Appr & Conventional Underwriting Guide (7/7)
Residential Construction Cost (7/7)
Residential Construction Seminar (14/14)
Rules & Regs FHA/HUD Requirements (14/14)
Staying Out of Trouble – NC Ap (7/7)
The Narrative Appraisal Report (7/7)

DYNASTY SCHOOL

2373 S. Hacienda Boulevard
Hacienda Heights, CA 91745 (800) 888-8827

O/L National USPAP Update 2005 (7/7)
O/L Real Estate Appraisal (14/14)

EDGECOMBE CC

225 Tarboro Street
Rocky Mount, NC 27801 (252) 446-0436

Appraising Manufactured, Modular & Mobile (A) (7/7)
Appraising Manufactured, Modular & Mobile (B) (7/7)
Cost Appr Marshall & Swift Res & Co (7/7)
Income Capitalization (14/14)
Income Capitalization (A) (7/7)
Income Capitalization (B) (7/7)
Manufactured, Modular & Mobile (4/4)
Narrative Appraisal Report Writing (14/14)
National USPAP Update 2005 (7/7)
New FNMA Forms – Multifamily (7/7)
New FNMA Forms – Single Family (7/7)
Pricing Small Income Properties (4/4)
Principles & Techniques Val 2-4 Unit Res (14/14)
Adjustments (7/7)
Principles & Techniques Val 2-4 Units Res Prop (14/14)
Real Estate Finance for Appraisers (14/14)
Rural Valuation Seminar (14/14)

Approved Continuing Education Courses

Single Family Residential Appraisal (14/14)
Standards of Professional Practice (15/15)
USPAP & NC Board Rules & Regs For (15/15)

FOUNDATION OF RE APPRAISERS

283 N. Rampart Street, Suite C
Orange, CA 92868 (714) 935-1161

National USPAP Update 2005 (7/7)

HIGNITE TRAINING SERVICE

208 Gloria Street
Greenville, NC 27858 (252) 756-7288

Fannie Mae Forms & Regulation (7/7)

National USPAP Update (7/7)

HONDROS COLLEGE

4140 Executive Parkway
Westerville, OH 43081 (614) 508-7200

Sales Comparison Approach (3.5/3.5)

INSTITUTE OF GOVERNMENT, UNC CHAPEL HILL

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

Appr of Commercial Prop in a Declining Market (7.5/7)
Appraisal of Land (30/30)

Assessment Administration (30/7)

Fundamentals of Assessment Ratio Studies (16/16)

Fundamentals of Mass Appraisals (30/30)

IAAO 101: Fundamentals of Real Prop (30/30)

IAAO 102: Inc Approach to Valuation (30/30)

IAAO 402: Property Tax Policy (30/30)

Marshall & Swift - Commercial (13/13)

Principles & Techniques of Cadestral Mapping (30/30)

Residential Modeling Concepts (30/30)

JVI

951 Market Promenade Avenue, Suite 2101
Lake Mary, FL 32746 (407) 531-5333

Appraising REO Properties (7/7)

LENOIR CC

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

Appraising Manufactured, Modular, & Mobile (A) (7/7)

Appraising Manufactured, Modular, & Mobile (B) (7/7)

Cost Approach Marshall & Swift (7/7)

Income Capitalization (A) (7/7)

Income Capitalization (B) (7/7)

National USPAP Update 2005 (7/7)

NC Rules & Regulation Update (7/7)

Principles & Techniques for Determining

Market Adjustments (7/7)

Principles/Techniques Val 2-4 Unit Residential (14/14)

USPAP & NC Rules & Regulations for App (15/15)

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Cost Appr. Residential Apprais (7/7)

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2-4 Family Finesse: Appraising Multi-Family
Properties (7/7)

Appr For the Secondary Market (7/7)

Appraising High Value Residential Properties (7/7)

Appraisal Review (7/7)

Appraisal Trends (7/7)

Appraising the Oddball (7/7)

Disclosures and Disclaimers (7/7)

Does My Report Comply with USPAP? (7/7)

Fannie Mae Revisions (7/7)

Lmtd Apprs & the Scope of Wk D (7/7)

Made in America: Appraising Factory Built Housing (7/7)

National USPAP Update 2005 (7/7)

National USPAP Update Equivalent (7/7)

O/L Appr for the Secondary Market (7/7)

O/L Appraiser Liability (7/7)

O/L Appraising the Oddball (7/7)

O/L Construction Details & Trends (7/7)

O/L FHA Appraising Today (7/7)

O/L Made in America (7/7)

O/L National USPAP Update 2005 (7/7)

Relocation Appraisal is Differ (7/7)

Residential Construction (7/7)

MEL BLACK/NCREEI

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2-4 Family Properties (7/7)

Board Rules and Laws (7/7)

Current Issues & Problem Solving in Residential

Appraising (14/14)

The New URAR (7/7)

National USPAP Update 2005 (7/7)

New 2055 & 1075 Drive-by Forms (7/7)

Sales Comp Analy Based on Mk (7/7)

Technical Writing for Appraisers (7/7)

Trainees & Supervisors (7/7)

Value? What Value (4/4)

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Appraising in NC (4/4)

National USPAP Update (7/7)

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National USPAP Update 2005 (7/7)

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Legal Issues in Real Estate (7/7)

Residential Construction (7/7)

Residential Real Estate as an Investment (7/7)

Tax Planning for the Real Estate Agent (7/7)

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Apply Marshall & Swift and Valuing Medical/
Assisted Living Facilities (7/7)

Appraisal of Residue & Special Use Properties (7/7)

Sales Comp Grid/Appr of Trans (7/7)

Trending Via Demographics/Appraising Land

for Development Potential (7/7)

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Accurate Forest Inventory (16/16)

Applied Intermediate GIS - Foresters (15/15)

Conservation Design: Greener Comm (14/7)

Dlntn of Pdmt & Cstl Pln Jrsd (30/30)

Introduction to Applied GIS - Foresters (15/15)

Introduction to Applied GPS - Foresters (13/13)

NCSSU SOIL SCIENCE DEPT

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Basics of On-Site Sewage (7/7)

Getting the Dirt on Soils (7/7)

On-Site System Tech Refresh (7/7)

Septic System Options for Diff (14/14)

Wastewater in the Environment (7/7)

Wells & Septic Systems (4/4)

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Appraisers and Residential Reviews (7/7)

Fannie Mae Guidelines for Appraises (7/7)

Introduction to Environmental Risk Screenings (7/7)

National USPAP Update 2005 (7/7)

What the NC Appraisal Board Expects from You (4/4)

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Cost Approach (7/7)

Loan Office & Appr Relationship (7/7)

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The New Fannie Mae Appraisal (7/7)

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Fannie Mae Updated Prop & App (8/8)

Home Inspections & Common De (4/4)

Is the Comparable Comparable (8/8)

Mobile Mfg Homes & Types of M (4/4)

National USPAP Update 2005 (7/7)

Preparation of a Quality URAR (8/8)

Reviewing a Residential Appraisal (8/8)

Testing Highest & Best Use (8/8)

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Manufactured Home Construction (7/7)

National USPAP Update 2005 (7/7)

New FNMA Forms (7/7)

North Carolina Rules (7/7)

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National USPAP Update 2005 (7/7)

New FNMA Forms (7/7)

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Appraising Manufactured, Modular & Mobile (14/14)

Income Capitalization (A) (7/7)

Income Capitalization (B) (7/7)

Maximizing Value (4/4)

Manufactured, Modular & Mobile (7/7)

National USPAP Update 2005 (7/7)

New FNMA Forms - Multifamily (7/7)

New FNMA Forms - Single Family (7/7)

Pricing Complex Properties (4/4)

Principles & Techniques for Determining Market

Adjustments (7/7)

USPAP & NC Rules and Regulations for App (15/15)

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Appraisal Review 2 (8/8)

Appraising in a Changing Market (4/4)

National USPAP Update (7/7)

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.

Lawrence D. Bullard (A3568; Wilmington)—By consent, the Board suspended Mr. Bullard's certification for a period of 6 months. If Mr. Bullard completes a course in appraising the oddball or appraiser liability by that date, the suspension will be inactive. As part of the consent order, Mr. Bullard surrendered his general certification and was issued a residential certification. The Board found that Mr. Bullard performed an appraisal on a property located in Supply, NC with an effective date of April 2, 2004, finding an estimated value of the land as vacant of \$830,000 and as a proposed subdivision of \$2,045,000. The subject property was a Planned Unit Development consisting of 19.33 +/- acres, which is part of a larger tract of land that contains 460 acres. Mr. Bullard reported the appraisal in a narrative format. The report makes no mention of the zoning requirements or public facilities available to the site in his report, nor does the report mention the most recent transfer of the subject property in his report. The report also fails to provide in depth reasoning or support for his opinion of the highest and best use of the land. Mr. Bullard indicated a Highest and Best Use of the subject site as single-family development with 75 patio homes lots. In reporting his Subdivision Analysis, Mr. Bullard provided no cost source documentation or market data and does not reference any other specific sources. He made no analysis or comparison of the subject's proposed lots versus the lot sales listed in the report, and he had no reconciliation in his report. The appraisal report contained insufficient information to produce a credible report.

Ronald S. Ferrell (A86; Cornelius)—By consent, the Board accepted the voluntary surrender of Mr. Ferrell's residential certification.

Lewis W. Davis (A2653; Charlotte)—By consent, the Board suspended Mr. Davis' residential certification for a period of 6 months. The suspension is stayed until December 31, 2005. If Mr. Davis completes a course in residential design and functional utility or another similar course by that date, the suspension will be inactive. The Board found that Mr. Davis performed an appraisal on a property located in Charlotte, NC dated October 10, 2002, arriving at an estimated value of \$385,000. The subject property is a one level Spanish style dwelling that was built in 1960 and is situated on 1.033 acres. Mr. Davis stated in his report that the property had 3 bedrooms and two baths, and contained 2695 square feet. The subject property actually contained 2357 square feet. One area Mr. Davis referred to as a bedroom actually consisted of two smaller areas, an unfinished mechanical room and an enclosed porch with a bare cement floor. These areas were not heated and should not have been included in the gross living area. By including this additional square footage in the gross living area, Mr. Davis failed to make appropriate adjustments to his comparable sales and over valued the subject property.

Norma C. Harless (A4793; Lenoir)—By consent, the Board accepted the voluntary surrender of Ms. Harless' residential license.

Roger G. Harless (A5690; Lenoir)—By consent, the Board suspended Mr. Harless' residential

license for a period of six months. The first month of the suspension shall be active and the remainder stayed until May 1, 2006. If Mr. Harless completes a course in sales comparison and a course in appraiser liability by that date, the remainder of the suspension shall be inactive. There were two complaints against Mr. Harless. In the first case, the Board found that Mr. Harless, while a trainee, appraised a property located in Lenoir, North Carolina in August 2004, finding an estimated value of \$86,000. The subject was listed for sale on August 27, 2004 for \$49,900 and sold on October 28, 2004 for \$53,000. The subject is a 32-year old brick dwelling containing 1,215 square feet with a 915 square foot basement. Although the appraisal report indicates the subject in average condition with no repairs noted, the den did not have a floor covering, the roof was at the end of its economic life and that the house was in marginal condition. Mr. Harless used three sales in his sales comparison approach. All these sales were superior to the subject in condition, yet the Respondent made no condition adjustments. In the second case, the Board found that Mr. Harless, while a trainee, appraised a property located in Lenoir, North Carolina in January 2004, finding an estimated value of \$76,000. An order form in the work file indicated an estimated value of \$70,000 and loan amount of \$49,000. The report indicates the subject transferred to the present owner in March 2003 but does not indicate the sales price. Public records and the MLS indicate that the sales price on March 31, 2003 was \$14,250 and was sold "as is." The subject is a 23-year-old frame dwelling containing 926 square feet. The report indicates

Disciplinary Actions

that the subject property has been extensively updated with new windows, drywall, Berber carpet, vinyl, heat pump and interior paint. Mr. Harless used three sales in the report. He made inadequate and inappropriate adjustments to his sales for the differences between them and the subject. Mr. Harless over valued the subject properties in both of these cases.

Teri F. Hoke (A4201; Mount Holly)—By consent, the Board suspended Ms. Hoke's residential certification for a period of six months. The first month of the suspension shall be active and the remainder stayed until January 1, 2006. If Ms. Hoke completes a sales comparison course and a course in residential design and functional utility by January 1, 2006, the remainder of the suspension will be inactive. The Board found that Ms. Hoke performed an appraisal on a property located in Charlotte, NC dated March 26, 2001 arriving at an estimated value of \$235,000. The subject is a ranch style dwelling with a full finished basement having approximately 1681 square feet on the main level and a finished basement having approximately 1681 square feet. The subject is one of the largest homes in the subject subdivision and the only one with a basement. Ms. Hoke appraised the subject as a two-story dwelling and included both levels in the gross living area. All sales analyzed by Ms. Hoke were outside the subject subdivision and located in subdivisions with higher site values and higher sales ranges. There were several sales in the subject subdivision that had closed 12 months prior to the effective date of the appraisal that ranged from \$95,700 to \$137,000. Ms. Hoke did not use these sales in her search for comparables since her square footage for the subject property was incorrect.

Melissa Stocks Hughes (A5654; Ayden)—By consent, the Board suspended Ms. Hughes' residential license for a period of three months. The suspension is stayed until October 1, 2005. If Ms. Hughes completes a sales comparison course by that date, the suspension will be inactive. The Board found that Ms. Hughes completed an appraisal on a property located in Avon, North Carolina in June 2004, indicating a final value of \$570,000. The subject property was located one lot from the ocean and had an ocean view. There was a public access walk within 25 yards of the subject. Ms. Hughes used three comparable sales and one listing that was under contract. The adjusted sale prices of her first two comparables were \$518,960 and \$524,820. The other sale was located approximately 16 miles north of the subject and was an oceanfront property, but Ms. Hughes incorrectly stated in the report that the property was one row off the ocean. Ms. Hughes this sale to \$682,560, but she should have made an additional \$100,000 adjustment for the fact that this property was oceanfront, thus arriving at an adjusted price of \$582,560. There were other sales available that would have led to a lower value for the subject property.

Gregory L. Mann (A4690; Raleigh)—By consent, the Board suspended Mr. Mann's residential certification for a period of six months. Mr. Mann must also complete a course in sales comparison and a course in appraising complex properties. There were three complaints against Mr. Mann. In the first complaint, the Board alleged that Mr. Mann appraised a property located in Wake Forest, North Carolina in October 2003, finding an estimated value of \$4,000,000. The appraisal was performed "as is."

The subject was a dwelling containing 10,837 square feet of above-grade living area and a 4,757 square foot finished basement. Mr. Mann used four closed sales and referenced one active listing in his sales comparison approach. The four sales ranged in sales price from \$1,700,000 to \$3,000,000 and ranged in square footage from 5,361 to 11,203. The property that was listed was on the market for \$3,895,000, but was subsequently withdrawn from the market after being listed for 420 days. Mr. Mann's fourth sale was the most comparable to the subject. This property sold in April 2002 for \$3,000,000. Mr. Mann made numerous adjustments (net adjustments were \$1,169,720) to this sale that did not appear supported. There were three sales in the subdivision that sold one year prior to the effective date of the appraisal that ranged in price from \$785,000 to \$2,175,000. In the second case, Mr. Mann appraised a property located in Fuquay-Varina, North Carolina in August 2002, finding an estimated value of \$350,000. The report states that the subject property was listed for \$299,900 and that the contract price was set at \$350,000 after upgrades. MLS indicates that the subject was listed for \$299,900 on September 8, 2001 and withdrawn on April 11, 2002. There were 16 sales in the subject subdivision one-year prior to the appraisal that were similar in size to the subject property. Fifteen of those sales ranged in price from \$266,500 to \$348,500, and the highest sale in that size range sold for \$370,000. Mr. Mann used this highest sale as his Comparable Sale 2. There were two sales similar in size and within the subject's cul-de-sac location that sold within a year of the date of the appraisal that were not used in the appraisal. These properties sold for \$295,000 and \$290,000, and would have provided

Disciplinary Actions

a lower value for the subject property. In the third case, Mr. Mann appraised a property located in Charlotte, North Carolina in August 2002, finding an estimated value of \$1,200,000. The subject was a new two-story dwelling containing approximately 3,335 square feet of gross living area. Although the subject is designated as a condo, it is one unit of a two unit building that has the appearance of town homes. These units are similar in size, design and amenities. Mr. Mann attached an addendum to his report that stated the subject property was offered for sale recently, but did not provide any listing information. Both the subject and its adjoining unit were listed for sale on June 29, 2001 for \$1,035,000. The units were reduced to \$975,000, then further to \$925,000. Mr. Mann used five comparables in his report. His first three comparable sales were closed sales that all sold over a year before the effective date of the report. His other two comparables were pending listings. All comparables are located within close proximity to the subject. These properties sold for \$802,000, \$925,000 and for \$945,168. Within a year of the appraisal, there were 17 sales of condos in the subject area. Sixteen of those ranged in price from \$501,000 to \$699,013; one sale was at \$803,243. Comparable Sales 1, 2 and 3 were the highest priced condo sales found within two years of the effective date of the appraisal. All three were located near the subject and were similar in their town home design, quality and appeal. The adjusted range of values for the three sales was \$808,015 to \$965,008. The fourth comparable sale was a property that was listed at the time of the appraisal for \$1,195,000. His fifth comparable sale was also a property that was listed for sale: it was listed for \$1,940,000 and contained 4,818 square feet. Mr.

Mann stated in the report that his final opinion of value was based on Comparables 4 and 5. Mr. Mann overvalued all of the above properties.

Thomas R. T. McIntosh (A3721; Durham)—By consent, the Board issued a reprimand to Mr. McIntosh and ordered him to take a course in North Carolina Board Rules by June 30, 2006. If he fails to take the course, a one-month active suspension will begin on July 1, 2006. The Board found that Mr. McIntosh consented to the revocation of his real estate broker's license in January 2004, but failed to notify the Appraisal Board of that disciplinary action as required by Board Rules.

Matthew T. McVeigh (A5174; Greensboro)—By consent, the Board accepted the surrender of Mr. McVeigh's residential certification.

Dennis B. Munro (A4950; Mooresville)—By consent, the Board suspended Mr. Munro's residential certification for a period of two months. There were four cases against Mr. Munro. In the first case, the Board found that Mr. Munro, while a trainee, completed an appraisal on a property located in Stanley, North Carolina in January 2001, indicating a final value of \$210,800. The appraisal was done subject to plans and specifications. Mr. Munro used stick-built homes as comparable sales, but did not explain why he used those sales. Although these sales were similar in age and size, they did not appear to be similar in design/appeal, quality of construction or location. Mr. Munro failed to make appropriate adjustment to the sales for these differences. In the second case, Mr. Munro, while a trainee, appraised a property located in Stanley, North Carolina in July 2002, indicating a final value of \$153,000. The appraisal was done subject to completion per

plans and specifications. The purpose of the appraisal was to obtain a loan to purchase the subject. The sale price was stated in the report as \$153,000; however, Mr. Munro did not properly analyze the current listing or the current agreement of sale. Mr. Munro stated in the report that the subject was not currently listed for sale, but stated in the response the subject had a for sale by owner sign in the front yard. He did have the offer to purchase and contract and a closing statement for the subject in his work file. There were twenty-one sales in the subject area that were comparable to the subject. Those sales ranged in sale price from \$105,000 to \$157,500, with the average sale price of \$127,500. Although Mr. Munro chose to use the higher end sales because he felt the subject and their sales were of good quality, he treated the subject as average quality of construction in the report. He failed to make appropriate adjustments for the difference in quality between the comparable sales and the subject. In the third case, Mr. Munro, while a trainee, appraised a property located in Stanley, North Carolina in July 2002, indicating a final value of \$153,000. The appraisal was done subject to completion per plans and specifications. The sale price was stated in the report as \$153,000; however, Mr. Munro did not properly analyze the current listing or the current agreement of sale. He stated in the report that the subject was not currently listed for sale, but stated in the response the subject had a for sale by owner sign in the front yard. He did have the offer to purchase and contract in the work file. There were many sales available that would have indicated a value for the subject property in the area of \$130,000. Although Mr. Munro chose to use the higher end sales because he felt the subject and their sales were of

Disciplinary Actions

good quality, he treated the subject as average quality of construction in the report. He failed to make appropriate adjustments for the difference in quality between the comparable sales and the subject. In the fourth case, Mr. Munro, while a trainee, appraised a property located at in Gastonia, North Carolina in March 2002, indicating a final value of \$141,000. The subject was a new home and the appraisal was made "as is." The sale price was stated in the report as \$141,000; however, Mr. Munro did not properly analyze the current agreement of sale. The sales used by Mr. Munro appeared to be located in superior areas with superior appeal to the market. Although the sales had more quality features than the subject, Mr. Munro failed to make appropriate adjustments for these differences. There were nineteen sales comparable to the subject that were located in the subject subdivision. Those sales ranged in sale price from \$99,900 to \$155,900, with the average sale price of \$131,300. While performing all the above appraisals, Mr. Munro was working as a trainee under the supervision of a certified residential real estate appraiser.

B. Derek Parker (A4185; Smithfield)—By consent, the Board suspended Mr. Parker's residential certification for a period of three months. The suspension is stayed until December 31, 2005. If Mr. Parker completes a course in sales comparison and a course in appraiser liability by that date, the suspension will be inactive. There were three cases against Mr. Parker. In the first two cases, Mr. Parker signed appraisal reports performed by trainees in which he signed the appraisal reports as the appraiser. He indicated on several of those reports that he personally inspected the subject properties when he did

not do so. There were also inspection forms in several of those files that where he also stated that he personally inspected the subject. The trainees did not sign any of the reports. In his reconciliation in most of the reports, Mr. Parker did indicate the name of the trainee who provided significant professional assistance. In the third case, a trainee working under Mr. Parker's supervision appraised a property located in Parkton, North Carolina in November 2004, indicating a final value of \$90,000. Although the subject property was listed for sale for \$25,000 on the effective date of the appraisal, there was no mention in the appraisal report of this fact. The appraisal report had the wrong owner's name on it, even though Mr. Parker had a tax card in his work file that indicated the correct owner. Although the only sales within a year prior to the appraisal were foreclosures, Mr. Parker made no mention of the condition of the surrounding properties in the neighborhood or the abundance of foreclosures in his report. There were many sales available outside the subdivision that would have supported Mr. Parker's value.

Stephen R. Simmons (A3315; Greensboro)—By consent, the Board suspended Mr. Simmons' residential certification for a period of two years. If Mr. Simmons completes a sales comparison course and a course in appraiser liability by June 30, 2006, only the first twelve months of the suspension shall be active. The Board found that Mr. Simmons appraised several properties located in the Glenridge Subdivision, Cornelius, North Carolina. All of those appraisals were performed at the request of the same client, and were based on contracts between the developer and various buyers. The same three comparable sales were

used in most of the reports. All properties were appraised for the indicated contract amount. On the appraisal that was the basis for the complaint, the subject was new construction containing 2,530 square feet with a two car attached garage. Mr. Simmons appraised this property for \$289,000. The subject was listed for \$294,900, which was indicated in the report. Mr. Simmons used three sales of new construction from within the subject subdivision to value the subject. Comparable 1 sold on June 4, 2002 for \$290,000. This property was listed on December 3, 2001 for \$199,900 then changed to \$282,900 on January 16, 2002. Comparable 2 sold on March 12, 2002 for \$270,000. This property was listed on September 4, 2001 for \$193,900 then changed to \$195,900 on November 28, 2001. Mr. Simmons did not mention this listing history in his appraisal report. The third comparable sale was not entered into the MLS system until April 22, 2002 to reflect a sale on December 11, 2001 for \$287,000. There were 18 sales in the subject subdivision that sold within a year of the report. Many of those properties sold for \$80,000 to \$100,000 more than their list price. There were legitimate sales available that would have led to lower values for all of Mr. Simmons' appraisals in this subdivision.

James L. Wright (A3517; Wadesboro)—By consent, the Board suspended Mr. Wright's residential certification for a period of three months. Mr. Wright also agreed to take a course in sales comparison. If the course is completed by April 1, 2006, the suspension will be inactive. The Board found that Mr. Wright appraised a property located in Salisbury, North Carolina in March 2002, finding an estimated value of \$105,000. At the time of the appraisal the subject was under con-

Disciplinary Actions

tract for \$110,000. The dwelling was a 1495 square foot wood sided ranch home built in the early 1900s and located in the Historic District. Mr. Wright used four sales in his report. He stated that Sales 2 and 4 were within one mile when they were actually over two miles from the subject. The first sale had a full brick exterior, and the immediate surroundings were superior to the subject, and Respondent adjusted for superior quality but not superior location. The second sale was similar in square footage, but was in an area that consisted of homes in a higher, more stable price category than that of the subject. His third sale was in the immediate area but was larger in square footage and unfinished area, and had a full brick exterior. This sale appeared to be in a superior location with surroundings more stable. The fourth sale was built in 1993 and was in a subdivision that had homes of similar

size, age, condition and market value. This subdivision was in a higher, more stable market area compared to the subject area. Mr. Wright made inadequate adjustments to these sales. There were other sales available that were closer in size, appeal and more similar to the subject property than the sales used in the appraisal. The sales that were most similar to the subject's size ranged in value from \$43,000 to \$87,000.

Paul Zeleznik (A2284; Charlotte)—By consent, the Board issued an inactive suspension of Mr. Zeleznik's residential certification for a period of six months. Mr. Zeleznik also agreed to take a course in sales comparison and a course in report writing. If these courses are not completed by February 1, 2006, the six-month suspension will be activated on that date. Mr. Zeleznik issued an appraisal report on a property located

in Wingate, NC in which the property was valued at \$202,000 effective May 29, 2003. This property is located in a subdivision known as Windward Oaks. The subject property is larger than most homes in the subdivision, was located on a larger site and was situated on a small pond. Mr. Zeleznik used three sales in his sales comparison approach. All three of his sales were located outside the subject subdivision. All three of these sales were superior in quality to the subject property and were located in superior locations of higher priced homes, yet Mr. Zeleznik made no adjustments for these differences. There were 127 sales in the subject subdivision that sold from 1998 to 2004. Those sales ranged from \$70,000 to \$125,000. Mr. Zeleznik also appraised another property located in Wingate, NC that raised the same issues.

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