

NORTH CAROLINA APPRAISAL BOARD



APPRAISER REPORT

Volume 23

March 2013

Number 1

CONTINUING EDUCATION DUE BY MAY 31, 2013

All appraisers and trainees must have 28 hours of continuing education credit in order to renew their licenses in 2013, including the 7-hour National USPAP Update course. **The current CE cycle is June 1, 2011 to May 31, 2013.**

- Appraisal Board rules allow you to take up to 14 hours of the 28-hour requirement as on-line courses.
- As of January 1, 2013, you can take any of the pre-certification courses, except Basic Appraisal Principles and Basic Appraisal Procedures, for continuing education and still use it to upgrade. Only courses completed on or after January 1, 2013 may be used for both continuing education and for upgrade. If you are taking an online pre-certification course, only 14 of those hours will apply.
- No continuing education credit was carried over from the 2009-2011 education cycle into the 2011-2013 cycle.
- If you reside in another state and are currently licensed by the appraiser certification board of that state, you may satisfy the continuing education requirement by providing a current letter of good standing from your resident state showing that you have met all continuing education requirements in that state.

Trainees who initially register on or after January 1, 2013 will not have to obtain continuing education to renew in 2013.

APPRAISER RENEWAL INFORMATION

All registrations, licenses and certificates expire on June 30th and must be renewed before this date to maintain your current status. Renewal notice forms will be mailed in early May. Please access your record through the licensee login on our website and make sure we have your correct mailing address so the renewal notice will reach you. You may update your contact information through the licensee login section.

You will only receive one renewal notice. If you do not renew by June 30th, your registration, license or certificate will expire. Any person who acts as a trainee, licensed or certified real estate appraiser while expired shall be subject to disciplinary action and penalties as prescribed by the Appraiser's Act. **You are required to have 28 hours of CE completed by May 31, 2013, which includes the 2012-2013 7-Hour National USPAP Update course, in order to renew on time.** Through the licensee login section, you can also view your CE record. Courses must be taken within the current CE cycle, which is June 1, 2011 – May 31, 2013.

The renewal fee is \$200.00 and if you want to be on the National Registry, there is an additional fee of \$60.00. You must be on the National Registry to prepare appraisals related to federally related transactions. Registered trainees are not permitted to be on the Registry, but absent any client requirements are allowed to work on any assignments their supervising appraiser is allowed to prepare. If you allow your license to lapse, you may late renew with late penalty fees for the first 12 month period and may reinstate in the second 12 month period by making a full application; except for Licensed Residential classification, which must be renewed within 12 months of expiration. After 24 months, you must start over and meet all the current education and experience requirements plus pass the exam.

APPRAISER REPORT

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 Appraiser Report**.

NORTH CAROLINA APPRAISAL BOARD

5830 Six Forks Road
Raleigh, North Carolina 27609
Phone: 919/870-4854
Fax: 919/870-4859

Website:

www.ncappraisalboard.org

Email Address:

ncab@ncab.org

Patrick McCrory, Governor

APPRAISAL BOARD MEMBERS

John D. Lyon, Jr. Chairman	Raleigh
Thomas A. Barton Vice-Chairman	New Bern
David B. Goldberg	Chapel Hill
Clifford A. Maske	Concord
Charles L. McGill	Raleigh
Charles J. Moody, III	New Bern
Fern Shubert	Marshville
Timothy N. Tallent	Concord
Timothy C. Theriot	Winston-Salem

STAFF

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

APPRAISER COUNT

(As of February 28, 2013)

Trainees	451
Licensed Residential	119
Certified Residential	2099
Certified General	1280
Total Number	3949

APPRAISER

EXAMINATION RESULTS

October 1, 2012 – February 28, 2013

Examination	Total	Passed	Failed
Trainee	11	7	4
Certified Residential	9	7	2
Certified General	6	5	1

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

To view a current list of continuing education courses approved by the Board, please visit our website at http://www.ncappraisalboard.org/education/contin_edu.htm

AMC Renewals

All Appraisal Management Company registrations expire June 30, 2013, and must be renewed before this date to maintain its current status. The Board will begin accepting renewal applications on April 1, 2013.

The renewal application is available on our website at:

<http://www.ncappraisalboard.org/forms/AMCForms/RenewalApplication.pdf>.

All registrations reinstated after the expiration date are subject to a late filing fee of \$20.00 for each month or part thereof that the registration is lapsed, not to exceed \$120.00. In the event a registrant fails to reinstate the registration within six months after the expiration date, the registration shall expire and the registrant shall be required to file a new application for registration. Reinstatement of a registration shall not be retroactive.

DOCUMENTING EXPERIENCE HOURS

The Appraisal Board recently changed from a point system to an hour system for reporting experience for upgrade. All experience noted on logs with applications must be reported in actual hours, not points. Appraisal experience performed before January 1, 2011 should be converted using the formula of one point equals 8.33 hours.

The Board printed a list of anticipated experience hours for each type of assignment in its licensing booklet. As a result, many appraisers simply used the anticipated hours when reporting experience, rather than documenting and reporting actual hours spent on an assignment.

In Memory

Former member of the
North Carolina
Appraisal Board,
**Thomas F.
Hollingsworth**
passed away January

What is a true comparable sale?

In looking at a sale to see if it may be used in an appraisal, the appraiser must make sure that the sale reflected an arm's length transaction. There are generally five elements of an arm's length transaction.

1. The buyer and seller are typically motivated.
2. Both parties are well informed or well advised, and each is acting in what they consider their best interest.
3. A reasonable time was allowed for exposure in the open market.
4. Payment was made in terms of cash in United States Dollars or in terms of a financial arrangement comparable thereto.
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions.

If any of these tests are not met, the sale may only be used with appropriate discussion and adjustment. A client may have additional requirements, such as that the sale must be less than 6 months old or within a certain distance from the subject. It is the appraiser's responsibility to be familiar with and comply with those guidelines.

Source of data

Your source of data for your comparable sales must have sufficient information so that you can understand the conditions of sale, existence of financing concessions, physical characteristics of the subject property, and whether it was an arms-length transaction. Competency requires that you have the ability to locate home sales information available from many sources, not just a Multiple Listing Service. A local MLS is a good source of data, but should not be considered the only source an appraiser may utilize in selecting comparable sales. In some areas, tax records or private databases provide more comprehensive data. A FSBO (for sale by owner) property could be a reasonable comparable sale if it had been properly marketed. Some builders do not utilize the MLS for their subdivisions, preferring to do some or all of the sales themselves. If a property has not been marketed on MLS or another regional database, the appraiser must make sure that the property was exposed to the open market for a reasonable time before it can be used. Also remember that Fannie Mae requires you to state the specific source of your data; they do not allow the use of a broad category such as "public records".

Verification

Remember, Standards Rule 1-4 of USPAP requires that you collect, verify and analyze all of the data used in the report. For example, if you collect comparable sales information from MLS, you then verify the information by checking with 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 or a HUD-1 that conflicts with public records. An appraiser cannot state that the verification source is "inspection".

CHANGES TO RULES REGARDING APPLICATIONS AND UPGRADES EFFECTIVE JANUARY 1, 2013

- The 5 year rule for qualifying education has been removed. All qualifying education must have been completed on or after January 1, 2008 to be considered.
- The 5 year rule for qualifying experience for certified appraisers has been removed. Although the Appraisers Act still contains the 5 year limit, staff will consider experience from more than 5 years on a case-by-case basis.
- Appraisers who are certified in another state but who now reside in North Carolina may apply for certification here based on their out of state credential.
- Applicants no longer have to wait six months to reapply if an application is withdrawn, cancelled or denied.

Information in MLS may not be accurate and may report a sale that was not arm's length. There are some instances where real estate agents may report a land/home package sale on MLS. Sometimes you will see a remark that the sale is for information purposes only and is not to be used as a comp. Even if the sale is reported on the MLS, that does not make it a legitimate, arm's length transaction.

It is not appropriate to simply obtain a list of sales from a developer's sales office, and then verify with the tax office or a HUD1 settlement statement that the sale took place. By doing this, you are verifying only the sale, not the conditions of the sale. The HUD1 may provide some additional information, such as closing costs, but it does not address the question as to whether a reasonable time was allowed for exposure in the open market.

Using foreclosure sales

In the current economy, foreclosures have skyrocketed and REO sales have become common in many areas. Lenders may be more willing to accept a short sale to avoid foreclosure. The problem with using these sales is that in many instances the buyers and sellers are not typically motivated. The seller may want to unload the property as soon as possible, not caring about the final price received. The buyer may take advantage of this and make an offer much lower than what they are willing to pay. The properties themselves are often sold "as is", without any repair or inspection contingency. Given these problems, FHA and other lenders "strongly discourage" the use of foreclosure sales or short sales as comparables.

In areas where there are only a few distress sales, it is easy to ignore them as comparable. In some areas, however, there are so many foreclosure sales that they have become the market for that area and buyers will not pay full price for a home absent special financing or concessions. As a result, there could be a longer marketing time and resultant decline in value in the area. These factors should be noted in the marketing conditions section of the appraisal report or on the 1004 MC. In this circumstance, using a foreclosure sale might be warranted, if adequate research is done and the use of the sale is explained in the report.

AQB Public Meeting in Charlotte May 3, 2013

Location:

Charlotte Marriott City Center

100 W Trade Street

Charlotte, NC 28202

Friday, May 3, 2013

9:00 a.m. – 12:00 p.m.

Meeting Agenda:

- Exposure Draft of a Proposed Interpretation and Revision to the *Real Property Appraiser Qualification Criteria*
- Implementation of Adopted Revisions to the 2015 *Real Property Appraiser Qualification Criteria*
- National Uniform Licensing and Certification Examination Update
- Course Approval Program Activity
- Undergraduate / Graduate Degree in Real Estate Review Program

Recordkeeping

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 MLS as your data source and tax records as your verification source, you should have a copy of the MLS sheet and tax record in your file. MLS and tax records may be changed or deleted before the end of the 5 year retention period for the workfile, and it is important that you can show what information you relied on in your appraisal. 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. You do not have to keep a paper workfile. You may keep your entire workfile in electronic form.

Summary

The choice of comparable sales is crucial to the valuation process. In order to be a comparable sale, the property must have been exposed on the open market. Make sure you have done the necessary research to choose the best sales available, and then verify the data until you are confident that the data is accurate. Make appropriate adjustments as warranted. Keep good records, including documentation of the source of your comparable sales, in case your appraisal is questioned in the future.

IMPORTANT REMINDER FOR APPRAISERS AND TRAINEES PLANNING TO UPGRADE TO ANOTHER CREDENTIAL

Beginning on January 1, 2015, the new Real Property Appraiser Qualification Criteria will require applicants for upgrade to Certified Residential and Certified General to have a bachelor's degree. There will no longer be any "in lieu of" education allowed for upgrade for either category as of that date. There will be no segmented approach or "grandfathering" so applicants who are trying to upgrade with an associate's degree (Residential only) or the "in lieu of education" (Residential and General), must complete their education and experience, submit their application, pass the examination and submit the results to the Board prior to January 1, 2015. Applicants who do not meet the deadline will be required to have a bachelor's degree in order to upgrade.

Due to the requirement that experience must be obtained over a period of at least 24 months, if you logged your first appraisal after January 1, 2013, or are considering taking the courses to become a trainee, you will have to have a college degree in order to upgrade. Trainees that do not have a degree at that point will not lose their registration but will have to continue to work with a supervisor.

2015 Real Property Appraiser Qualification Criteria Implementation Q&A

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

GENERAL REQUIREMENTS

Question: I am a state appraiser regulatory official. The 2015 *Real Property Appraiser Qualification Criteria* require applicants for new credentials to undergo a background check. Does this apply to credential holders from other states seeking reciprocal licensure and/or temporary practice permits in my state?

Response: The *Real Property Appraiser Qualification Criteria* encourage states to grant reciprocity and/or allow temporary practice to those who hold valid credentials in other states. As such, the *Criteria* do not require a state to examine the specifics of the original application in the credential holder's existing jurisdiction; i.e. what and/or how much education they completed and when, when the examination was completed, whether the applicant holds a college degree, what level of experience the applicant was required to complete, and/or whether the credential was issued with or without a background check. However, as with all AQB *Criteria*, a state may adopt a more stringent rule with regard to background checks.

SUPERVISORY APPRAISER/TRAINEE APPRAISER EDUCATION

Question 1: I am currently a credentialed Trainee Appraiser. Am I required to take a Supervisory Appraiser and Trainee Appraiser course prior to January 1, 2015, in order to remain a Trainee Appraiser?

Response: While the AQB encourages existing Trainee Appraisers to take the course, the 2015 *Real Property Appraiser Qualification Criteria* do not require currently-credentialed Trainee Appraisers to do so (i.e., you are "grandfathered" from the AQB's perspective). However, check with your state appraiser regulatory agency, since it may adopt more stringent requirements.

Question 2: I am currently a Supervisory Appraiser of a Trainee Appraiser. Am I required to take a Supervisory Appraiser and Trainee Appraiser course prior to January 1, 2015, in order to continue to supervise Trainee Appraisers?

Response: While the AQB encourages existing Supervisory Appraisers to take the course, the 2015 *Real Property Appraiser Qualification Criteria* do not require current Supervisory Appraisers to do so (i.e., you are “grandfathered” from the AQB’s perspective). However, check with your state appraiser regulatory agency, since it may adopt more stringent requirements. Please note however, if you seek to serve as a Supervisory Appraiser of any additional Trainee Appraiser(s) after the implementation date (e.g., January 1, 2015) you must fulfill all of the 2015 *Criteria* requirements to become a Supervisory Appraiser at that time.

Question 3: I am a state appraiser regulatory official and I have reviewed the AQB course content outline for the required 2015 Supervisory Appraiser/Trainee Appraiser course. Does the AQB require a minimum or maximum length for this course?

Response: The AQB has not established a minimum or maximum timeframe for this course offering. The intent of the course is to cover areas of general applicability to all Supervisory Appraiser/Trainee Appraiser relationships, and to allow each state to consider including material specific to the local jurisdiction regarding state law and/or areas of practice eliciting the highest number of disciplinary actions/complaints.

Question 4: I am a state appraiser regulatory official. A course provider submitted a 2015 Supervisory Appraiser/Trainee Appraiser course for Continuing Education (CE) approval. Does the AQB allow this course to be utilized for appraiser CE?

Response: Yes, upon review and approval by the state appraiser regulatory agency, a Supervisory Appraiser/Trainee Appraiser course may be utilized for CE for existing credential holders. However, the 2015 *Real Property Appraiser Qualification Criteria* prohibit the course from being utilized as counted toward Qualifying Education (QE).

Question 5: I am an education provider and noticed that the majority of the course content in Section III of the Supervisory Appraiser/Trainee Appraiser Course Outline, Qualification and Credentialing Entities, is currently contained within the first section of the *15-Hour National USPAP Course*. Will there be a copyright problem if an education provider incorporates a large part of that material into the course so long as credit is given in footnotes and course content references?

Response: Provided proper attribution to the *15-Hour National USPAP Course* is provided in the Supervisory Appraiser/Trainee Appraiser Course, there is not a problem incorporating material from the *15-Hour National USPAP Course* into the Supervisory Appraiser/Trainee Appraiser Course.

SUPERVISORY APPRAISER ELIGIBILITY

Question 1: I am a state-certified appraiser who is also a Supervisory Appraiser. My appraiser credential has been suspended. Is this considered a sanction that restricts the Supervisory Appraiser’s “legal eligibility to engage in appraisal practice?”

Response: Yes. An appraiser would not be able to act as a Supervisory Appraiser for the length of the suspension plus an additional three years beyond the date the suspension is lifted.

Question 2: I am a state-certified appraiser who is also a Supervisory Appraiser. My appraiser credential has been placed on “probation” by the state which limits the types of assignments I am allowed to appraise. Is this considered a sanction that restricts the Supervisory Appraiser’s “legal” eligibility to engage in appraisal practice?”

Response: Yes. An appraiser would not be able to act as a Supervisory Appraiser for the length of the “probation” plus an additional three years beyond the date the “probation” is lifted.

Question 3: I am a state-certified appraiser who is also a Supervisory Appraiser. My state appraiser regulatory agency has levied a fine against me and required me to take an additional course. Is this considered a sanction that restricts the Supervisory Appraiser’s “legal” eligibility to engage in appraisal practice?”

Response: No. As long as the fine is paid and remedial education is completed and no further action is taken (probation or suspension), the Supervisory Appraiser could continue to supervise Trainee Appraisers. However, please check with your state appraiser regulatory agency, since it may adopt more stringent requirements.

Question 4: Is a Supervisory Appraiser’s eligibility to supervise Trainee Appraisers only evaluated when they initially become a Supervisory Appraiser, or is the Supervisory Appraiser’s eligibility evaluated on an ongoing basis?

Response: The Supervisory Appraiser’s eligibility is evaluated on an ongoing basis. Thus, if any sanction is levied against a Supervisory Appraiser during the term of supervision that affects the Supervisory Appraiser’s eligibility to practice, the Supervisory

Appraiser would immediately lose the right to supervise Trainee Appraisers for the length of the sanction, plus an additional three years beyond the date the sanction is lifted.

Question 5: I have been a Certified Residential appraiser for the past five (5) years. Last month, I was issued a Certified General credential in the same jurisdiction. Am I able to supervise a Trainee Appraiser working on commercial properties?

Response: The *Real Property Appraiser Qualification Criteria* states Supervisory Appraisers shall be state-certified and in "good standing" in the jurisdiction in which the Trainee Appraiser practices for a period of at least three (3) years. The *Criteria* do not specify that a Supervisory Appraiser have a specific Certified Residential or Certified General credential, so you may be eligible to supervise a Trainee Appraiser performing commercial appraisals. However, the Supervisory Appraiser must comply with the COMPETENCY RULE of USPAP for the property type and geographic location the Trainee Appraiser is being supervised.

Question 6: I am a state-certified real property appraiser and I am supervising a Trainee Appraiser. I notice the *Real Property Appraiser Qualification Criteria* specifies Supervisory Appraisers shall not have been subject to any disciplinary action within any jurisdiction within the last three (3) years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice. Can you provide examples of disciplinary actions that **would** affect my legal eligibility to engage in appraisal practice?

Response: The AQB has interpreted a *disciplinary action* to mean any adverse, final, and nonappealable decision by a state regulatory, administrative, or judicial authority of competent jurisdiction, which affects an individual's *ability to practice*. Sanctions imposed may vary between jurisdictions and may consist of those that do and do not affect an appraiser's legal eligibility to practice. Sanctions that would affect an appraiser's legal eligibility to engage in appraisal practice may include, but are not limited to:

- Any limitation preventing or restricting an appraiser from engaging in appraisal practice until a specified condition has been met.
- Any limitation preventing or restricting an appraiser from engaging in appraisal practice of specific property types for any duration of time.
- Suspension of a Certified General or Certified Residential credential in any jurisdiction.
- Revocation of a Certified General or Certified Residential credential in any jurisdiction.

However, be sure to check with your state appraiser regulatory agency to confirm the state's requirements, which could be more restrictive.

Question 7: Can you provide examples of disciplinary actions that **would not** affect my legal eligibility to engage in appraisal practice?

Response: Sanctions that would not affect an appraiser's legal eligibility to engage in appraisal practice may include, but are not limited to:

- A monetary fine or penalty (without additional sanctions limiting the appraiser's legal eligibility to engage in appraisal practice).
- A letter of warning or reprimand.
- An educational requirement.

However, be sure to check with your state appraiser regulatory agency to confirm the state's requirements, which could be more restrictive.

Question 8: I am a state-certified real property appraiser and I am supervising a Trainee Appraiser. I was recently investigated by my state board for an alleged violation of USPAP. The case was subsequently dismissed without merit and no violations were substantiated. Does an investigation by a state board or other duly authorized entity preclude my continued supervision of the Trainee Appraiser?

Response: No, the *Real Property Appraiser Qualification Criteria* specifies Supervisory Appraisers shall not have been subject to any disciplinary action within any jurisdiction within the last three (3) years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice. Although an investigation has occurred in your case, there has been no *disciplinary action* taken that would preclude your continued supervision of your Trainee Appraiser. However, be sure to check with your state appraiser regulatory agency to confirm the state's requirements, which could be more restrictive.

Question 9: I am a state-certified real property appraiser and I am supervising a Trainee Appraiser. I also carry a designation issued by a professional appraiser organization. I was recently investigated by my organization for an alleged violation of the

organization's professional ethics requirements, and subsequently, my professional designation was revoked. Does a revocation of my designation by the professional organization preclude my continued supervision of the Trainee Appraiser?

Response: No, the *Real Property Appraiser Qualification Criteria* specifies Supervisory Appraisers shall not have been subject to any disciplinary action within any jurisdiction within the last three (3) years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice. Although your appraiser organization has imposed a disciplinary sanction by revoking your designation, this action does not, in and of itself, affect your legal eligibility to engage in appraisal practice in your credentialing jurisdiction. However, be sure to check with your state appraiser regulatory agency to confirm the state's requirements, which could be more restrictive.

Question 10: I am a state-certified real property appraiser in States A and B. I am also supervising a Trainee Appraiser in State A. I was recently investigated by the state board in State B for an alleged violation of USPAP and it was determined a violation was found to exist. Subsequently, State B suspended my appraiser certification for a period of one (1) year. Does this action preclude my continued supervision of the Trainee Appraiser in State A?

Response: Yes, the *Real Property Appraiser Qualification Criteria* specifies Supervisory Appraisers shall not have been subject to any disciplinary action within any jurisdiction within the last three (3) years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice. Although you may currently be in "good standing" in State A, your legal eligibility to engage in appraisal practice in State B has been suspended and you are no longer able to act as a Supervisory Appraiser in any jurisdiction until a minimum of three (3) years after the successful completion/termination of the sanction imposed against you. However, be sure to check with your state appraiser regulatory agency to confirm the state's requirements, which could be more restrictive.

Question 11: I am a Trainee Appraiser seeking a Supervisory Appraiser. I live in a state where appraisers are not required to be state-licensed or certified for appraisal assignments that do not involve federally related transactions. I have found an appraiser that is willing to supervise my work and sign my appraisal experience log, but he does not possess a state license or certification. Would this individual qualify as my Supervisory Appraiser?

Response: No, the *Real Property Appraiser Qualification Criteria* specifies Supervisory Appraisers shall be state-certified and in "good standing" in the jurisdiction in which the Trainee Appraiser practices for a period of at least three (3) years. The fact this individual is not a state certified appraiser precludes this appraiser from acting as your Supervisory Appraiser and signing your appraisal experience log. However, be sure to check with your state appraiser regulatory agency to confirm the state's requirements, which could be more restrictive.

"SUPERVISION" OF LICENSED RESIDENTIAL AND CERTIFIED RESIDENTIAL APPRAISERS

Question: I am currently a Licensed Residential Appraiser pursuing a Certified General appraiser credential. I work for a Certified General appraiser who mentors me, and reviews and signs my commercial and complex residential work. Do we have to attend the 2015 Supervisory Appraiser/Trainee Appraiser course and do I need to keep a Trainee Appraiser log (and does my boss need to keep a Supervisory Appraiser log) for my experience to count toward earning the Certified General credential?

Response: The 2015 *Real Property Appraiser Qualification Criteria* only requires a formal Supervisory Appraiser for **Trainee Appraisers**. Even though you may be "supervised" in the generic sense of the word, because you hold a Licensed Residential credential, the *Real Property Appraiser Qualification Criteria* would NOT require a Supervisory Appraiser in this case. A state appraiser regulatory agency may require the use of the Trainee Appraiser log and/or a similar log in order to demonstrate experience gained toward the Certified Residential or Certified General credential. Please check with your state appraiser regulatory agency, since it may adopt more stringent requirements than those outlined in the *Criteria*.

NATIONAL UNIFORM LICENSING AND CERTIFICATION EXAMINATIONS

Question: Under the 2015 *Real Property Appraiser Qualification Criteria*, I understand that all education and experience must be completed and approved prior to taking the National Uniform Licensing and Certification Examination. Once I pass the examination, within what time period must I submit the application for my credential?

Response: Examination results are valid for 24 months. If your state appraiser regulatory agency has a separate post-examination application (i.e., you are not awarded the credential "automatically" by virtue of successfully passing the examination) you would need to submit your complete application within 24 months of successful completion of the exam. You should be sure to check with your state appraiser regulatory agency to determine when your application must be submitted.

The Appraisal Board's next course in trainee supervision is scheduled in Raleigh on May 17, 2013. To register for this course, please visit our website at <http://www.ncappraisalboard.org/SupervisorCourse.htm?supcourse=Supervisor+Course>

USPAP Q&A

The Appraisal Standards Board (ASB) of The Appraisal Foundation develops, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP) on behalf of appraisers and users of appraisal services. The USPAP Q&A is a form of guidance issued by the ASB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of USPAP in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems. The USPAP Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. USPAP Q&A does not establish new standards or interpret existing standards. USPAP Q&A is not part of USPAP and is approved by the ASB without public exposure and comment.

2012-09: APPRAISAL REPORTING – USE AND FORMAT ISSUES

Altering Appraisal Report Photographs

Question: I recently submitted an appraisal report to my client and was subsequently requested to alter the photographs I included in my report. Am I permitted to alter photographs per a client's request?

Response: As with virtually every appraisal assignment, there are assignment conditions and contractual obligations with which the appraiser is expected to comply (provided the appraiser can produce credible assignment results and produce a report that is not misleading).

Clients sometimes request that photographs do not include certain items or entities that do not affect value. An appraiser may comply with such requests, except when doing so would result in a misleading appraisal report. For example, a photograph may include a person off to the side of the subject of the photo, and the appraiser may be able to crop the photo in a manner that would eliminate the person, but maintain a clear image of the subject of the photo. In this simple example, this would not be misleading and the appraiser could comply with the client's request.

On the other hand, a photograph depicting a relevant physical characteristic (e.g. physical defect) cannot be altered or deleted simply because of a client's request.

2012-10: ETHICS RULE – CONDUCT

Disclosure of Prior Services

Question: I know USPAP requires an appraiser, prior to accepting an assignment (or if discovered at any time during the assignment), to disclose any prior services performed on a property within the last three years, as well as making the disclosure in the certification of the report. I have recently seen some reports where the appraiser stated, "I have performed no prior services regarding this property within three years of the effective date of this report." Is it acceptable to base the three years from the effective date of the appraisal?

Response: No. The Conduct section of the ETHICS RULE specifies the three year time frame to be immediately preceding acceptance of the assignment:

If known prior to accepting an assignment, and/or if discovered at any time during the assignment, an appraiser must disclose to the client, and in the subsequent report certification:

- *any services regarding the subject property performed by the appraiser **within the three year period immediately preceding acceptance of the assignment**, as an appraiser or in any other capacity. (Bold added for emphasis)*

Although the effective date of the appraisal may be relatively close to the date the assignment was accepted, there may be cases when there are significant differences between the two dates, which could result in a different response from the appraiser.

2012-11: APPRAISAL DEVELOPMENT – SCOPE OF WORK ISSUES

Encumbrances on Personal Property

Question: What are some examples of an encumbrance that could have an effect on the value of personal property?

Response: An encumbrance exists when the owner of a property is prohibited from exercising one of their traditional rights of ownership (i.e., when one of the "sticks" in the bundle of rights is removed). Examples include: constraints on the exhibition of a work of art; a prohibition or limit on the breeding of an animal; a prohibition on the use of a machine in a particular location; or the prohibition or limit on the sale of the item produced by a particular machine.

Each of these examples shows an encumbrance that prohibits a particular action, and in each case, that prohibition may have an effect on value.

2012-12: APPRAISAL DEVELOPMENT – SCOPE OF WORK ISSUES

Liens on Personal Property

Question: I am appraising an asset that is encumbered by a lien. Does the addition of the term encumbrances to Standards Rule 7-4(d) mean that when providing an opinion of the value of an asset that is being used as collateral an appraiser would conclude a value based on the portion of the asset that is not encumbered by the lien (i.e., taking into consideration the remaining balance outstanding on a loan secured by the asset)? Also, must it then be stated in the report which particular asset(s) being appraised is encumbered by this lien?

Response: Standards Rule 7-4 states, in part:

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

S.R. 7-4 (d) further states:

*When developing an opinion of value of a lease, leased, or encumbered property, an appraiser must analyze the effect on value, if **any**, of the terms and conditions of the lease or encumbrances. (Bold added for emphasis)*

The mere existence of a lien or other encumbrance does not necessarily affect value, even though the owner's equity in the property may be greatly impacted. The USPAP requirement is to analyze the effect on value; if there is no effect on value then no further analysis is required.

There is no requirement that encumbrances be identified unless: it is part of the scope of work for the assignment; it is required by the intended use or an intended user; or failure to do so would lead to assignment results that are not credible.

2012-13: APPRAISAL DEVELOPMENT – SCOPE OF WORK ISSUES

Exposure Time Value Range

Question: I understand that exposure time needs to be developed and reported in cases when it is a component of the definition of the value opinion being developed. However, STATEMENT ON APPRAISAL STANDARDS NO. 6 (SMT-6) seems to suggest that a *range of values* is required when reporting exposure time. Does this mean I must reference a range of values when I report my opinion of reasonable exposure time?

Response: No, a *range of values* is not required when reporting an opinion of reasonable exposure time. However, the appraiser's opinion of reasonable exposure time must be linked to *an* opinion of value, whether it is a specific value or a range of values.

As stated in SMT-6:

“The reasonable exposure period is a function of price, time, and use, not an isolated opinion of time alone.”

2012-14: APPRAISAL DEVELOPMENT – OTHER SERVICES

Replacement Cost Estimate

Question: Is an estimate of replacement cost new (RCN) considered an estimate of value (i.e., an appraisal)?

Response: No. An appraisal is defined in USPAP as “an opinion of value.” USPAP also defines value and cost. Value is defined as:

VALUE: the monetary relationship between properties and those who buy, sell, or use those properties.

Comment: Value expresses an economic concept. As such, it is never a fact but always an opinion of the worth of a property at a given time in accordance with a specific definition of value. In appraisal practice, value must always be qualified - for example, market value, liquidation value, or investment value.

Cost is defined as:

COST: the amount required to create, produce, or obtain a property.

Comment: Cost is either a fact or an estimate of fact.

Replacement cost may be a major component used in developing an opinion of some types of value, such as insurable value, but an RCN by itself is not a value, thus an estimate or opinion of RCN is not an appraisal.

Disciplinary Actions:

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

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

Steven L. Bonner A668 (Washington)

By consent, the Board suspended Mr. Bonner's residential certification for a period of three months. The suspension is stayed until May 1, 2013. If Mr. Bonner completes a class in FHA Guidelines by that date, the suspension will be inactive. If he fails to complete the class by that time, the suspension will be imposed on that date. Mr. Bonner performed an appraisal of a property located in Farmville, North Carolina in April 2011, valuing the subject at \$51,000. He prepared three separate reports on the subject property, all with the same effective date and same value. The appraisal was requested in connection to a FHA 203K and the appraisal was requested to be "subject to" an extensive list of updates. The appraisal assignment stated a requirement that the property was to be appraised "subject to" with an "as is" value to be reported in the addendum. This was not done in the first report. In the revised report, he added an "as is" value of \$30,000, but there was no explanation of this value. He stated the "as is" value was based on the listing price of \$29,900 and the marketing history of the subject property.

Olga M. Castaneda A7320 (Arden)

By consent, the Board suspended Ms. Castaneda's residential certification for a period of six months. The first three months are active and the remainder is stayed until September 1, 2013. Ms. Castaneda will take 60 hours of additional education as follows: the 15 hour National USPAP class, the 30 hour Residential Sales Comparison and Income Approaches class and the 15 hour Residential Site

Valuation and Cost Approach class. Once she completes all 60 hours of education, she will be issued an exam ticket to take the certified residential examination. Once she completes the education and passes the examination, her certification will be reinstated. If she does not complete the education and pass the examination by September 1, 2013, the remaining three months of the suspension will become active on that date. If she completes the education and passes the exam within that additional three months, the remaining suspension will be inactive. She must complete all required continuing education before her certification will be renewed. For six months beginning September 1, 2013, on the first day of each month, she will send a log of all appraisals she performed during the previous month. NCAB staff may request appraisals from her logs to be sent to the Board.

Ms. Castaneda appraised a residential property located in Asheville, North Carolina in November 2011. In the original appraisal report, Ms. Castaneda stated that the subject dwelling had 3254 square feet, and that it was under contract for \$700,000. She valued the subject at \$715,000. After completing the first appraisal, she received another contract for a sales price of \$800,000. That contract was signed on November 1, 2011. She revised her appraisal to state that the subject had 3512 square feet. She then revised the value to \$815,000. There is no explanation in the second report that it was a revision of a prior report. Both reports had the same effective date and appropriately had different signature dates. In the second report, she used three of the same

comparable sales as were used in the first report. She increased adjustments to her original comparable sales for size as well as for other items such as view. There was no explanation contained in the report for those other adjustments. Her cost approach in the first report came in at \$725,300, and in the second report it was \$828,000. Although the size of the dwelling accounted for some of the increase, she also increased values for other items with no explanation contained in the report. Ms. Castaneda discussed her appraisal report with and communicated assignment results to real estate brokers and others in violation of her assignment conditions.

Charles R. George A5756 (Wake Forest)

By consent, the Board suspended Mr. George's residential certification for a period of six months. The suspension is stayed. He agrees to complete a class in sales comparison and a class in valuing complex properties by June 1, 2013. If he fails to do so, a one month suspension shall be activated on that date. Mr. George appraised a residential property located in New Hill, North Carolina in January 11, 2008, finding a value of \$615,000. The appraisal was performed subject to completion per plans and specifications. The subject property was originally a 100 year old one story home containing 1578 square feet, with one bedroom and one bathroom. A two story dwelling was built adjacent to the main dwelling. This addition has a kitchen, three bedrooms, 3 bathrooms, a great room and recreational room. The comparables used in the appraisal were all newer conventional style

homes that were located in superior areas with higher site values. All of the comparables in the original appraisal had floor plans/room layouts that were superior to the design of the subject property, but Mr. George stated that there was no functional obsolescence observed in the property.

Steven L. Gray A3196 (Raleigh)

By consent, the Board issued a reprimand to Mr. Gray. Mr. Gray agrees to complete a class in FHA guidelines and a class in appraising complex properties by June 1, 2013. If he fails to complete the classes by that time, the reprimand will be vacated and a one month suspension shall be imposed on that date. Mr. Gray performed an appraisal of a property located in Durham, North Carolina in March 2012, valuing the subject at \$250,000. The subject is a two story dwelling with 3801 square feet built in 1905 with a two car attached garage and a 566 square foot attached apartment. It is located on a 2 acre lot on a two lane highway just outside of the city. Two of the sales chosen were not truly comparable to the subject and inadequate adjustments were made for the differences. There were other sales that could have been considered and analyzed. Some of the facts stated in the report were incorrect. Mr. Gray reported that the subject has 0 fireplaces, when it actually has 5. The dwelling has an attached apartment, but the accessory unit box was not checked. There were outbuildings on the property, but Mr. Gray did not discuss and analyze how those items affected the value for the subject.

James P. Grice A1229 (Wilmington)

By consent, the Board suspended Mr. Grice's residential certification for a period of three months. The suspension is stayed until June 1, 2013. If Mr. Grice completes a class in sales comparison and a class in valuing complex properties by that date, the suspension will be inactive.

Mr. Grice appraised a residential property located in Carolina Beach, North Carolina in March 2008, valuing the subject at \$557,300. The subject is a 1.5 story detached home containing 2258 square feet and a two-car semi-detached garage. The subject's lot is 100 feet wide, the dwelling is 40 feet wide, and there is a 1040 square foot connecting breezeway. Mr. Grice assumed that the subject site could be split into two lots, and performed his analysis based upon this assumption. In fact, the subject lot could not be divided into two separate lots because current zoning requires lots to be 80 feet wide. Even if zoning allowed a 50 foot wide lot, the subject still would not have complied due to the required setbacks. By making this erroneous assumption, Mr. Grice chose sales that were not comparable to the subject.

Bobby E. Harrelson, Jr. A6342 (Greensboro)

By consent, the Board suspended Mr. Harrelson's residential certification for a period of two years. The first three months of the suspension are active and the remainder is stayed until March 31, 2013. If Mr. Harrelson completes the 15 hour USPAP course and a course in appraiser liability, and passes the state certified residential real estate appraiser examination before that date, the remainder of the suspension shall be inactive. Mr. Harrelson also agrees that he will have no more trainees. Mr. Harrelson has been the supervisor for a trainee since May, 2009. The trainee filed an application to upgrade her status. As part of that application, she sent in a copy of her experience log. The log indicated that Mr. Harrelson accompanied the trainee on every inspection of the properties in the log. Mr. Harrelson did not in fact accompany the trainee on every inspection. For assignments done for one client, sometimes he did accompany her, sometimes he would see the interior and exterior of the subject, and sometimes he would view the subject from the exterior

only. He signed the appraisal reports as the appraiser for that client, whether or not he viewed the interiors, which was in conflict to his signed certification and did not agree with the scope of work stated on the appraisal report. On those assignments he did not note the assistance given by the trainee. Once Mr. Harrelson was informed that he was employing a flawed trainee supervision process, one learned from his former supervisor, he admitted to his mistake and immediately corrected his process.

Raymond F. Real A402 (Southport)

By consent, the Board issued a reprimand to Mr. Real. Mr. Real also agrees to complete the 15 hour National USPAP class, with examination, by May 1, 2013. Mr. Real performed an appraisal of a property located in Southport, North Carolina in September 2011, valuing the subject at \$510,000. He produced a credible appraisal assignment result using reasonable comparable properties and making market-supported adjustments. Another appraiser assisted Mr. Real in measuring the property by holding the "dumb end" of the measuring tape. Mr. Real affixed the other appraisers' signature and seal to the report on the left side of the form with permission from the other appraiser and signed himself on the right, noting that he did inspect the subject. After the client informed Mr. Real that the other appraiser was not eligible to sign the report and that they would prefer that the other appraiser not sign it, he removed the other appraiser's signature, made no mention of him in the revised report, and reissued the report. Mr. Real sent the completed report to the other appraiser, who was formerly his trainee and who continues to perform appraisals for his firm, to ask him to proofread it. He did not have permission from his client to do so.

**Gary Sam Roberts A4473
(Asheville)**

Following a hearing, the Board suspended Mr. Roberts' residential certification for a period of three years. The first 90 days of the suspension are active and the remainder is stayed until July 1, 2013. If Mr. Roberts completes the 15 hour National USPAP course, including passing the course examination, a course in appraising vacant land and a sales comparison course by that date, the remainder of the suspension will be inactive. Mr. Roberts appraised six tracts of vacant land located in Hendersonville, North Carolina in June and July 2008. All of the tracts were located in a Seven Falls Golf and River Club, a proposed golf course community, and varied in size from 1.09 to 1.56 acres. All of the appraisal reports stated that the appraisals were done "as is." On the effective dates of the reports, very little of the infrastructure of the development was in place. Although the amenities were not in place, Mr. Roberts appraised the subject properties as though they were completed. He did not state that the appraisals were performed subject to an extraordinary assumption or hypothetical condition that all subdivision improvements and infrastructures would be completed as proposed.

In five of the six appraisals, he valued the subjects at \$850,000. According to the appraisal reports, each of those five properties was under contract for \$850,000. According to the recorded deeds for these five subject properties, each of these properties had excise stamps of \$1275, which indicates that each sold for \$637,500. For each lot, Mr. Roberts used the same comparable sales. These were lots 133, 134 and 135 in the subject development, and 1324 Fawn Meadow in Arden, NC. Mr. Roberts stated in his reports that each of the comparable sales in the subject development sold for \$850,000. He

cited his data source as the book and page number in the county registry of deeds for the three sales in the development. The recorded deeds for each of these three properties actually indicate that each of these lots had excise stamps of \$1275, which indicates a sales price of \$637,500. Mr. Roberts reported that his fourth comparable sale, located eleven miles away in Arden, North Carolina, sold for \$1,250,000. That information was correct. This fourth sale in Arden was located in a subdivision that was built up and developed. Mr. Roberts made a \$350,000 adjustment for location for this sale. On the sixth appraisal, the report stated that the subject was under contract for \$315,000 and Mr. Roberts valued the subject at \$315,000. His first two sales were located in the subject development, and sold for the prices noted on the report. The third sale was located in Arden, NC. Evidence produced at the hearing on this matter indicated that this sale was verified in the public records. This subject property sold for \$275,000 in August 2008.

Mr. Roberts utilized the Land Appraisal Report form for all six of these reports. He was not experienced with the use of this form for lot valuation in a proposed subdivision. He stated on all six reports that his comparable sales data came from MLS and land records. None of his comparable sales were located on MLS. He obtained his comparable sales from the sales office for the subject development, but he failed to verify the sales date and price for three of the four comparable sales used in the first five appraisals. Mr. Roberts could not produce the work files for any of these six appraisal assignments. Without the work files, he could not support his adjustments, his contract sales prices, his comparable sales prices and his appraised values.

None of the reports indicated whether they were prepared in a self-contained, summary or restricted use

format, or stated the intended use, intended user, or purpose. None of the reports noted the three year sales history of the subjects. Mr. Roberts created a template for his first appraisal report and used it for the remaining reports. Since the template was incorrect, the mistakes in this report carried over to the subsequent assignments. The errors regarding the comparable sales used in the first report also carried over to four of the subsequent reports. Mr. Roberts did not correctly complete his research, leading to reports that were not credible.

**Thomas M. Stainback A3048
(Greensboro)**

By consent, the Board suspended Mr. Stainback's residential certification for a period of six months. The first month of the suspension is active and the remainder is stayed until July 1, 2013. If Mr. Stainback successfully completes the 15 hour USPAP course, including passing the examination, by July 1, 2013, the remainder of the suspension will be stayed. Mr. Stainback appraised a 2601 square foot residential property located in Winston-Salem. He valued this property at \$225,000 effective June 5, 2011. Mr. Stainback did not personally view the subject property. Although another certified residential appraiser did the inspection, there was no mention in the appraisal report of the significant professional real estate appraisal assistance provided by that appraiser. Mr. Stainback's certification indicated that he had personally inspected the interior and exterior of the property. Pursuant to the assignment conditions in the engagement order, the client would have allowed the other appraiser to inspect the property. Although the report contained comparable sales from the subject's market area that appear to be reasonable physical substitutes for the subject, the appraisal report was misleading.

APPRAISAL MANAGEMENT COMPANY SUSPENSIONS

The North Carolina Appraisal Board has suspended the registration of the following appraisal management companies:

NC1044 JVI was suspended effective January 1, 2013.

NC1112 ES Appraisal Services, LLC was suspended effective January 15, 2013.

All of these companies were suspended after complaints were received and they failed to respond to the Board's inquiries.

Appraisers have contacted the Board to ask what assistance we can provide in collecting unpaid fees. AMCs are not required to be bonded in North Carolina, and the Appraisal Board does not have the authority to assist in recovering unpaid invoices.

All AMCs are required to file a Consent to Service of Process form with the Appraisal Board, and to have a North Carolina registered agent for service. Appraiser may consider contacting a private attorney about filing a law suit in North Carolina.

AMCs are required to pay appraisers within 30 days of the original transmittal of the appraisal. If an AMC does not do so, appraisers should file a complaint with the Board. The Board has no way of knowing which companies are not paying their invoices unless a complaint is filed.

Mission Statement

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

2013 Board Meeting Dates

March 19
May 21
July 16
September 10
November 19

All meetings are conducted at the North Carolina Appraisal Board building located at

NORTH CAROLINA APPRAISAL BOARD
5830 Six Forks Road
Raleigh, NC 27609
(919) 870-4854