



NORTH CAROLINA APPRAISAL BOARD

APPRAISER REPORT

Volume 12

Spring 2002

Number 2

Hinnant Appointed to Board



Charles K. Hinnant

Governor Michael F. Easley has appointed Charles K. Hinnant of Kenly to the North Carolina Appraisal Board for a term which expires June 30, 2004. Mr. Hinnant was administered the oath of office by North Carolina Court of Appeals

Judge Wanda G. Bryant at a swearing in ceremony held at the Board's office on April 15, 2002.

Mr. Hinnant is a state-certified general appraiser and holds professional licenses in North Carolina as a building contractor, real estate broker, plumbing contractor, property and casualty insurance agent, and insurance broker. Mr. Hinnant formed Charles K. Hinnant and Company in 1976 and has over 25 years of appraisal and real estate experience. Mr. Hinnant specialized in residential, commercial and condemnation appraisals and is the commercial review appraiser for a local community bank. His company is also involved in real estate, property management, and development. He is a charter

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More on the Trainee Rules

The Board has received some inquiries about the new rule (21 NCAC 57A.0407) that will govern trainees and supervisors in North Carolina beginning August 1, 2002. Two areas of the rule that have been the subject of these inquiries are the provisions that allow a licensed or certified appraiser to supervise a trainee provided the supervisor:

- (1) Has been licensed or certified for at least two (2) years;
- (2) Has no more than two (2) trainees working under his or her supervision at any one time, either as employees or as a subcontractor. Prior to the date any trainee begins performing appraisals under his or her supervision, the supervisor must inform the Board of the name of the trainee.

It is important to remember that the effective date of these provisions is August 1, 2002. Consequently, only licensed or certified appraisers that begin supervising on or after August 1, 2002 are subject to this new rule.

Supervisors who have been licensed or certified for less than two years as of the effective date of the rule and who are currently engaged in the active and personal supervision of trainees will not be forced to stop supervising trainees on the effective date.

Trainees who are engaged in the business of real estate appraisal under the supervision of a licensed or certified appraiser who is supervising more than two trainees prior to the effective date of

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Smith Re-Appointed to Board

Governor Michael F. Easley has reappointed E. Ossie Smith of Oxford as a member of the North Carolina Appraisal Board for a term expiring June 30, 2004. Mr. Smith was originally appointed to the Appraisal Board by Governor James B. Hunt, Jr. and has served on the Board since September 1995.

A State-Certified General appraiser and licensed Real Estate Broker, Mr. Smith entered the real estate appraisal profession in 1972. He founded Ossie Smith Realty, Inc. in 1973 and operates the company as chief appraiser.

In addition to his years of experience as an appraiser, Mr. Smith has been actively

involved in numerous real estate development ventures, including land development, real estate investment and forest management.

Mr. Smith is a member of the Kerr Lake Board of Realtors, formerly serving on the Board of Directors.

Mr. Smith and his wife, Dale, have two children and two grandchildren. □



E. Ossie Smith

APPRAISERREPORT

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

NORTH CAROLINA APPRAISAL BOARD

Mailing Address:
P.O. Box 20500

Raleigh, North Carolina 27619-0500

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

Website:
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Michael F. Easley, Governor

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APPRAISER COUNT

(As of May 20, 2002)

Trainees	1058
Licensed Residential	250
Certified Residential	1663
Certified General.....	867
Total Number	3838

APPRAISER EXAMINATION RESULTS

February, March, April 2002

Examination	Total	Passed	Failed
Trainees	122	91	31
Licensed Residential	12	10	2
Certified Residential	34	23	11
Certified General	6	4	2

Examinations are administered by a national testing service. For information, please contact the North Carolina Appraisal Board in writing at Post Office Box 20500, Raleigh, North Carolina

From the Boardroom Arkansas, Maine, Mississippi and Missouri - Newest Reciprocal States

North Carolina has entered into a formal reciprocity agreement with the Arkansas Appraiser Licensing and Certification Board, the Maine Board of Real Estate Appraisers, the Mississippi Real Estate Appraiser Licensing and Certification Board and with the Missouri Real Estate Appraisers Commission.

These reciprocal agreements streamline the application and renewal processes in one jurisdiction for appraisers residing in the other. These agreements do not include trainees.

North Carolina now has reciprocity with fifteen states and commonwealths. They are:

Alabama	Mississippi
Arkansas	Missouri
California	New Hampshire
Colorado	Oregon
Georgia	South Carolina
Kentucky	Washington
Louisiana	West Virginia
Maine	

Hinnant Appointed

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member and past president of the Johnston County Homebuilder's Association and the North Carolina Association of Realtors Appraisal Section.

Community services have included serving on the Planning Board and Town Council for the Town of Kenly, the Johnston County Planning Board and Board of Adjustments. He retired from the Kenly Fire Department after 25 years and is a current member of the Kenly American Legion and the Kenly Masonic Lodge. Mr. Hinnant has a BS Degree from Mount Olive College. Mr. Hinnant is a member of the Johnston and Wilson County Board of Realtors and a past President of the Johnston County Board of Realtors. He has been chairman of several committees, including education, RPAC, and presently serves as a mediator for Johnston and Wilson County Board of Realtors.

Mr. Hinnant is also an appraisal instructor and has taught residential appraisal courses and Introduction to Income Property Appraisal through Johnston Community College. Additionally, he is a continuing education instructor for the North Carolina Real Estate Education Foundation and has developed several continuing education appraisal courses. Mr. Hinnant presently holds the designation of Graduate Realtors Institute (GRI), Certified Residential Specialist (CRS), and General Accredited Appraiser (GAA) from the National Association of Realtors. □

Reissuing or Assigning an Appraisal Report

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

The Uniform Standards of Professional Appraisal Practice (USPAP) Ethics Rule requires that an appraiser protect the confidential nature of the appraiser-client relationship. The appraiser has a personal obligation and professional responsibility to avoid any action that could be considered misleading. Thus, an appraiser cannot change the title page of an appraisal performed for one client and provide it to another client without full disclosure of the existing relationship and without the written consent of the first client.

Question 1. I recently performed an appraisal on a subject property and a new lender contacted me to request a separate but complete appraisal on the same property. Can I do this new assignment?

Answer: The appraiser must first determine whether the appraiser-client relationship still exists in order to ascertain whether disclosure and consent are required. Although USPAP does not provide a specific time frame, Advisory Opinion 10 outlines a two-prong approach to determine a response. First, the appraiser must determine whether the intended use of the appraisal is completed. For example, if the appraisal was performed for a lender who was considering making a residential mortgage loan and the loan was closed, the intended use of the appraisal has been completed. A similar result would be accomplished if the loan had been denied for credit reasons and the lender no longer has an active file on the subject property. The key factor is whether the client (here, the lender) had closed its file on the subject property. If the borrower goes to another lender while the application with the first lender is still active, (for example, if the borrower is “rate shopping”), the appraiser cannot appraise the property for the second lender without the written consent of the first lender. Some lenders routinely deny

any request to transfer the appraisal or perform a new one on the subject property in order to discourage rate shopping. Some lenders also charge the borrower a fee to transfer the loan file; if the fee is not paid, they refuse to give consent to allow the appraiser to either transfer the appraisal or do a new one. After the intended purpose of the appraisal has been completed, the second prong of the approach in Advisory Opinion 10 is to look at how much time has passed since the original appraisal was completed. The end of the appraiser-client relationship cannot be stated as a definite time frame. The real estate market should have changed significantly since the original appraisal, with new sales data being available to support a change in market value, for the appraiser-client relationship to have ended with the first lender. When an appraiser is asked to appraise the same property for a second client, it is still advisable to disclose the original appraiser-client relationship and to attempt to receive permission from the original client to do the second appraisal. Failure to do so may not result in disciplinary action by the Appraisal Board, but could result in an appraiser being removed from the lender’s approved list of appraisers.

Question 2. The lender hired me to do an appraisal, and told me to collect at the door. The homeowners paid my fee, and now they want a copy of the report. What can I do?

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

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

Question 3. A mortgage broker hires me to appraise a property. The broker asks that his name not be used as the client, but that I instead identify the client as a local lender on the written appraisal report. The mortgage broker’s name or relationship to the parties is not to be mentioned in the report. Can I do this?

Answer: The Appraisal Board’s legal counsel wrote to the Appraisal Standards Board regarding this issue and received an opinion letter from them that outlines the answer to the dilemma.

“If the broker has an agency relationship with the lender, then he/she could be directing the assignment on behalf of the lender and could legitimately name the lender as the client. In this case the lender has control over the use of the report not the broker. Consequently, in this situation, an appraiser should not make the appraisal available to other parties without the consent of the original client/lender.

If, on the other hand, the broker is not acting as an agent for the lender and is the true client, then it would be possible for the broker to submit the appraisal or copies of it to various lenders. However, it would seem to be unnecessary for the appraiser to change the client’s name. Changing the client’s name may suggest the broker is acting as an agent with respect to the lender and that the lender is the actual client not the broker. If this were the case, the second lender’s use of the original report would be subject to the approval of the original client/lender.

It should be noted that changing the client’s name on the original appraisal does not alter the original client’s right to control distribution of the report. The Confidentiality section of the Ethics

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Reissuing or Assigning

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Provision clearly restricts the appraiser's control of the report to only the three groups specified. Consequently, for an appraiser to intentionally misrepresent who has control over the appraisal would be a violation of this Provision."

From this response, it is clear that once an appraiser places a client name on the appraisal report, that person or company is the client, resulting in an appraiser-client relationship. If a mortgage broker wants an appraiser to perform an appraisal on a property that will then be offered to several lenders, the appraiser should not submit an appraisal report naming anyone other than the broker as the client. If the appraiser does so, he or she cannot then change the name of the client and submit the appraisal to a new lender without violating the Ethics Rule.

Question 4. What if it is the homeowner who engages my services and wants me to put a lender's name on the report as the client?

Answer: The above advice (in Question 3) is the same when the homeowner is the client. Once the appraiser states that a Lender A is the party, the appraiser cannot change the name of the client on the report to Lender B without Lender A's permission if the appraiser/client relationship still exists.

Question 5. Lender A assigned the appraisal report to Lender B, and now Lender B has called me to do an update. Am I obligated to do the update?

Answer: A request for an update is a request for a new assignment. Absent an agreement with the client, you are under no obligation to take an assignment, thus you do not need to do the update. Whether you take the assignment is a business decision for you to make. □

Trainee Rules

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the rule will not be required by the rule to find a new supervisor or stop appraising on the rule's effective date. The new rule will allow a supervisor who has more than two trainees prior to the effective date of the rule to supervise those trainees after August 1, 2002 provided that the supervisor reports those trainees to the Board on the "Supervisor Declaration" form on or before July 31, 2002. However, once a supervisor with more than two trainees has a trainee leave his or her supervision for any period of time on or after August 1, 2002, that supervisor may not add an additional trainee above the two-trainee limit. Additionally the Board has a new "Supervisor Declaration" form that supervisors must use to formally report the names and dates of supervision of their trainees. A copy of this form is included with this *Appraisereport* and may also be found under "Forms" on the Board's website at www.ncappraisalboard.org.

Sample questions and answers:

1. **Q.** I currently supervise trainees and will have been state-certified as an appraiser for 18 months as of August 1, 2002. Do I have to fire my two trainees because I will not have been licensed or certified for two years when the rule takes effect?

A. The new rule that requires that supervisors be licensed or certified for at least two (2) years applies to licensed or certified appraisers that begin supervising a particular trainee on or after August 1, 2002. Because you began lawfully supervising trainees under the old rule, you may continue to do so under the new rule.

2. **Q.** I am a trainee and my supervisor currently supervises 5 trainees. Will she be required by the rule to stop supervising three of us on August 1, 2002?

A. The new rule that limits supervisors to two trainees applies to supervisors who begin supervising a particular trainee on or after August 1, 2002.

If you are currently engaged in the business of real estate appraisal under the supervision of a licensed or certified appraiser and the supervisor properly reports her supervision of you prior to the new rule's effective date, you may continue to work with that supervisor. It is very important to remember that your supervisor must use the Board's new "Supervisor Declaration" form to formally report the names of her current trainees on or before to July 31, 2002. If she fails to timely make such a declaration, she will be limited to two trainees as of August 1, 2002.

3. **Q.** I am a supervisor with 3 trainees and I have filed their names with the Board using the "Supervisor Declaration" form. One of my trainees is on track to apply for state-certification in September 2002. I started with three trainees; can't I hire another one in September 2002 so I will still have 3 trainees?

A. The new rule that limits supervisors to two trainees applies to supervisors who begin supervising a particular trainee on or after August 1, 2002. The new rule would apply and prohibit you from beginning the supervision of a third trainee. □

APPRAISAL BOARD WEBSITE

Please visit the Board's
website at:
www.ncappraisalboard.org

Approved Continuing Education Courses

As of May 24, 2002)

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. NOTE: All courses expire June 30. Most sponsors will renew their course(s); some will not. Please call the Board office to verify approval for the 2001-2002 renewal year.

ALAMANCE COMMUNITY COLLEGE

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

Appraising Small Residential Income Properties (10/10)
Construction Methods I: Print Reading (5/5)
Construction Methods II: Foundations & Masonry (5/5)
Ethical Principles of Appraisal I (4/4)
Intro to Commercial Real Estate (4/4)
New Exstg Residential Codes Affecting RE Appr (10/10)
Real Estate Finance (4/4)

ALLSTATE HOME INSPECTION TRAINING INSTITUTE

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

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

AM SOC FARM MANGRS & RURAL APPR

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

A-12 (II) National USPAP (15/15)
A-12 Part 1 ASFMRA Code of Ethics (7/7)
Advanced Appraisal Review A-35 (49/30)
Advanced Resource Appraisal A-34 (30/30)
Appraising Rural Residential Property (16/14.5)
Conservation Easement (16/16)
Eminent Domain (19/19)
Fed Land Exchng & Acqstn: App (18.5/18.5)
Fractional Interests (16/16)
Highest & Best Use A-29 (15/15)
Rural Business Valuation Seminar (16/16)
Timber & Timberland Value (16/16)
Uniform Agriculture Appraisal Report (15/15)

AMERICAN SOCIETY OF APPR (THE)

535 Herndon Parkway, Suite 150
Herndon, VA 22070 (703)478-2228

SE100: National USPAP (15/14)

AM SOCIETY OF APPRAISERS NC CHAPTER

605 NC Highway 54 West
Chapel Hill, NC 27516 (919)967-3338

SE100 USPAP (15/15)
Using Marshall & Switt/Res Prop (7/7)

AMERICAN SCHOOL OF RE APPR

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

Current Issues & Problem Solving (14/14)
Today's Analysis of Residential Appr (10/10)
USPAP (15/15)

APPRAISAL ACADEMY (THE)

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

Adj, The Appraisal & The Underwriter (4/4)
Atmtd or Streamlined Underwriting (4/4)
Electronic Communication (4/4)
Onsite Observation & Reporting Requirements F (4/4)
Tough Residential Assignments (4/4)

APPRAISAL FOUNDATION/ASB

1059 Vermont Avenue NW, Suite 900
Washington, DC 20005 (202)347-7722

2002 USPAP Update/Instructors & R (7/7)

APPRAISAL INSTITUTE

c/o AMA, 950 S. Cherry Street, Suite 508
Denver, CO 80246 (303)758-3513

320 General Applications (39/30)
410 National USPAP (16/16)
420 SPPB (7/7)
430C Standards of Professional Practice - Part C (15/15)
500 Adv Residential Form & Narrative Writing (40/30)
520 Highest & Best Use & Market Analysis (40/30)
530 Advanced Sales Comparison & Cost Approach (40/30)
600 Inc Valuation of Small Mixed-Use Properties (15/15)
610 Cost Valuation of Small Mixed-Use Properties (15/15)
620 Sales Comparison Val Small Mixed-Use Prop (15/15)
705 Litigation Appr: Specialized Topics (16/16)
710 Condemnation Appr: Basic Principles & Apps (15/15)
720 Condemnation Appr: Adv Topics & Apps (15/15)
800 Separating Real & Personal (15/15)
Analyzing Com Lease Clauses (7/7)
Avoiding Liability as a Residential Appraiser (7/7)
Fundamentals of Relocation Appraising (7/7)
Gen Demo Appraisal Rpt Writing Seminar (14/14)
Residential Demo Appraisal Report Writing Seminar (14/14)

APPRAISAL INSTITUTE, NC CHAPTER

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

RE Fraud: Appr Responsibilities & Liabilities (7/7)
State of the Valuation Profession (4/4)

APPRAISAL INSTITUTE, SC CHAPTER

609 Sims Avenue
Columbia, SC 29205 (803)256-1985

Partial Interest Valuation-Div (7/7)

ASHEVILLE-BUNCOMBE TECH CC

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

PDH RE - Basic Surveying (5/5)
Residential Building Code Changes in NC (5/5)
The UDO: Regulating RE Use & Dev (4/4)
USPAP 2001 (15/15)

BRUNSWICK COMMUNITY COLLEGE

P.O. Box 30
Supply, NC 28462 (910)754-6900

Appraisal 2002 (7/7)
USPAP 2002 (7/7)

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)

CENTRAL PIEDMONT COMMUNITY COLLEGE

P.O. Box 35009
Charlotte, NC 28235 (704)330-6493

Challenging the Appraisal (4/4)
Maximizing Value (4/4)

CLARK REALTY EDUCATION SERVICES

P.O. Box 61083
Virginia Beach, VA 23462 (888)316-7182

Apprs Role in Fair Lending & the (7/7)
Res Prop, Inspection, Analysis & Rpt (7/7)

CLE INTERNATIONAL

1620 Gaylord Street
Denver, CO 80206 (303)377-6600

Eminent Domain (12/12)

COLLEGE OF THE ALBEMARLE

P.O. Box 2327
Elizabeth City, NC 27906-2327 (252)335-0821

Residential Sales Comp Approach & Ef (14/14)
The Tough Ones: Complex Residential Prop (14/14)
The Uniform Standards Today (14/14)

DAN MOHR RE SCHOOLS

1400 Battleground Avenue, Suite 150
Greensboro, NC 27408 (336)274-9994

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)
Res Appr & Conventional Underwriting Guide (7/7)
Residential Construction Seminar (14/14)
Rules & Regs FHA/HUD Requirements (14/14)
The Narrative Appraisal Report (7/7)
Using Streamlined Appraisal Report Forms (7/7)
USPAP 2001 (15/15)

DENNIS BADGER & ASSOC., INC.

P.O. Box 23220
Lexington, KY 40523 (859)252-3445

Mfg Housing Appraisal as Appls to RE (7/7)

DUKE UNIVERSITY

A108B LSRC/Box 90328
Durham, NC 27708 (919)684-2135

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

EAST CAROLINA UNIVERSITY

School of Business 1200 Gen Classroom
Greenville, NC 27858-4353 (252)328-6377

Appraisal 2001 (7/7)
Appraisal 2002 (7/7)
USPAP 2001 (7/7)
USPAP 2002 (7/7)

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)
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)
Pricing Small Income Properties (4/4)
Principles & Techniques Val 2-4 Units Res Prop (14/14)
Real Estate Finance for Appraisers (14/14)
Rural Valuation Seminar (14/14)
Single Family Residential Appraisal (14/14)
Standards of Professional Practice (15/15)
USPAP & NC Board Rules & Regs Fo (15/15)

EDUCATIONAL SEMINARS, INC.

P.O. Box 84
Cary, NC 27512 (919)481-3942

Mold & Allergens in Home Envr (14/14)

ELLIOTT & CO APPRAISERS

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Approved Continuing Education Courses

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3316-A Battleground Avenue
Greensboro, NC 27410 (336)854-3075

Rural Appr, Marshall & Swift & (14/14)

ERICK LITTLE & COMPANY

P.O. Box 4267
Cary, NC 27519 (919)460-8823

Trouble Appr, How to Deal W/T (14/14)

FREDDIE F. STELL APPRAISAL SCHOOL

2121 Guess Road
Durham, NC 27705 (919)416-1117

Fannie Mae Underwriting Guidelines (7/7)
FNMA Guidelines Rural/Com Lending (7/7)
Questions & Answers on Appr (7/7)
Res/Invstmnt/Com/Indstr Forms (10.5/10.5)
The Site Inspection (7.5/7.5)

FYI SEMINARS LLC

P.O. Box 50201
Columbia, SC 29250 (803)787-7075

Square Footage Calculation (8/8)
USPAP (15/15)

HALL INSTITUTE

P.O. Box 52214
Raleigh, NC 27612-0214 (919)481-2080

Researching and Buying Raw Land (4/4)

HIGNITE TRAINING SERVICE

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

Appraisal Facts & Information (4/4)
Basic Construction Technology (6/6)
Environmental hazards in the (4/4)

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22 Pan Will Road
Mineral Bluff, GA 30559 (706)492-7234

Marketing & Appraising Historic Property (14/14)

IAAO

130 East Randolph Street, Suite 850
Chicago, IL 60601 (312)819-6100

101 Fund of Real Property Appraisal (30/30)
102 Income Approach to Valuation (30/30)
Marshall & Swift - Commercial (18.5/18.5)
Multiple Regression Analysis (24/24)
600 Principles & Techniques of Cadastral Mapping (30/15)
Valuation of Assisted Living Care Facilities (7/7)
Valuation of Commercial Retail Prop (7/7)

INSTITUTE OF GOVERNMENT

223 Knapp Building, CB#3330
Chapel Hill, NC 27599-3330 (919)966-4372

IAAO 101: Fundamentals of Real Prop (30/30)
IAAO 102: Inc Approach to Valuation (30/30)
Standards of Practice & Professional Ethics (18.5/18.5)

INTERNATIONAL RIGHT OF WAY ASSOCIATION

13650 S. Vermont Avenue, Suite 220
Torrance, CA 90502-1144 (213)538-0233

103 Ethics & Right of Way Profession (8/8)
402 Introduction to Income Approach to Valuation (8/8)
403 Easement Valuation (8/8)
801 Land Titles (10/10)

JOHNSTON CC

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

Appraisal 2001 (7/7)

Appraisal 2002 (7/7)
USPAP 2001 (7/7)
USPAP 2002 (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)
Challenging the Appraisal (4/4)
Income Capitalization (A) (7/7)
Income Capitalization (B) (7/7)
Manufactured, Modular & Mobile (4/4)
Maximizing Value (4/4)
Pricing Complex Properties (4/4)
Pricing Small Income Properties (4/4)
Principles/Techniques Val 2-4 Unit Residential (14/14)
USPAP & NC Rules & Regulations for App (15/15)

M CURTIS WEST

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Zebulon, NC 27597 (919)217-8040

Income Cap Approach - Past, Present, Future (10.5/10.5)
Property Tax Values & Appeals (6/6)

MCKISSOCK DATA SYSTEMS

P.O. Box 1673
Warren, PA 16365 (814)723-6979

Appraiser Liability (7/7)
Appraising the Oddball (7/7)
Real Estate Fraud & Appraiser's Role (7/7)
The Appraiser as Expert Witness (7/7)
Vacant Land Appraisal (7/7)

MINGLE SCHOOL OF REAL ESTATE

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

Commercial Real Estate Development (10/10)
Is This A Commercial Appraisal? (4/4)
NC RE Appr Act & Appraisal Board Rules (4/4)
NC RE Appraiser Act & Appraisal Board Rules (10/10)
Role of the Supervisory Appraiser (4/4)

MOULTRIE B WATTS

PO Box 447
Cary, NC 27512 (919)851-2100

Appraisal 2002 (7/7)
The Uniform Standards (14/14)
USPAP 2002 (7/7)

NAIFA

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

1031 Like Kind Exchange (4/4)
11.8 Calculating Gross Living Area Using (7/7)
2.0 Financial Analysis Inc Property (15/15)
4.0 Marshall & Swift Valuation Guides (15/15)
4.1 Marshall & Swift Residential Cost M (8/8)
5.0 Professional Standards of Practice (15/15)
5.0A Standards Review (8/8)
Blue Print Reading Seminar (4/4)
Bridging the Gap Between Lend & (4/4)
Calc Gross Living Area Using ANSI (4/4)
Commercial Report Writing (15/15)
Environmental Concerns Seminar (4/4)
HUD Review Update (4/4)
Internet & Appraisal Practice Seminar (4/4)
Intro to Automated Valuation Model Tech Seminar (4/4)
Preparing Your Listing for FHA (4/4)
Relocation Seminar (4/4)
Valuing Undivided Interest (4/4)

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P.O. Box 12528
San Antonio, TX 78212 (800)531-5333

Environmental Site Assessment (15/15)

HUD Appraisal Standards Update (7/7)
Manufactured Housing Appraisal (15/15)
National USPAP Course (15/15)
Principles of Property Inspection (20/20)
Principles of Appraisal Review (15/15)
Real Estate Environmental Screening (7/7)
Residential Environmental Screening (7/7)
Residential Appraisal Review (7/7)
USPAP Update (7/7)

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Greensboro, NC 27406 (800)443-9956

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Income Capitalization for Small Com Props (7/7)
Land Use Regs Effect on Market Value (7/7)
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)
USPAP (7/7)

NCDOT

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Winston-Salem, NC 27103 (336)760-1925

NC Rules & Regulations - USPAP Update/Avd Ltg (7/7)
Sales Comp Grid/Appr of Trans (7/7)

NCSU AGRICULTURAL & RESOURCE ECONOMICS

Campus Box 8109
Raleigh, NC 27695-8190 (919)515-4670

(B) Conservation Easements & Other Land Prsr (7/7)
Conservation Easements & Other Land Prsr (7/7)
Conservation Easements & Other Land Prsr (8/8)

NCSU FORESTRY ED OUTREACH PROGRAM

Campus Box 8003
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Accurate Forest Inventory (12.5/12.5)
Applied Intermediate GIS - Foresters (15/15)
Introduction to Applied GIS - Foresters (15/15)
Introduction to Applied GIS - Foresters (13/13)

NCSU SOIL SCIENCE DEPT

Campus Box 7619
Raleigh, NC 27695 (919)513-1678

Basics of On-Site Sewage (6/6)
Getting the Dirt on Soils (6/6)
On-Site System Tech Refresh (6/6)
Wells & Septic Systems (4/4)

RANDOLPH CC

P.O. Box 1009
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Timber Appraisal Overview (10.5/10.5)

SCHOOL OF REAL ESTATE APPRAISING

62 N. Chapel Street #204
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Guide to Relocation Appraisal (7/7)
Review of USPAP (7/7)

SOUTHEASTERN CC

P.O. Box 151
Whiteville, NC 28472 (910)642-7141

Applied Sales Comparison Approach (10/10)
Mathematics of Finance (14/14)
Rural Valuation Seminar (10.5/10.5)

STACEY P. ANFINDSEN

1145-E Executive Circle
Cary, NC 27511 (919)460-7993

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Approved Continuing Education Courses

Continued from page 6

Appraisal Process and Val of Residential Prop (4/4)

SURRY CC
P.O. Box 304
Dobson, NC 27017 (910)386-8121

Appr/Math Using HP12-C (15/15)
Reviewing a Residential Appraisal (8/8)
Testing Highest & Best Use (8/8)
USPAP 2000 (15/15)

TRIANGLE APPRAISAL & RE SCHOOL
4525 Falls of Neuse Road
Raleigh, NC 27609 (919)876-9596

Know the Laws (14/14)
Overview of FNMA (14/14)

TRI-COUNTY CC
2300 Highway 64 E
Murphy, NC 28906 (828)837-6810

The ABC's of Construction (14/14)

WAKE TECH CC
9101 Fayetteville Road
Raleigh, NC 27603-5696 (919)772-0551

Appraising Mfg, Modular, & Mobile Part A (7/7)
Appraising Mfg, Modular, & Mobile Part B (7/7)
Challenging the Appraisal (4/4)
Manufactured, Modular, & Mobile (4/4)
Maximizing Value (4/4)
Pricing Complex Properties (4/4)

WENDELL HAHN & ASSOCIATES
P.O. Box 5313
Columbia, SC 29250 (803)779-4721

Appraisal Update 2001 (7/7)
Computers 2001 (7/7)
FHA Guidelines 2001(7/7)
New for 2002 (7/7)
Nuts & Bolts (7/7)
The Modern Appraisal Office - Part I (7/7)
The Modern Appraisal Office - Part II (7/7)
USPAP 2001 (14/14)

WESTERN PIEDMONT COMMUNITY COLLEGE
1001 Burkemont Avenue
Morganton, NC 28655 (828)738-6104

Appraising Manufactured, Modular & Mobile (14/14)
Income Capitalization (A) (7/7)
Income Capitalization (B) (7/7)
Maximizing Value (4/4)
Manufactured, Modular & Mobile (4/4)
Pricing Complex Properties (4/4)
USPAP & NC Rules and Regulations for App (15/15)

WILLIAMS APPRAISERS ED CENTER
P.O. Box 33786
Raleigh, NC 27636 (919)424-1900

Applied Income Capitalization (14/14)
Income Capitalization Techniques (8/8)
Introduction to GIS in Real Estate (8/8)

YVONNE C. SHARP & ASSOCIATES
66 River Oak Court
Temple, GA 30179 (770)562-1999

The Inspection (14/14)

USPAP Q & A

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.

Question #1:

Were any changes made to the Standards Rules addressing certifications (SR 2-3, 3-2(f), 5-3, 6-8, 8-3, and 10-3) for the 2002 edition of USPAP?

Response:

Yes. As part of the updating of STANDARD 6 the certification requirements for a mass appraisal assignment were modified. Standards Rule 6-8 now requires a certification that is virtually identical to the certification required for other types of assignments. The only difference is the discipline-specific reference to professional assistance.

There were no other changes to the certification requirements for real property, personal property or business valuation assignments.

Question #2:

My state law requires an appraiser to retain workfiles for three years after the valuation date. Is this an example of Jurisdictional Exception?

Response:

No. Jurisdictional Exception is defined in USPAP as *an assignment condition that voids the force of a part or parts of USPAP, when compliance with part or parts of USPAP is contrary to law or public policy applicable to the assignment.*

In the scenario described, complying with the Record Keeping section of the ETHICS RULE would exceed the requirements of the law, but it would not be contrary to the law. By retaining access to workfiles for the longer period required by USPAP the appraiser would also be in compliance with the law.

Therefore, this would not be a Jurisdictional Exception.

Question: #3

My state appraisal board has adopted a regulation requiring appraisers to provide a five- year sales history for the subject property in all assignments. Is this situation addressed in USPAP?

Response:

Yes. USPAP defines Supplemental Standards as *requirements issued by government agencies, government sponsored enterprises, or other entities that establish public policy which add to the purpose, intent or content of the requirements of USPAP, that have a material effect on the development and reporting of assignment results.*

In the scenario described, an entity that establishes public policy has a requirement that adds to the requirements in USPAP. Therefore, failure to comply with the regulation would represent a violation of the SUPPLEMENTAL STANDARDS RULE.

Question #4:

I was recently told that USPAP allows appraisers to wait and create a workfile after the report has been delivered to the client for an appraisal, appraisal review, or appraisal consulting assignment. Is this true?

Response:

No. The Record Keeping section of the ETHICS RULE states:

*A workfile must be in existence **prior to and contemporaneous with the issuance of a written or oral report.** A written summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report.* (Bold added for emphasis)

It is advisable to create a workfile as soon as an agreement between an appraiser and a client results in an assignment.

Question #5:

I am a state certified appraiser and was recently asked by a client to perform a "condition and marketability report". A value conclusion is not requested as part

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USPAP Q & A

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of the assignment; however, I must sign the report as an appraiser. Is this assignment covered by USPAP?

Response:

Yes. Since the condition and marketability of a property directly pertains to its value, this is a valuation service. Furthermore, because you are being asked to perform the service **as an appraiser**, the assignment involves appraisal practice. USPAP defines appraisal practice as: *valuation services, including but not limited to appraisal, appraisal review, or appraisal consulting, performed by an individual as an appraiser.*

Comment: Appraisal practice is provided only by appraisers, while valuation services are provided by a variety of professionals and others. The terms appraisal, appraisal review, and appraisal consulting are intentionally generic and are not mutually exclusive. For example, an opinion of value may be required as part of an appraisal review and is required as a component of the analysis in an appraisal consulting assignment. The use of other nomenclature for an appraisal, appraisal review, or appraisal consulting assignment (e.g., analysis, counseling, evaluation, study, submission, or valuation) does not exempt an appraiser from adherence to the Uniform Standards of Professional Appraisal Practice. (Bold added for emphasis)

Appraisers who provide appraisal practice services for which there are no specific performance standards should comply with the portions of USPAP that still apply generally to appraisal practice. These include the PREAMBLE; the Conduct, Management, and Confidentiality sections of the ETHICS RULE; the COMPETENCY RULE; the JURISDICTIONAL EXCEPTION RULE; and the SUPPLEMENTAL STANDARDS RULE. (See AO-21 for further advice).

Question #6:

I am appraising a property that will require a Discounted Cash Flow (DCF). Are there any special requirements in USPAP for this?

Response:

Yes. STATEMENT NO. 2 (SMT-2) contains a number of requirements related to performing a DCF. The following outlines the conclusions at the end of this Statement:

- *DCF analysis is an additional tool available to the appraiser and is best applied in developing value opinions in the context of one or more other approaches.*
- *It is the responsibility of the appraiser to ensure that the controlling input is consistent with market evidence and prevailing market attitudes.*
- *Market value DCF analyses should be supported by market-derived data, and the assumptions should be both market- and property-specific.*
- *If using commercial software the appraiser should cite the name and version of the software and provide a brief description of the methods and assumptions inherent in the software.*
- *DCF accounts for and reflects those items and forces that affect the revenue, expenses, and ultimate earning capacity of real estate and represents a forecast of events that would be considered likely within a specific market.?*
- *The results of DCF analysis should be tested and checked for errors and reasonableness.*
- *Standards Rule 1-1(b) states that the appraiser must not commit a substantial error of omission or commission that significantly affects the appraisal.*

Since Statements have the full weight of a Standards Rule, their requirements are binding and must be adhered to

Question #7:

I have been taught that USPAP prohibits all contingent compensation. Is this true?

Response:

No. USPAP does not prohibit all forms of contingent compensation. USPAP prohibits compensation that is contingent (or dependent) on an unethical act, or acts that would encourage unethical behavior. All fees are contingent on some type of act, such as completing the assignment. Only unethical contingencies are prohibited.

The Conduct section of the ETHICS RULE states, in part:

In appraisal practice, an appraiser

must not perform as an advocate for any part or issue...

An appraiser must not accept an assignment that includes the reporting of predetermined opinions and conclusions.

The Management section states, in part:

It is unethical for an appraiser to accept compensation for performing an assignment when it is contingent upon:

- 1. the reporting of a predetermined results (e.g., opinion of value);*
- 2. a direction in assignment results that favors the cause of the client;*
- 3. the amount of a value opinion;*
- 4. the attainment of a stipulated result; or*
- 5. the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment purpose*

Question #8:

STATEMENT 8, dealing with the electronic transmission of reports, has been retired. Can reports still be stored in electronic format?

Response:

Yes, reports may still be stored in electronic format. STATEMENT 8 dealt with **transmission**, not with record **storage**. Hence, the retirement of SMT-8 does not affect record keeping requirements. (Also, note that the retirement of SMT-8 does **not** indicate that electronic transmission of reports is no longer allowed.)

Question #9:

I recently accepted an appraisal assignment for a property that had an easement granted in perpetuity. The property owner was the client. She did not have a copy of the easement and stated that it had never been recorded. What are my development and reporting obligations under USPAP?

Response:

First, you should do what research is possible to see if the easement was recorded and reflect the facts you discover in your analysis. If you cannot confirm the facts, you may use an Extraordinary Assumption in your analysis. The particulars of the Extraordinary Assumption, and its impact on value, must be clearly disclosed.

The definition of an Extraordinary

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USPAP Q & A

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Assumption is:

an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: *Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in the analysis. [Bold added for emphasis]*

Standards Rule 2-1(c) states, in part:

Each written or oral real property appraisal report must:

(c) clearly and accurately disclose any extraordinary assumption, hypothetical condition, or limited condition that directly affects the appraisal and indicate its impact on value.

The Comment to this Standards Rule states, in part:

In a written report the disclosure is required in conjunction with statements of each opinion or conclusion that is affected.

For further information regarding USPAP Q&A, please contact:

Jim Park, Director of Research & Technical Issues

The Appraisal Foundation

1029 Vermont Avenue NW, Suite 900

Washington, DC 20005

(202) 624-3044, phone

(202) 347-7727, fax

RENEWAL REMINDER

Renewal materials have been mailed. Please return your renewal form with correct fees and proof of continuing education so that it is received at the Board's office by June 30. Also, please remember that late renewals are not retroactive to June 30. If you choose not to renew in a timely manner, then you may not continue to lawfully engage in the appraisal business after June 30.

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.

Charles R. Cope (West Jefferson) - By consent, the Board issued a reprimand to Mr. Cope and ordered him to take a 14-hour USPAP course by July 1, 2002. The Board found that Mr. Cope and a trainee appraised a property located in Millers Creek, North Carolina in February 2001, finding an appraised value of \$105,000. The subject property was previously a single-wide mobile home. The homeowner remodeled the home over a period of years so that upon the effective date of the appraisal, the property appeared to be a small brick stick-built home. Mr. Cope made an excessive adjustment for the detached garage on the second comparable sale used in the Sales Comparison Approach. He made other mistakes in the original appraisal report; however, those mistakes were corrected and a revised report was sent to the client.

David R. Falvey, Jr. (Apex) - By consent, the Board suspended Mr. Falvey's residential certification for a period of three months. The suspension is stayed until July 1, 2002. Mr. Falvey also agrees to complete a 14-hour USPAP course and a course in Real Estate Fraud and the Appraiser's Role by July 1, 2002. If he does not complete the courses by that date, the suspension will be activated on July 1, 2002. The Board found that Mr. Falvey and a trainee appraised a property located in Greenville, North Carolina in November 2000, finding an appraised value of \$310,000. The subject had sold in April 2000 for \$169,000, then sold again on the same day for \$289,000. The subject was under contract at the time of the appraisal for \$310,000. The sales history and contract price were reported in the appraisal report. Mr. Falvey used three comparable sales, including one across the street from the subject. That sale was similar to the subject as far as age, design, quality and gross living area; however, the sale was situated on a golf course lot and the subject was not. Mr. Falvey stated in the report the subject was not in a flood zone and stated the FEMA Zone as X, when in fact the subject is located in a flood hazard area and the FEMA Zone is A3. The subject property had been flooded during

Hurricane Fran, as had the sale across the street. That fact was not mentioned in the appraisal report.

Carol Johnston (Asheville) - By consent, the Board suspended Ms. Johnston's residential certification for one month. The suspension is stayed until July 1, 2002. Ms. Johnston also agrees to complete a course in appraising manufactured and modular housing and a 14-hour USPAP course. If she completes the courses, the suspension will be inactive. If she does not complete the courses by July 1, 2002, the suspension will become active. The Board found that Ms. Johnston appraised a property located in Canton, North Carolina in March 1999, finding an appraised value of \$129,500. The subject property consisted of a .47-acre tract of land on which a modular home was to be placed. Ms. Johnston did the appraisal subject to completion per plans and specifications. She did not state in the appraisal report that the subject was a modular home. She chose stick-built home sales for use in her sales comparison approach, and stated the incorrect owner on the appraisal report. The subject site had sold for \$12,500 within a year of the effective date of the appraisal, but this fact was not mentioned in the appraisal report.

Michael G. Knox, Sr. (Denver) - By consent, the Board suspended Mr. Knox's residential certification for a period of nine months. The suspension is stayed until July 1, 2002. Mr. Knox agrees to complete a course in appraisal fraud and a 14-hour USPAP course. If he completes the courses by July 1, 2002, the suspension will be inactive. If he does not complete the courses by that date, the suspension will become active. The Board found that Mr. Knox, while a trainee, appraised a property located in Mount Holly, North Carolina in November 1998, finding an appraised value of \$70,000. The subject property was approximately 68 years old at the time of the appraisal. Mr. Knox stated on the appraisal report that the property was in average condition. He estimated a cost of \$200 to cure the fact that some vinyl at the rear of the dwelling had been blown away. At the time of the appraisal, the subject needed cosmetic and other work. The subject property had been listed for sale for over 300 days on the effective date of the appraisal, with a current listing price of \$29,900. Mr. Knox did not consider and analyze this fact in the appraisal process, nor did he mention this fact in the report.

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Disciplinary Actions

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John Lewis (Charlotte) - Following a hearing, the Board suspended Mr. Lewis' residential certification for four months effective March 15, 2002. The Board found that in August 2001, Mr. Lewis contacted the Board's legal counsel and requested that counsel send a letter to him stating that he was not the anonymous complainant in a complaint against another appraiser. Counsel sent a letter to Mr. Lewis stating in part "Since I do not know who filed this third complaint, I cannot state that you did not file it. I can say that there is not any indication that you did, but to say anything else would be misleading." Mr. Lewis altered counsel's letter to state that "I cannot reveal the person who filed the complaint at this time, but I can state that according to our records, it was not filed by anyone in Mecklenburg County, or anyone from your company. There is no indication at all that you filed this complaint." Mr. Lewis admitted in his response to the complaint and in his testimony that he had deliberately altered the letter. He also admitted that he sent copies of the altered letter to his sister, his brother-in-law, and a friend and former employee.

Tracy D. Micheal (Apex) - By consent, the Board suspended Mr. Micheal's trainee registration for a period of three months. The suspension is stayed until July 1, 2002. Mr. Micheal agrees to complete a 14-hour USPAP course and a course in Real Estate Fraud and the Appraiser's Role by July 1, 2002. If he does not complete the courses by that date, the suspension will be activated on July 1, 2002. The Board found that Mr. Micheal and his supervisor appraised a property located in Greenville, North Carolina in November 2000, finding an appraised value of \$310,000. The subject had sold in April 2000 for \$169,000, then sold again on the same day for \$289,000. The subject was under contract at the time of the appraisal for \$310,000. The sales history and contract price were reported in the appraisal report. Mr. Micheal used three comparable sales, including one across the street from the subject. That sale was similar to the subject as far as age, design, quality and gross living area; however, the sale was situated on a golf course lot and the subject was not. Mr. Micheal stated in the report the subject was not in a flood zone and stated the FEMA Zone as X, when in fact the subject is located in a flood hazard area and the FEMA Zone is A3. The subject property had been flooded during Hurricane Fran, as had the sale across the street. That fact was not mentioned in the appraisal report.

Elizabeth Patton (Youngsville) - By consent, Ms. Patton voluntarily surrendered her right to renew her trainee registration.

Sherry G. Severt (West Jefferson) - By consent, the Board issued a reprimand to Ms. Severt and ordered her to take a 14-hour USPAP course by July 1, 2002. The Board found that Ms. Severt and her supervisor appraised a property located in Millers Creek, North Carolina in February 2001, finding an appraised value of \$105,000. The subject property was previously a single-wide mobile home. The homeowner remodeled the home over a period of years so that upon the effective date of the appraisal, the property appeared to be a small brick stick-built home. Ms. Severt made an excessive adjustment for the detached garage on the second comparable sale used in the Sales Comparison Approach. She made other mistakes in the original appraisal report; however, those mistakes were corrected and a revised report was sent to the client.

Clemm H. Shankle (Raleigh) - Following a hearing, the Board suspended Mr. Shankle's general certification for 5 years effective March 25, 2002. The Board found that Mr. Shankle performed two appraisals of a property located in Greensboro, North Carolina in November 1999, both with an effective date of September 10, 1998. The subject property consists of approximately 48 acres of vacant, unimproved land that adjoins the Piedmont Triad Airport. Approximately 30% of the subject property contains wetlands. The subject did not have sewer available on the effective date of the appraisal report. In September 1998 the airport authority had taken the entire tract for future expansion through a condemnation action. Mr. Shankle was contracted by the landowner's attorney to determine the market value of the site as of the date of the taking. He had previously appraised the subject property in February 1998, with an effective date of August 28, 1996. That report was produced for a condemnation action in which approximately 8 acres of land was being taken from a 58 acre parcel owned by Dr. Sims. The property remaining after the taking was 50.17 acres, which included the 48 acres of subject property that were involved in this disciplinary case. In that report, Mr. Shankle valued those 50.17 acres at \$57,000 per acre. He appraised the subject property in November 1999, using an effective date of September 10, 1998, finding an appraised value of \$9,100,000. In that appraisal report, Mr. Shankle considered the increase in value to the property by the proposed airport expansion, a violation of G.S. B40A-65. G. S. B40A-65 is a

Jurisdictional Exception to the Uniform Standards of Professional Appraisal Practice (USPAP). Mr. Shankle used lease information from Oakland, California to ascertain the differences in valuation of properties located on an airport site and those off the airport. He also used general information given to him verbally by two officials in Texas in support of his valuation. There was no correlation shown in the appraisal report properties between properties in California and Texas with those in Greensboro, North Carolina. Mr. Shankle stated in the report that the difference in on-airport sites and off-airport site leases for a cargo facility in California is a factor of 3.55 times. The subject property does not have access to the airport and is not an airport site. In the income approach, Mr. Shankle used income from a fully developed and operating airport to develop his value. The subject was a vacant tract of land and had no income from which to develop an income approach. Mr. Shankle did not state in the appraisal report that the appraisal was performed under the hypothetical condition that the subject was a fully operating airport facility. His income approach was inappropriately developed. In the sales comparison approach, Mr. Shankle's comparable sales had unadjusted sales prices of \$54,748, \$53,604, and \$135,956 per acre. He valued the subject property at \$190,000 per acre. There was no explanation or reconciliation in the appraisal report as to how he obtained this figure. A jury valued the subject property at approximately \$2,662,000, and another appraiser valued the subject at \$1,150,000. Mr. Shankle's appraised value of \$9,100,000 or \$190,000 per acre for the subject property was excessive. He used incorrect methodology in the appraisal process on this report. Mr. Shankle's second appraisal was made of the same subject property in a letter format dated April 17, 2000. In that letter, he valued the property at \$3,594,000, or \$75,004 per acre. He stated in that letter that there were several hypothetical conditions he used to form an opinion of value for the subject property, although those conditions were not hypothetical at the time of the effective date of appraisal, but were factual. He labeled that letter as a Limited Appraisal as he said he invoked the Departure Rule of USPAP, although that letter appraisal report did not include an explanation of what departures he made nor the reason for the exclusion of any value approaches. Finally, Mr. Shankle did not state the type of reporting format used in either the November 1999 report or the April 2000 report. □

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