



# APPRAISER REPORT

## 2017 RENEWAL INFORMATION

### Appraisers (In-State)

All registrations, licenses and certificates expire on June 30<sup>th</sup> and must be renewed before this date to maintain your current status. You will only receive one renewal notice. If you do not renew by June 30<sup>th</sup>, 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, including the 2016-2017 7-Hour National USPAP Update course completed by May 31, 2017 in order to renew on time. The current CE cycle is June 1, 2015 – May 31, 2017.**

The renewal fee is \$200.00 and if you want to be on the National Registry, there is an additional fee of \$60.00. Registered trainees are not permitted to be on the Registry. If you allow your license to lapse, you may renew late with late penalty fees for the first 12 month period and may reinstate in the second 12 month period by making a full application. After 24 months, you must start over and meet all the current education and experience requirements plus pass the exam.

Only licensees **originally** registered, licensed, or certified after January 1, 2017 are exempt from continuing education this cycle, but not from renewal.

### Appraisal Management Companies

All Appraisal Management Company registrations expire June 30, 2017, and must be renewed before this date to maintain its current status. The renewal fee is \$2,000. Each renewal shall post with the Board a surety bond in the amount of \$25,000. The bond must not expire before June 30, 2018. A rider to a current bond is acceptable. The renewal application and bond forms are available on our website under the forms section.

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.

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](http://www.ncappraisalboard.org/education/contin_edu.htm)

# APPRAISER REPORT

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 Information in the articles published herein may be superseded by changes in law, rules, or USPAP.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

## NORTH CAROLINA APPRAISAL BOARD

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

### Website:

[www.ncappraisalboard.org](http://www.ncappraisalboard.org)

### Email Address:

[ncab@ncab.org](mailto:ncab@ncab.org)

Roy Cooper, Governor

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## APPRAISER COUNT

(As of May 1, 2017)

Trainees	406
Licensed Residential	85
Certified Residential	1946
Certified General	1310
Total Number	3747

## APPRAISER EXAMINATION RESULTS

November 1, 2016 – April 30, 2017

Examination	Total	Passed	Failed
Certified Residential	5	3	2
Certified General	9	7	2

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>

## Appraisers (Out-of-State)

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- 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 along with your renewal notice and fee. Your letter of good standing must be an original document and dated within the previous 30 days of receipt by the North Carolina Appraisal Board.
- If you were issued your reciprocal license after July 1, 2016, you must also show proof of completing the 2016-17 7 Hour USPAP Update. Out-of-state licensees that have taken the course with a provider NOT approved by the NC Appraisal Board can complete the affidavit form provided by the Board. Please send an email requesting the form to [ncab@ncab.org](mailto:ncab@ncab.org).
- If you were licensed in North Carolina by reciprocity and you now live in North Carolina, you may renew by letter of good standing this year only if you moved to North Carolina on or after January 1, 2017.

## 2017 Board Meeting Dates

June 20	October 31
August 22	December 5

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

# EXCLUDING APPROACHES TO VALUE

Recently Board staff has noted an issue with some appraisal reports. Standard Rule 1-6 of USPAP requires an appraiser to reconcile the applicability and relevance of the approaches, method, and techniques used to arrive at the value conclusion. Standards Rules 2-2(a)(viii) and 2-2(b)(viii) require an appraiser to explain why the Sales Comparison Approach, Cost Approach, or Income Approach was excluded in the appraisal.

For example, in an appraisal of a 100-year old single family dwelling sited on a residential lot, the Cost Approach may not be necessary for credible assignment results. The appraiser would then state in the report that the Cost Approach was not considered due to the unreliability of that approach given the age of the subject dwelling. Likewise, the Income Approach may not be necessary in that assignment. The appraiser could state that the Income Approach was not considered due to insufficient data to complete the Income Approach in a credible manner.

In some cases, a client may tell the appraiser not to complete an approach to value. Remember, it is up to the appraiser to determine the Scope of Work for an assignment. This includes a determination of which approaches to value are necessary for credible assignment results for the intended use of the appraisal. If an appraiser believes an approach to value is necessary, that approach must be utilized. It would not be appropriate to simply state that the client did not require an approach without explaining the lack of relevance of the approach to the intended use of the appraisal.

For example, a single-family dwelling is located in a subdivision of similar homes, most of which are rented, and the subject itself is also rented. There is sufficient data for the Income Approach, and that Approach is likely necessary for credible assignment results. If a client requests that an appraiser not use the Income Approach, that assignment condition limits the Scope of Work to such a degree that the appraisal will not be credible. The appraiser should withdraw from the assignment unless the client will accept a modification to the assignment conditions or allow the appraiser to use an extraordinary assumption that the Income Approach is not necessary.

The approaches to value utilized by an appraiser are a key component of the scope of work. The decision to develop or not develop an approach to value should be balanced with the actions of professional peers and the expectations of clients of same assignment type.

It is possible that a client would require an appraiser to complete an approach to value that is not necessary for the assignment. Sometimes this can be done for reasons in addition to the intended use of the report. For example, residential appraisers are often asked to complete the Cost Approach on assignments where the results might be less than reliable. This is an assignment condition, and if the appraiser accepts the assignment, this approach must then be utilized. To do this, however, makes the necessity to reconcile the approaches to value all the more important for a credible appraisal report.

Lastly, the appraiser remains accountable for what they do and don't do in any appraisal assignment. It is important that you complete a thorough scope of work analysis as part of any appraisal assignment you consider or complete.

# VERIFY YOUR COMPARABLE SALES INFORMATION!

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

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

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

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 or a reference to where it can be found. For example, if you use listing service data as your data source and tax records as your verification source, you should consider keeping a copy of the listing service sheet and the tax card in your file. MLS and tax information may change over the years, so having the data in your file as of the effective date of the appraisal may be useful to defend a complaint or a law suit. Sometimes you may receive information verbally, 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.

When appraising large land parcels or properties located in extremely rural areas, it may be difficult to verify sales information in a timely manner. Often there is no real estate agent involved with medium sized parcels (25-400 acres), so an appraiser may have to find a colleague who may have been involved with the sale. In rural areas, the person most familiar with the market and specific transactions is often the tax assessor, who may note the sales as verified in the GIS system. It is important for the appraiser to note the source of their data and their attempts to verify the information used in the report.

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

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

# 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.

## **2017-13: ETHICS RULE – CONDUCT**

### **Disclosure of Prior Services Involving a Partnership**

**Question:** I am a business valuation appraiser. Two years ago, I appraised a 5% limited partnership interest for Estate A. Now I am appraising a 7% limited partnership interest for Giftor B. Estate A and Giftor B are brothers. Estate A and Giftor B are founding partners of the partnership and have not moved interests in the partnership amongst themselves. Since interest A and interest B have never been owned by the same person within the partnership, am I required to disclose any prior services since I did not previously value the Giftor B interest? Although it is the same partnership, I believe they are different interests; therefore, is there a requirement to disclose my previous appraisal as a prior service?

**Response:** Yes. By definition, a Limited Partnership interest is “property.” A common definition of property includes “something tangible or intangible to which the owner has legal title.” Therefore, if any services performed within the past three years regarding the *Partnership* (including any interest in the Partnership) must be disclosed in accordance with the Conduct section of the ETHICS Rule and Standards Rule 10-3.

## **2017-14: ETHICS RULE – CONDUCT**

### **Disclosure of Prior Services for Multiple Assignments on a Property**

**Question:** A lender contracts with AMC A for an appraisal. The subject property is currently under contract for over \$3,000,000. Given the price and the lender’s high-dollar policy, the lender also orders a second appraisal from AMC B. Each AMC unknowingly engages the same appraiser on the same day. The appraiser subsequently completes and delivers two reports, one for AMC A and one for AMC B. As one might expect, the reports are identical except for the AMC name. The lender receives both reports and is very upset because neither report discloses any prior services had been performed. When contacted, the appraiser states that since both orders were received on the same day, his statements in each report that there had been no prior services were both correct. Is the appraiser correct?

**Response:** No. One assignment was performed prior to the other. Therefore, in the second assignment the appraiser would have to comply with the USPAP requirements to disclose the first assignment as a prior service.

## **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.



# 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.

## Appraisers:

### **Edwin G. Bell, Jr. A6332 (Leland)**

By consent, the Board suspended Mr. Bell's license for a period of one month effective April 1, 2017. The suspension is stayed until August 1, 2017. If Mr. Bell completes a class in measuring and a class in appraiser liability by that date, the suspension shall be inactive. If he fails to complete the classes by that date, the suspension shall be activated on that date. Mr. Bell performed an appraisal of a 2-story home located in Wilmington, North Carolina effective May 3, 2016 finding a value of \$344,500. He later revised his reports to estimate values of \$355,000, \$361,000 and \$377,000, all of which had the same effective date. In the original appraisal, he stated that the subject had 2,863 square feet, had the wrong photo of comparable #5 and stated that this sale had a two car garage when it actually had a one car garage. In the first revised appraisal, he stated that the subject had 2,996 square feet. He still had the wrong photo for comparable #5 and still noted that property as having a double garage. He added sales suggested to him by the lender, which increased his value estimate. In this appraisal, he rated each of the comparable sales condition as a "C3", and made a negative \$30,000 adjustment to

one sale with no explanation within the report. In the second revised appraisal, he used the same comparable sales as in the second report, and his report still contained an incorrect photo and incorrect notations regarding the garage. He corrected the condition rating on one of the comparable from "C3" to "C4" and made a positive \$15,000 adjustment. Based on this change he increased the value by \$6,000. In his third revised appraisal, he stated that the subject had 3,015 square feet, which was correct. He dropped his lowest price sale, stating that the GLA for this property was different in the various public records and could not be verified. Mr. Bell could only produce three of the appraisal reports that were performed in connection with this assignment.

### **Donald W. Ellis A7989 (Concord)**

By consent, the Board voted to suspend Mr. Ellis' residential certification for a period of six months effective June 1, 2017. The first two months of the suspension are active and the remainder is stayed until December 31, 2017. If Mr. Ellis completes the 15 hour National USPAP class and a class in Board laws and rules by that date, and takes and passes the state certified

residential exam by that date, the remainder of the suspension will be inactive. If he fails to take both classes and pass the exam by December 31, 2017, the remainder of the suspension will become effective on January 1, 2018. Mr. Ellis was previously a resident of the state of Tennessee and was licensed there as a certified residential appraiser. In June 2015, he filed an application with the Board to become certified in North Carolina. On the application, there is a question which reads "Are there currently any charges pending against you in connection with any professional license in North Carolina or any other state?" Mr. Ellis marked "No". At the time of this application, there were three disciplinary cases pending against him in Tennessee. Mr. Ellis entered into a consent order with Tennessee that required the voluntary surrender of his appraiser certification in that state, payment of a \$1,000 fine, and an agreement to waive the right of appeal. This order was executed by Mr. Ellis on April 8, 2016 and accepted on July 11, 2016. Mr. Ellis failed to notify the Board of this action within 60 days of the final order as required by Board rules.

**R. Pace Holding A4204  
(Charlotte)**

By consent, the Board suspended Mr. Holding's certification for a period of three months effective February 22, 2017. The suspension is stayed until May 1, 2017. If Mr. Holding completes the 15 hour National USPAP class and a class in Board laws and rules by that date, the suspension will be inactive. Mr. Holding failed to renew his residential certification by June 30, 2016, so his certification lapsed on that date. Board records indicate that he was late in renewing his certification in 2007, 2009, 2010, and 2015. Mr. Holding completed the required education to renew his certification in July 2016. His certification was renewed on September 1, 2016. He prepared two appraisals during the period he was not licensed by the Board.

**Robert Scott Korf A4807  
(Huntersville)**

By consent, the Board suspended Mr. Korf's residential certification for a period of one month effective May 1, 2017. The suspension is stayed until September 1, 2017. If Mr. Korf completes the 15 hour National USPAP class and a class in the sales comparison approach by that date, the suspension will be inactive. Mr. Korf performed appraisals of six properties. One of the properties is a 2941 square foot home located in Concord, North Carolina. Mr. Korf valued this property at \$325,000 effective February 2, 2016. The subject was rented and Mr. Korf provided a rent schedule, but he did not complete the Income Approach. He failed to explain in the report why he excluded this approach. In

this same appraisal, the subject contract indicated that \$19,496 of personal property was being conveyed with the real property, but this was not mentioned or analyzed in the report. His other five appraisals contained other errors, such as unsupported and inconsistent adjustments, a wrong photo for a comparable sale, and an incorrect distance from the subject to a comparable sale. Also, in the remaining five appraisal reports, Mr. Korf failed to explain why he excluded the Cost and Income Approaches to value. In all of these appraisal assignments, he failed to maintain copies of all appraisal reports as sent to the client.

**Alan Dale Smathers A4539  
(Waynesville)**

By consent, the Board issued a reprimand to Mr. Smathers effective January 1, 2017. He agrees to complete the Residential Site Valuation & Cost Approach class. If he fails to complete the class by June 30, 2017, the reprimand will be vacated and a one month active suspension imposed on that date. Mr. Smathers performed an appraisal of a property located in Woodfin, North Carolina in April 2016, finding an appraised value of \$140,000. The subject is a one story single family dwelling with 948 square feet and a 576 square foot finished basement. It is located on a 10,642 square foot site. Mr. Smathers stated in the report that the subject transferred on September 2, 2015, but stated that the price of that sale was \$0. In fact, the property transferred for \$132,000. The subject lot originally consisted of 21,334 square feet; it had been split in

December 2015, and on the effective date of the report the subject lot consisted of 10,642 square feet. The report incorrectly stated that the lot was 21,334 square feet. Mr. Smathers stated in the report that the subject is of average quality and in average condition. The subject property was built in 1949, yet in his Cost Approach, he took no depreciation for physical condition.

**J. Thomas Tolley, III A4661  
(Durham)**

By consent, the Board suspended Mr. Tolley's general certification for a period of six months effective June 1, 2017. The suspension is stayed until February 1, 2018. Mr. Tolley agrees to complete a class in measuring and a class in appraiser liability. In addition, Mr. Tolley agrees to take and pass the certified general examination by that date. If he fails to complete the classes and pass the exam by February 1, 2018, the suspension will become active on that date. There were two cases against Mr. Tolley. In the first one, he performed an appraisal of a property located in Chapel Hill, North Carolina effective December 3, 2015, valuing the property at \$1,340,000. The subject property is a new two-story detached home with a basement. According to the appraisal report, the main levels contain 3,608 square feet and the basement contains 1026 square feet with 410 square feet finished. The subject has 11 acres. Of the closed sales used in the report, only one contained acreage similar to the subject. There were no adjustments for the differences in the subject's site and the less than

one acre sites of the comparable sales, and no explanation in the report. The subject was new construction, and only one of the sales was new. The others ranged in age 9 to 36 years and were not in like-new condition, yet Mr. Tolley did not make adjustments for condition nor did he explain in his report why he did not do so. He had produced more than one appraisal report, but he did not have copies in his work file of all reports that were submitted to the client. In the second case, Mr. Tolley performed an appraisal of a property located in Selma, North Carolina effective July 21, 2016, valuing the property at \$261,000. The subject is a vinyl sided dwelling built in 1978 that has a partially finished 1318 square foot basement. It is situated on a 2.24 acre site in a rural area of mixed use including single family and farms. The dwelling had a 910 square foot family room addition that had no heat source, yet Mr. Tolley included this area in the GLA for the subject with no cost to cure. He failed to note an

additional half bath. The appraisal report noted that the present land use was 100% single family, indicating the area is 100% built up with single family homes. The subject area actually had farmland and vacant land and was not 100% built up with single family homes.

**R. Keith Zimmerman A4709  
(Concord)**

By consent, the Board issued a reprimand to Mr. Zimmerman effective January 1, 2017. He also agrees to complete the 15 hour National USPAP and a class in appraiser liability by March 1, 2017. If he fails to complete the courses by that date, the reprimand will be withdrawn and a one month active suspension imposed as of that date. Mr. Zimmerman appraised a property located in Concord, NC in May 2016, finding a value of \$422,000, which was later revised to \$402,000. The subject is a one story, single family dwelling that is situated on a 43,124 square foot lot. The first appraisal report

indicated that the subject had three bedrooms; the revised report indicated five bedrooms, which did not agree with the number of bedrooms represented in the floor plan included with the report. The site contained .98 acres, which is the size noted on the county tax card. The MLS noted that the subject had 2.12 acres, which is what Mr. Zimmerman used in his original report. When he was advised of his error, he revised the report by changing the site size, adding a \$20,000 site adjustment, and lowering the indicated value. There was no support for this adjustment in the report or work file. Mr. Zimmerman utilized only the Sales Comparison Approach in his analysis. He explained in the report why he did not utilize the Cost Approach, but he did not explain why he failed to utilize the Income Approach. The subject was listed at the time of the appraisal, but Mr. Zimmerman marked “no” for listings in the report and no listing data or dates was provided in the report.

**Appraisal Board Office Hours**

Effective June 1, 2017, the Appraisal Board office will be extended from 8 am until 5 pm. Telephones will be answered as usual from 8 am until 4 pm. After 4 pm, callers may hear a message directing them to enter their party’s extension (a staff directory will also be available).

In addition to the staff directory, you may also leave a message for a general question as follows:

- Front desk & Temporary Practice Permits – dial extension 200
- Complaints & AMC questions – dial extension 203
- Applications & Continuing Education – dial extension 201
- Course Sponsor Applications – dial extension 206

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