



NORTH CAROLINA APPRAISAL BOARD

APPRAISER REPORT

Volume 12

Summer 2002

Number 3

Board Elects Officers



Bart Bryson
Chairman



J. Vance Thompson
Vice-Chairman

Bart Bryson of Hendersonville has been elected Chairman of the Appraisal Board for 2002-2003. Speaker of the House of Representatives, James B. Black, appointed Mr. Bryson to the Board in 1999.

A State-Certified General appraiser, Mr. Bryson worked eleven years with the North Carolina Department of Transportation Appraisal Department in Asheville. He currently heads Bryson & Associates in Hendersonville and has since 1970. He also holds a real estate brokers license in North Carolina and South Carolina.

Mr. Bryson served on the North Carolina Real Estate Commission from 1979 to 1985 and served as Chairman of the Commission from 1983 to 1984. He has also served as president of The Appraisal Institute, Chapter 40, the Society of Real Estate Appraisers, and the

Hendersonville Board of Realtors.

Mr. Bryson and his wife, Joyce, have one son, Byron.

J. Vance Thompson of Elkin has been elected Vice-Chairman of the Appraisal Board for 2002-2003. Mr. Thompson served as chairman of the Appraisal Board for 2000-2001.

Mr. Thompson was originally appointed by former Governor James B. Hunt, Jr. in March 1998 to fill the balance of a vacated term and then was reappointed twice to three-year terms. Governor Michael Easley reappointed Mr. Thompson to his current three-year term ending June 30, 2004.

Mr. Thompson, a state-certified residential appraiser and licensed real estate broker, is President of Thompson's Appraisal Service, Inc., in Elkin and has over 37 years of appraisal experience. □

Errors in Appraisal Reports - An Appraiser's Duty

Many of the complaints received by the Appraisal Board are the result of typographical and clerical errors in appraisal reports. A majority of errors occur simply because reports are not being proof-read before they are signed. Often an appraiser will write over an old report, forgetting to make changes as necessary. The result may be a misleading report that confuses the intended users and other readers of the report.

USPAP addresses this issue in Standards Rule 1-1(c). That rule states that "An appraiser must not render appraisal services in a careless or negligent manner, such as by making a series of errors that, although individually might not significantly affect the results of an appraisal, in the aggregate affect the credibility of those results."

The Appraisal Standards Board also addresses this issue in its publication, Frequently Asked Questions. The ASB states, "It is the opinion of the ASB that the appraiser is responsible for the contents, analyses and conclusions of the appraisal and appraisal report. When an error is discovered, the appraiser should contact the client in writing and inform the client of the error and correct information, and any other resulting changes in the analyses and reported conclusions."

Appraisers should carefully proofread their reports before sending them to clients. If a mistake is discovered in a report after it has been transmitted, the appraisers should let the client know about the error. If the mistake affects the conclusions in the report or the value of the subject, a new report should be sent to the client as soon as the error is known. □

APPRAISERREPORT

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

NORTH CAROLINA APPRAISAL BOARD

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www.ncappraisalboard.org

Email Address:

ncab@ncab.org

Michael F. Easley, Governor

APPRAISAL BOARD MEMBERS

Bart Bryson
Chairman.....Hendersonville
J. Vance Thompson
Vice-Chairman.....Elkin
Bruce W. DesChamps.....Wilmington
Henry E. Faircloth.....Salemberg
Charles K. Hinnant.....Kenly
Jack O. Horton.....Elizabeth City
E. Ossie Smith.....Oxford

STAFF

Mel Black, *Executive Director*
Roberta A. Ouellette, *Legal Counsel*
John K. Weaver, *Deputy Director*
Philip W. Humphries, *Deputy Director*
Matthew W. Green, *Investigator*
Donald T. Rodgers, *Investigator*
Lynn P. Crawford, *Appraiser Secretary*
Kim N. Giannattasio, *Administrative Assistant*

APPRAISER COUNT

(As of September 9, 2002)

Trainees	982
Licensed Residential	250
Certified Residential	1653
Certified General.....	345
Total Number	3730

APPRAISER EXAMINATION RESULTS

May, June, July 2002

Examination	Total	Passed	Failed
Trainees	148	103	45
Licensed Residential	250	17	30
Certified Residential	44	24	15
Certified General	16	11	5

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 27619-0500.

From the Boardroom The Competency Rule

The USPAP Competency Rule requires that, prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment competently. If the appraiser does not have the requisite knowledge and experience, the appraiser must disclose the lack of knowledge to the client, take steps to complete the assignment competently, and describe the lack of knowledge and experience and the steps to take to complete the assignment competently in the report.

Competency can apply to geographic area, market area, property type, or appraisal methodology. For example, an appraiser may have knowledge and experience in appraising residential properties in a certain city, but may not be competent to appraise farms located within those city limits. Or, an appraiser may be competent to perform a sales comparison approach, but less competent to perform an income approach on a commercial property. Just because an appraiser has obtained a level of licensure does not mean that the appraiser is automatically competent to perform assignments associated with that license level. For example, a state-certified general appraiser is allowed to appraise a nuclear power plant, but may not be competent to do so.

In all the above situations, if the appraiser does not have the requisite knowledge and experience to perform an appraisal, the appraiser should either affiliate with a local appraiser or should decline the assignment.

Rule Making Procedures

The Board has initiated rule-making procedures. Most of the changes are technical and made for clarification purposes. A public hearing will be held on the proposed rules on October 14, 2002 at the Board's offices in Raleigh. If you wish to receive a copy of the proposed rule changes and/or more information on the public hearing, please contact the Board's office. Written comments are welcome and should be addressed to Mel Black, Executive Director.

CLARIFICATION OF TRAINEE RULE -Effective date of the "First Fifty" Rule

At its August 22, 2002 Board meeting, the Appraisal Board reviewed Administrative Rule 21 NCAC 57A.0407(3) that requires a supervisor to accompany a trainee on inspections of the subject property for the first fifty appraisal assignments, and considered the August 1, 2002 effective date of this rule.

The Board found that the language of the rule is confusing as to how the "first fifty" rule would apply to new trainees and to trainees that were registered prior to the effective date of the rule. The Board then voted to declare that this rule applies only to trainees registered on or after August 1, 2002.

Trainees who were registered before August 1, 2002 still need to be actively and personally supervised, but the new rule does not require that a supervisor accompany a trainee registered before August 1, 2002 on inspections of the subject property if the supervisor deems the trainee competent to perform inspections without supervision.

Supervisors are reminded that they must continue to sign and take responsibility for the full contents of all reports involving a trainee's participation. Supervisors must also accompany all trainees on inspections of subject properties located more than fifty miles from the supervisor's business address. These two requirements apply regardless of when a trainee was registered.

Approved Continuing Education Courses

(As of August 21, 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.

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-25 (49/30)
Advanced Resource Appraisal A-34 (30/30)
Eminent Domain (19/19)
Highest & Best Use A-29 (15/15)
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 & Swift/Res Prop (7/7)

APPRAISAL ACADEMY (THE)

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

Adj, The Appraisal & The Underwriter (4/4)
Onsite Observation & Reporting Requirements F (4/4)
Tough Residential Assignments (4/4)

APPRAISAL INSTITUTE

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

320 General Applications (39/30)
330 Apartment Appr: Cncpts & (14/14)
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)

700 Appraisers As Expert Witness (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)
Fundamentals of Relocation Appraising (7/7)
Gen Demo Appraisal Rpt Writing Seminar (14/14)
Gen Demo Appraisal Rpt Writing Seminar (7/7)
Intro to Env Issues for RE Appr (7/7)
Residential Demo Appraisal Report Writing Seminar (14/14)

APPRAISAL INSTITUTE, NC CHAPTER

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

How to Recognize & Eval the Ugly (4/4)

ASHEVILLE-BUNCOMBE TECH CC

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

PDH RE - Basic Surveying (5/5)
The UDO: Regulating RE Use & Dev (4/4)
USPAP 2001 (15/15)

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)

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)

DUKE UNIVERSITY

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

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

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)

HALL INSTITUTE

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

Researching and Buying Raw Land (4/4)

HISTORIC PRESERVATION CONSULTING

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

Marketing & Appraising Historic Property (14/14)

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)
USPAP 2001 (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)

Approved Continuing Education Courses

Continued from page 3

Principles/Techniques Val 2-4 Unit Residential (14/14)
USPAP & NC Rules & Regulations for App (15/15)

M CURTIS WEST

P.O. Box 947
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)

MINGLE SCHOOL OF REAL ESTATE

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

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)

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)

NAMA/LINCOLN GRADUATE CENTER

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

Appr Liability-Knowldg to Mnmz (8/8)
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)

NC RE EDUCATION FOUNDATION (NCAR)

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

Appraising a Single-Unit Condo (7/7)
Fundamentals of HP-12C in Appraisal Work (7/7)
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

1605 Westbrook Plaza Drive, Suite 501
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 FORESTRY ED OUTREACH PROGRAM

Campus Box 8003
Raleigh, NC 27695 (919)515-3184

Accurate Forest Inventory (12.5/12.5)
Applied Intermediate GIS - Foresters (15/15)
DIntn of Pdmnt & Cstl Pln Jrstd (30/30)
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)

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. ANFINSDEN

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

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

SURRY CC

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

Home Inspections & Common De (4/4)
Is the Comparable Comparable (8/8)
Mobile Mfg Homes & Types of M (4/4)
Reviewing a Residential Appraisal (8/8)
Testing Highest & Best Use (8/8)

WENDELL HAHN & ASSOCIATES

P.O. Box 5313
Columbia, SC 29250 (803)779-4721

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 PIEDMOND 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)

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:

USPAP requires appraisers to include a description of the scope of work in each appraisal report, the detail of which varies by reporting option. Is there a similar requirement for appraisal review reports?

Response:

Yes. Standards Rule 3-2(c), a binding requirement, states that in every appraisal review report the reviewer must *state the nature, extent, and detail of the review process undertaken (i.e. the scope of work) identified in accordance with Standards Rule 3-1(c).*

Standards Rule 3-1(c), also a binding requirement, states, in part:

In developing an appraisal review, the reviewer must:

identify the scope of work to be performed;

Comment: A reviewer must take appropriate steps to identify the precise extent of the review process to be completed in an assignment. A reviewer must have sound reasons in support of the scope-of-work decision, and the resulting opinions and conclusions developed in the assignment must be credible and consistent with the intended use of the review.

In making the scope-of-work decision, the reviewer must identify any extraordinary assumptions necessary in the assignment. An extraordinary assumption may be used in an appraisal review assignment only if:

- *it is required to properly develop credible opinions and conclusions;*
- *the reviewer has a reasonable basis for the extraordinary assumption;*
- *use of the extraordinary assumption results in a credible analysis; and*
- *the reviewer complies with the dis-*

Continued on page 5

USPAP Q & A

Continued from page 4

closure requirements set forth in SR 3-2(d) for extraordinary assumptions.

The appraisal review must be conducted in the context of market conditions as of the effective date of the opinion in the work being reviewed. Information available to the reviewer that could not have been available to the appraiser as of or subsequent to the date of the work being reviewed must not be used by a reviewer in the development of an opinion as to the quality of the work under review.

Question #2:

I am an appraiser performing an appraisal, appraisal review, or an appraisal consulting assignment. I am required by law, regulation, agreement, or choice to follow USPAP. Is this still true if I do not charge a fee for my service?

Response:

Yes. The applicability of USPAP is not affected by the amount of the fee, or lack of a fee.

Question #3:

A client asked if I would be willing to reduce the fee for appraisals in cases when the loan did not close if the client agreed to pay extra for other assignments. Would this practice be ethical?

Response:

No. The Management section of the ETHICS RULE states, in part,

It is unethical for an appraiser to accept compensation for performing an assignment when it is contingent upon: the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.

As with the other related prohibitions in this section of the ETHICS RULE, such contingencies are not allowed because they can inspire unethical behavior and erode public trust in professional appraisal practice.

Question 4:

I was recently asked to review an appraisal report and limit my review to only the income approach to value. Is such a limitation acceptable?

Response:

Yes. USPAP does not require the reviewer to review the entire report. Standards Rule 3-1(b) states, in part:

In developing an appraisal review, the reviewer must;

identify the:

- (i) subject of the appraisal review assignment,*
- (ii) date of the review,*
- (iii) property and ownership interest appraised (if any) in the work under review,*
- (iv) date of the work under review and the effective date of the opinion in the work under review, and*
- (v) appraiser(s) who completed the work under review, unless the identity was withheld;*

Comment: The subject of an appraisal review assignment may be all or part of an appraisal report, the workfile, or a combination of these.

(Bold added for emphasis)

Question 5:

Can an appraisal, appraisal review, or appraisal consulting assignment include more than one intended use?

Response:

Yes. USPAP requires appraisers to identify the "intended use of the appraiser's opinions and conclusions". There is no prohibition against having more than one intended use. However, when performing an appraisal, appraisal review, or appraisal consulting assignment with multiple intended uses, the appraiser must be very careful to clearly identify each of the intended uses of the report to limit the possibility of confusion.

Additionally, the appraiser must comply with all Supplemental Standards that are applicable to the intended uses. The appraiser must also recognize that the scope of work may need to be expanded in order to provide credible results for all of the intended uses.

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, (202) 347-7727, fax. ☐

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.

Samuel R. Beck (Hayesville) - By consent, Mr. Beck surrendered his residential certification. The Board dismissed the charges against him.

Charles V. Brooks, Jr. (Mooreville) - By consent, the Board suspended Mr. Brooks' residential license for six months. The suspension is stayed until October 1, 2002. Mr. Brooks also agrees to take a course in standards (USPAP) and North Carolina Board Rules by October 1, 2002. If he fails to take the course as agreed, the suspension will be activated on that date. The Board found that in 1995, Mr. Brooks pleaded guilty to DWI, Level 5. He received a fine and was ordered to pay court costs, which he did. He filed an application to become a trainee in August 1997, and an application to upgrade to state-licensed residential in July 1999. Mr. Brooks did not mention the DWI charge on either of his applications. On several occasions, Mr. Brooks told one of his trainees to check the "did inspect" box when preparing an appraisal report for his signature. On those occasions, Mr. Brooks did not accompany the trainee on the inspection but did a drive by inspection at a later point. That trainee was also a county building inspector. Mr. Brooks no longer supervises any trainees.

Michael Casey (Raleigh) - By consent, the Board suspended Mr. Casey's residential license for one year. The suspension will begin on August 1, 2002. Respondent also agrees to take a course in standards (USPAP) and a course in appraiser fraud or liability by October 1, 2002. If he takes the courses by that date, only the first three months of the suspension shall be active and the remainder of the suspension will be inactive. The Board found that Mr. Casey appraised a property located at 114 Hogan Woods Circle in Chapel Hill, North Carolina on July 16, 2001, finding an appraised value of \$590,000. On the effective date of the appraisal, the property was under a contract for sale, but that fact was not mentioned in the appraisal report. The subject property was listed for sale on July 13, 2001 with a list price of \$448,279, although Mr. Casey did not mention that fact in the appraisal report. Despite the above factors, Mr. Casey stated in the appraisal report that the purpose of the appraisal was for refinancing. The appraisal order form stated that the estimated value of the subject property was \$590,000. The subject property sold on July 27, 2001 for a price of \$470,518. The comparable sales were all custom built homes and were superior to the subject property. There were several sales available on the subject street and in close proximity to the subject property that were more similar to the subject property. Those sales

Continued on page 6

Diciplinary Actions

Continued from page 5

ranged in price from \$417,374 to \$452,598. Mr. Casey inflated the value of the subject property.

Steven Gardner (Salisbury) - By consent, the Board suspended Mr. Gardner's residential certification. The Board found that in December 1997, Mr. Gardner was charged with possession of marijuana, and in May 1998, he pleaded guilty to the charge. Mr. Gardner filed an application to upgrade to become a State Certified Residential Appraiser in August of 1999. He failed to mention the conviction on this application

Charles Holloway (Franklinton) - By consent, Mr. Holloway voluntarily surrendered his general certification. The Board dismissed the charges against him.

Roger Knox (Winterville) - By consent, the Board suspended Mr. Knox's trainee registration for a period of three months. The suspension is stayed until July 1, 2002. Mr. Knox 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. Knox 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. Mr. Knox mentioned the contract price and the sale for \$289,000 in the appraisal report, but did not mention the sale for \$169,000 in the report, although that information was contained in the work file. Mr. Knox stated in the report the subject was not in a flood zone and stated the FEMA Zone as C, 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.

James R. Phillips (Wilmington) - By consent, the Board suspended Mr. Phillips' general certification for one month. The suspension is stayed until October 1, 2002. Mr. Phillips also agrees to complete a 14-hour USPAP course and a course in report writing by October 1, 2002. If he does not complete the courses by October 1, 2002, the suspension will become active on that date. The Board found that in July 2001, Mr. Phillips was asked to perform an appraisal on a property located in Wilmington, North Carolina. Mr. Phillips visited the subject and pulled some preliminary sales. He then wrote a letter to the client in which he stated, "... the subject would appear to have an estimated market value range of between \$3,000,000 to \$3,500,000." In that letter, Mr. Phillips also stated that the cost for a full appraisal of the subject property would be

between \$3,000 and \$5,000 depending on the lender's requirements. The letter written by Mr. Phillips was an appraisal of the subject property, and the appraisal did not comply with any of the provisions of USPAP Rules 1 and 2.

H. Randall Ray (Raleigh) - By consent, the Board suspended Mr. Ray's residential certification for a period of three months. The suspension is stayed until July 1, 2002. The suspension is stayed until July 1, 2002. Mr. Ray 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. Ray 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. Mr. Ray mentioned the contract price and the sale for \$289,000 in the appraisal report, but did not mention the sale for \$169,000 in the report, although that information was contained in the work file. Mr. Ray stated in the report the subject was not in a flood zone and stated the FEMA Zone as C, 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. □

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