



NORTH CAROLINA APPRAISAL BOARD

APPRAISER REPORT

Volume 13

Summer 2003

Number 2

Board Elects Chairman, Vice Chairman

J. Vance Thompson of Elkin has been elected Chairman of the Appraisal Board for 2003-2004. Mr. Thompson was originally appointed to the Board by Governor James B. Hunt, Jr. in March 1998 to fill the balance of a vacated term and then was appointed twice to full three-year terms. Governor Michael Easley appointed Mr. Thompson to his current term ending June 30, 2004.



J. Vance Thompson

Mr. Thompson, a State-Certified Residential appraiser and licensed Real Estate Broker, is President of Thompson's Appraisal Service, Inc., in Elkin. He was County Tax Supervisor for Surry County and has held both local and state offices in

the National Association of Independent Fee Appraisers. Mr. Thompson has 38 years of appraisal experience in all types of properties.

Mr. Thompson has served as President of the local Chamber of Commerce, on the Board of Hugh Chatham Memorial Hospital Foundation and as a member of BB&T's local Advisory Board. He and wife Betty make their home in Elkin.

Henry E. Faircloth of Salemburg has been elected Vice-Chairman of the Appraisal Board for 2003-2004. Mr. Faircloth was first appointed to the Board on July 1, 1991 and has served continuously on the Board to the current date. He led the Board as Chairman in the



Henry E. Faircloth

Board's first year as an autonomous agency in 1995-1996 and has served as Chairman on two additional occasions in 1998-1999 and 2001-2002.

Mr. Faircloth is the Board's only public member, as required by state statute, and has been appointed to each term upon the recommendation of the President Pro Tempore of the North Carolina Senate. He has a great deal of real estate appraisal expertise by having served on the Board for this record-breaking term.

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

Staff Update

Mel Black, Board Executive Director, announced his resignation after the June Board meeting. Mr. Black informed the staff that he plans to open a law office in his hometown of Cherryville, N.C. He had been employed as Executive Director since October 1995.

Roberta A. Ouellette, Board Legal Counsel, announced her res-

ignation at the May Board meeting in order to accept a promotion within the State Department of Justice of which she is an employee. Ms. Ouellette will become a member of the legal staff for the State Department of Transportation.

The Board expressed gratitude for the years of service and extended best wishes to these employees

as they embark on new career goals.

Philip Humphries who has been a Deputy Director since October 2001, was named interim Executive Director. Mr. Humphries has over 30 years of appraisal experience and many years of administrative management experience. □

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 *Appraiserreport*.

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:

www.ncappraisalboard.org

Email Address:

ncab@ncab.org

Michael F. Easley, Governor

APPRAISAL BOARD MEMBERS

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

STAFF

- Philip W. Humphries, *Interim Executive Director*
- John K. Weaver, *Deputy Director*
- Matthew W. Green, *Investigator*
- Donald T. Rodgers, *Investigator*
- Lynn P. Crawford, *Appraiser Secretary*
- Kim N. Giannattasio, *Administrative Assistant*
- Paula Ford, *Appraiser Clerk*

APPRAISER COUNT

(As of July 21, 2003)

Trainees	1005
Licensed Residential	285
Certified Residential	1685
Certified General	855
Total Number	3830

APPRAISER EXAMINATION RESULTS

February, March, April, May June 2003

Examination	Total	Passed	Failed
Trainee	200	142	58
Licensed Residential	41	29	12
Certified Residential	39	25	14
Certified General	11	7	4

Examinations are administered by a national testing service. For information, please contact the North Carolina Appraisal Board in writing at P.O. Box 20500, Raleigh, NC 27619-0500.

Appraiser Price Opinion:

It is an Appraisal!

Several North Carolina appraisers have contacted the North Carolina Appraisal Board regarding correspondence they have received regarding a product entitled an Appraisal Price Opinion. According to the correspondence, this APO is not an appraisal and does not have to comply with the Uniform Standards of Professional Appraisal Practice (USPAP).

Appraisers should be aware that, pursuant to the laws of North Carolina, this APO is an appraisal. The correspondence indicates that since this product is labeled a price opinion, and not an opinion of market value, it is not subject to USPAP. Regardless of the wording used, anyone in North Carolina who provides a price or value opinion on a specified property for a fee of valuable consideration has done an appraisal, and must be licensed by the North Carolina Appraisal Board. There is an exception to the Appraisers Act for real estate agents who are licensed by the North Carolina Real Estate Commission in performing a comparative market analysis for compensation for prospective or actual brokerage clients. All appraisals performed by appraisers in North Carolina must, by law and rule, comply with USPAP.

In an FAQ regarding the APO, the company states, "An appraiser's license cannot be suspended or revoked for information provided on an APO because the scope definition for an APO gives the appraiser limited liability." This statement is absolutely untrue. The North Carolina Appraisal Board can and will take disciplinary action against any appraiser who violates state law, rules or USPAP when providing appraisal services.

The North Carolina Appraisal Board does not approve or endorse any appraisal form. Appraisers are responsible for deciding whether a form complies with USPAP, and should review Standards Rule 2 and Statement 7 for guidance if necessary. □

Continuing Education

NEW REQUIREMENTS

Beginning July 1, 2003, each trainee, licensee and certificate holder who is required to complete continuing education must, within the time period from July 1, 2003 to June 30, 2005, complete 28 hours of Board-approved education with 7 of the 28 hours being the National USPAP Update course or its equivalent. Renewal of your designation will remain on a yearly basis, but the continuing education requirement is on a two-year cycle with 28 hours required before June 30 of every odd numbered year. Annual renewal notices will continue to be sent each year. No carryover education credits beyond the 28-hour requirement will be allowed.

Approved Continuing Education Courses

(As of July 21, 2003)

Listed below are the courses approved for appraiser continuing education credit as of date shown above. Course sponsors are listed alphabetically with their approved courses. Shown parenthetically beside each course title are sets of numbers [for example: (15/10)]. The first number indicates the number of actual classroom hours and the second number indicates the number of approved continuing education credit hours. You must contact the course sponsor at the address or telephone number provided to obtain information regarding course schedules and locations.

ALAMANCE COMMUNITY COLLEGE

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

Appraising Small Residential Income Properties (10/10)

Intro to Commercial Real Estate (4/4)

New Exstg Residential Codes Affecting RE Appr (10/10)

Real Estate Finance (4/4)

ALLEN TATE SCHOOL OF REAL ESTATE

1400 Battleground Avenue, Suite 150
Greensboro, NC 27408-8028 (336) 274-9994

National USPAP Update (7/7)

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)

AMERICAN SCHOOL OF REAL ESTATE APPRAISERS

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

National USPAP Update (15/15)

AM SOC FARM MANGRS & RURAL APPRAISERS

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)

Appraising Rural Residential Properties (15/15)

Eminent Domain (19/19)

Highest & Best Use A-29 (15/15)

Rural Business Valuation (16/16)

AM SOCIETY OF APPRAISERS

535 Herndon Parkway, Suite 125
Herndon, VA 20170 (703) 733-2123

A Perspective on the Profession, Pro Standards,

Emerging Markets & Market Opportunities (3.5/3.5)

Eminent Domain Appraisal Problems (3.5/3.5)

Faulty Appraisals, An Object Lesson (3.5/3.5)

Appraiser Opportunities and Challenges in the Secondary Market (3.5/3.5)

AM SOCIETY OF APPRAISERS NC CHAPTER

125 Kingston Drive #206
Chapel Hill, NC 27514 (919) 929-9539

The Appraisal of Small Subdivisions (7/7)

Using Marshall & Swift/Res Prop (7/7)

APPRAISAL INSTITUTE, NC CHAPTER

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

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

APPRAISAL INSTITUTE, SC CHAPTER

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

Land Val Adjustment Procedure (7/7)

Land Valuation Assignments (7/7)

APPRAISAL INSTITUTE, REGION V

P.O. Box 801807
Dallas, TX 75380-1807

Analyzing Distressed Real Estate (4/4)

APPRAISAL.COM

334 Harris Hill Road
Buffalo, NY 14221 (716) 633-2428

NOVA for Appraisers (7/7)

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)

BILL GALLAGHER SCHOOL OF REAL ESTATE

380 Knollwood Street, Suite 420
Winston-Salem, NC 28103 (888) 778-1245

Intro to Residential RE Investment (7/7)

The Appraiser As An Expert Witness (7/7)

BOB IPOCK & ASSOCIATES, INC.

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

National USPAP Update (8/8)

BRUNSWICK COMMUNITY COLLEGE

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

I've Got This House (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)

CLE INTERNATIONAL

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

Eminent Domain (12/12)

DAN MOHR RE SCHOOLS

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

Depreciation Workshop (7/7)

Environmental Hazards-Residential Prop (7/7)

Extraction of Data from Market Res (7/7)

HP 12C Course (7/7)

Intro to Residential Construction (30/30)

Mfg/Modular Homes & Real Property

Appr Review (7/7)

National USPAP Update (7/7)

Res Appr & Conventional Underwriting Guide (7/7)

Residential Construction Seminar (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) 613-8082

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)

FREDDIE F. STELL APPRAISAL SCHOOL

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

Measuring Homes & Appraising (7/7)

HIGNITE TRAINING SERVICE

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

The Review and The Reviewer (7/7)

National USPAP Update (7/7)

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

Appraisal of Land (30/30)

Fundamentals of Assessment Ratio

Studies (16/16)

Fundamentals of Mass Appraisals (30/30)

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

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

Marshall & Swift - Commercial (13/13)

Principles & Techniques of Cadestral

Mapping (30/30)

Residential Modeling Concepts (30/30)

Standards of Practice & Professional Ethics (18.5/18.5)

INTERNATIONAL RIGHT OF WAY ASSOCIATION

19750 S. Vermont Avenue, Suite 220
Torrance, CA 90502-1144 (213) 538-0233

103 Ethics & Right of Way Profession (8/8)

(continued on page 4)

Approved Continuing Education Courses

(continued from page 3)

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 2002 (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)

Cost Approach Marshall & Swift (7/7)

Income Capitalization (A) (7/7)

Income Capitalization (B) (7/7)

Manufactured, Modular & Mobile (4/4)

Maximizing Value (4/4)

National USPAP Update (7/7)

NC Rules & Regulation Update (7/7)

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

P.O. Box 947

Zebulon, NC 27597 (919) 217-8040

USPAP 2002/2003 (7/7)

McKISSOCK DATA SYSTEMS

P.O. Box 1673

Warren, PA 26365 (814) 723-6979

Appraiser Liability (7/7)

Appraising the Oddball (7/7)

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

Legal Issues for Appraisers (7/7)

National USPAP (15/15)

National USPAP Update (7/7)

O/L Appraiser Liability (7/7)

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

O/L Factory-Built Housing (7/7)

RE Damages: Assessment & Testi (7/7)

Real Estate Fraud & Appraiser's Role (7/7)

Residential Construction (7/7)

The Appraiser as Expert Witness (7/7)

Vacant Land Appraisal (7/7)

MEL BLACK

P.O. Box 705

Cherryville, NC 28021 (704) 460-3551

Trainees & Supervisors (7/7)

Board Rules and Laws (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)

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)

Appraiser Liability (15/15)

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 Cost Approach-Marshall & Swift (15/15)

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 301

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

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

NC Rules & Regulations - USPAP Update/ Avd Ltg (7/7)

Revisiting the Cost Approach & Recurring Errors (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 (16/16)

Applied Intermediate GIS - Foresters (15/15)

Dlntr of Pdmnt & Cstl Pln Jrstd (30/30)

Introduction to Applied GIS - Foresters (15/15)

Introduction to Applied GPS - 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)

REALETECH.COM

2321 Robert Hoke Road

Wilmington, NC 28412 (910) 352-9693

National USPAP Update (7/7)

STACEY P. ANFINSEN

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 245

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 PIEDMONT COMMUNITY COLLEGE

1001 Burkemont Avenue

Morganton, NC 28655 (828) 438-6104

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)

National USPAP Update Course (7/7)

Pricing Complex Properties (4/4)

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

WILLIAM H. SHARP & ASSOCIATES

1459 Pineview Circle

Douglasville, GA 30134 (678) 838-2949

Housework Homework Check List (14/14)

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.

Brenda Arnold (Durham)—By consent, the Board suspended Ms. Arnold's residential license for a period of six months. The suspension is stayed until December 31, 2003. If Ms. Arnold successfully completes a course in Appraiser Liability and the 15-hour National USPAP course by that date, the suspension will be inactive. The Board found that Ms. Arnold performed an appraisal of a property located in Raleigh, NC in September 2002, finding an appraised value of \$327,000. The subject subdivision is located in an area of several subdivisions within a one to two mile radius of the subject. Ms. Arnold used three comparable sales in her report. One sale was from the subject subdivision and two were from neighboring subdivisions. She made no adjustments for the two sales outside the subject subdivision. She did make a positive \$50,000 adjustment for the sale in the subdivision, but her appraisal report and work file contained no explanation for the adjustment. There were other more comparable sales in the subject subdivision that occurred within twelve months that ranged in sales price from \$250,000 to \$290,000. The average sales price for the subject area was \$268,200.

Matthew Clark (Castle Hayne)—By consent, the Board issued a reprimand to Mr. Clark. The Board also ordered Mr. Clark to take a 15-hour course in standards (USPAP) by July 1, 2003. If he fails to take the course as agreed, a one-month suspension will be activated on that date. The Board found that Mr. Clark appraised a home located in Warsaw, NC in September 2002, finding an appraised value of \$160,000. The subject property sold on February 21, 2002 for \$130,000, but this fact was not mentioned in the appraisal report. Mr. Clark did have a tax card of the subject with this information on it in his work file. The appraisal report stated the wrong property address for his first comparable sale. Mr. Clark stated in the appraisal report that his third comparable sale had a lot size of .68 acre, when it was actually 1.02 acres. He also stated that this sale had a screened-in porch when it had an enclosed porch. Mr. Clark valued the subject property's covered porch, unfinished room, fireplace, two storage buildings and a 40' x 24' workshop at \$55,000 in his Cost Approach, but did not have any data in his work to verify this number or any other cost figures in the Cost Approach. Since the property sold in February 2002, the owner had started to

enclose the porch to convert it to heated square footage. This area, which had 280 square feet, had exterior walls, a sub floor and studs but was not finished or heated at the time of the appraisal. This information was contained in the appraisal report in an addendum.

Sherman B. Currin (Lillington)—By consent, the Board suspended Mr. Currin's residential certification for a period of two years. The first three months of the suspension shall be active and the remainder is stayed until August 1, 2003. The Board also ordered that Mr. Currin take R-3, the 15-hour National USPAP course and a course in appraiser liability by August 1, 2003. If he fails to take the courses as agreed, the remainder of the suspension will be activated on that date. In addition, Mr. Currin must send a log of all appraisal reports he performs to the Appraisal Board on the first of every month for two years. Appraisal Board staff will make unannounced checks of his appraisal work for the next two years. There were three cases against Mr. Currin. In the first case, the Board found that Mr. Currin appraised a home located in Turkey, NC in October 1999, finding an appraised value of \$75,000. Mr. Currin used two sales located in the city limits that had superior location factors (appeal & lot values) and did not make any adjustment for those factors. There were other sales in the subject market area that would have indicated a lower value for the subject property. In the second case, Mr. Currin appraised a modular home located in Dunn, NC in May 2001, finding an appraised value of \$132,000. He used three "stick built" homes as comparable sales. Those sales were superior to the subject in quality of construction, yet no adjustments were made for this fact. There were other sales in the area of manufactured and "stick built" homes that could have been considered that would have indicated a lower value for the subject. In the third case, Mr. Currin appraised a home located in Dunn in April 2000, finding an appraised value of \$169,000. There were few comparable sales in the area, due to the size of the subject, thus forcing the use of sales that would require many adjustments and explanation. The comparable sales appear to be situated in superior areas and have updates that the subject did not have, yet Mr. Currin did not adjust for location differences or for overall condition and design/appeal.

Vester Dills (Blairsville, Georgia)—By consent, the Board accepted the surrender of Mr. Dills' residential license.

Johnny Heffner (Hickory)—By consent, the Board suspended Mr. Heffner's residential certification for a period of two years. The suspension began on June 1, 2003. If Mr. Heffner successfully completes R-3 and the 15-hour National USPAP course by April 30, 2004, only the first year of the suspension shall be active. There were two cases against Mr. Heffner. In the first case, the Board found that Mr. Heffner performed an appraisal of a property located in Lincolnton, NC in February 2002, finding an appraised value of \$234,900. The subject subdivision began development in 1998. Prices in the subdivision range from \$98,000 to \$156,000. There were no sales in the subject subdivision that would substantiate Mr. Heffner's value of \$234,900. In his cost approach, Mr. Heffner used \$110.86 per square foot to value the subject property. The prices per square foot of the comparable sales he used, which included the land and amenities, ranged from \$66.70 to \$92.53. There was no information in the appraisal report to support his value of \$110.86 per square foot for the subject property. In the second case, the Board found that Mr. Heffner performed an appraisal of a property located in Morganton, NC in October 2002, finding an appraised value of \$203,900, or \$133.18 a square foot. The subject property was the only newly constructed home in the neighborhood and did not conform to the surrounding properties. Mr. Heffner made inappropriate and inadequate adjustments to his comparable sales. In the cost approach, Mr. Heffner used \$104.86 per square foot to value the subject property. The prices per square foot of the comparable sales he used, which included the land and amenities, ranged from \$96.98 to \$126.31. There was no information in the appraisal report to support his value of \$104.86 per square foot in the cost approach for the subject property. In his other appraisal work, Mr. Heffner typically extracted his cost per square foot for the subject's gross living area from the price per square foot of his comparable sales. Since the price for square foot of the comparable included the land and amenities, using this square foot price in the cost approach resulted in effectively count-

(continued on page 6)

Disciplinary Actions

(continued from page 5)

ing the comparable's land and amenities twice. Often there was a large discrepancy between the cost approach and the sales approach, and that discrepancy was not reconciled in the appraisal reports.

James Jarrell (Salisbury)—Following a hearing, the Board revoked Mr. Jarrell's residential certification. There were two cases against Mr. Jarrell. In the first case, Mr. Jarrell performed two appraisals. In the first, he appraised the property for \$114,000. On the effective date of the appraisal report, the subject property was listed for sale for \$89,900, yet Mr. Jarrell did not mention or analyze that listing in the appraisal report. The current owner stated on the appraisal report was incorrect. The subject property sold on July 21, 2000 for \$83,000. It sold again that same day for \$114,000. The person listed as owner on the appraisal report was the person who purchased the property for \$83,000 and sold it for \$114,000. There were comparable sales available that would have indicated a lower value for the subject property. Mr. Jarrell inflated the value of the subject property. On the second appraisal, Mr. Jarrell appraised that property for \$73,000. The current owner stated on the appraisal report was incorrect. Mr. Jarrell stated that in the appraisal report that the sales price for the subject property was \$73,000, but he did not have a copy of the contract nor did he analyze the sale in the appraisal report. The subject property sold on July 24, 2000 for \$46,000. It sold again that same day for \$73,000. The person listed as owner on the appraisal report was the person who purchased the property for \$46,000 and sold it for \$73,000. There were sales available that would have indicated a lower value for the subject. In the second case, in February 2002, a complaint was received against Mr. Jarrell regarding an appraisal he had performed. Despite several letters, telephone calls and a personal visit to Mr. Jarrell's office, Mr. Jarrell did not produce the appraisal report and workfile as required by state law. Mr. Jarrell acknowledged that he received the requests, and admitted that he did not respond.

Carol Johnston (Asheville)—By consent, the Board suspended Ms. Johnston's residential certification for a period of one year. The first month of the suspension shall be active. The remainder of the suspension is stayed until December 31, 2003. The Board also ordered that Ms. Johnston complete a sales comparison course by December 31, 2003. If she completes the course, the

remainder of the suspension will be inactive. If she does not complete the course by December 31, 2003, the remainder of the suspension will become active. The Board found that Ms. Johnston appraised a property located in Asheville, North Carolina in April 2001, finding an appraised value of \$199,800. She appraised the subject property subject to completion per plans and specifications. The appraisal did not indicate that the subject or the first comparable are modular homes; they were represented to be ranch homes of +2,000 square feet. All of the comparables come from superior neighborhoods, yet there were no adjustments or comments regarding location. The subject has a box like appearance with a low roof line, a small brick and concrete stoop, while all of the comparables have superior curb appeal and landscaping, yet there were no adjustments or comments concerning design and appeal. Ms. Johnston had previously entered into a consent order with the Appraisal Board in which she received an inactive suspension and was required to take a manufactured housing course and a 14-hour USPAP course.

Thomas G. McDowell (Decatur, GA)—By consent, the Board suspended Mr. McDowell's residential certification for a period of six months. The suspension is stayed until December 31, 2003. If Mr. McDowell successfully completes the 15-hour National USPAP course by that date, the suspension will be inactive. If he fails to take the course as agreed, the suspension will be activated on that date. The Board found that Mr. McDowell appraised a home located in Clinton, NC in February 2001, finding an appraised value of \$82,000. Mr. McDowell admitted that he made errors in reporting the square footage of his first and second comparable sales. He also admitted that he did not report that the third comparable sale had a finished garage. Two of the comparable sales used by Mr. McDowell were similar in age and square footage; however, the sales were located in superior areas and that factor was not addressed in the appraisal report. There were sales located in the immediate subject area that were available, but they were not used or considered.

Gina Powell (Siler City)—By consent, Ms. Powell surrendered her residential license.

Caroline Ray (Raleigh)—By consent, the Board suspended Ms. Ray's residential certification for a period of six months. The

Board ordered Ms. Ray to take the prelicensing course known as R-3, a course in construction, and a 14-hour course in standards (USPAP) by July 1, 2003. If she fails to take the courses as agreed, the suspension will be activated on that date. The Board found that Ms. Ray appraised a home located in Hope Mills, NC in June 2001, finding an appraised value of \$100,000. The subject property has a large addition attached to the original portion of the house. The construction, materials and workmanship in the addition appear to be less than the average for the neighborhood and appear to be inferior to the original portion of the house. Ms. Ray included all the square footage of the addition in the gross living area of the subject and valued it as equal to the original portion of the house. By including the addition in the gross living area, the square footage of the subject was much larger than other homes in the neighborhood, thus Ms. Ray chose comparable sales from a different market area. Although interior photographs were included in the original appraisal report, there were no comments made in the appraisal report about the condition of the addition in her report. The subject property was listed for sale in MLS at the effective date of the appraisal. Ms. Ray included a copy of the MLS sheet of the subject listing with the appraisal report, but did not analyze the listing in the report.

William Rowland (Garner)—By consent, the Board suspended Mr. Rowland's residential certification for a period of one year. The first three months of the suspension shall be active and the remainder is stayed until December 1, 2003. The Board also ordered Mr. Rowland to take the 15-hour National USPAP course and a course in appraising complex properties. If he fails to take the courses as agreed, the remainder of the suspension will be activated on that date. In addition, the staff of the Appraisal Board will look at his appraisal reports and work files on a regular basis for the twelve months effective August 1, 2003. The Board found that Mr. Rowland performed an appraisal of a property located in Raleigh NC in December 2000, finding an appraised value of \$175,000. He stated that in the appraisal report that the subject was currently offered for sale for \$175,000, and stated the source of his information as the offer to purchase, when in fact on the effective date of the appraisal report, the subject property was listed for sale for \$159,900. The subject

(continued on page 7)

Disciplinary Actions

(continued from page 6)

property was under contract for \$175,000 at the time of the appraisal. Mr. Rowland did not analyze the current listing for the subject property. The subject property originally had a two-car garage. That garage was finished, heated and cooled and at the time of the appraisal was being used as a family room. However, this room was on a slab, the fuse box was located on a wall in this room, and the exterior garage doors were still intact, thus the subject appeared to have a two car garage. The finish of the family room was somewhat comparable to the original portion of the subject, and Mr. Rowland valued it the same. Mr. Rowland did not take any depreciation in his cost approach nor did he make any adjustments in his sales comparison. Mr. Rowland had previously entered into two consent orders with the Appraisal Board. In one, his certification was suspended for a period of one month, but

the suspension was inactive because he completed a sales comparison course. In the other, he received an inactive suspension because he took a narrative report writing course, and he agreed not to supervise any more trainees. Mr. Rowland has also received two warnings based on prior complaints filed with the Board.

Kenneth Smith (Mt. Holly)—Following a hearing, the Board suspended Mr. Smith's residential certification for two months. The suspension is stayed until July 1, 2003. If Mr. Smith takes a course on the North Carolina Appraisers Act and Board Rules, the suspension will be inactive. The Board found that, pursuant to a consent order, Mr. Smith's certification had been suspended for two years effective October 1, 2001. According to the consent order, if Mr. Smith completed a USPAP course and R-3 before March 31,

2002, the remainder of the suspension would be inactive. Mr. Smith completed the R-3 course before March 31, 2002, but did not complete the USPAP course until November 2002. Mr. Smith did two appraisals in July and August 2002. The Board found that the instructor for the R-3 class told Mr. Smith that taking the R-3 course usually satisfied the requirement for USPAP. Mr. Smith relied on that statement and believed that he had complied with the terms of the consent order and that the suspension was lifted. The Board also found that Mr. Smith's certification was not renewed until September 2002. Mr. Smith had sent his renewal materials to the Board in July 2002, but his renewal was not finally processed until September because, among other reasons, he had sent in fax copies of his course completion certificates for his continuing education. □

USPAP Questions & Answers

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

Question #1: I recently received an assignment for an update of an appraisal. The original appraisal was reported on a commonly used single-family residential report form. Must I use this same form to report the results of the update assignment?

Response: No. Using the same form as the original report is not required. The update is a new appraisal assignment, and it may be reported in any format that is acceptable for the intended use and complies with the applicable reporting Standard (STANDARD 2 for a real property assignment). The report must contain sufficient information to be meaningful and not

misleading to the intended users, but it is not required to have the same level of detail as the original report.

For additional information, refer to Advisory Opinion 3, *Update of a Prior Assignment*.

Question #2: I was recently asked to complete a retrospective market value appraisal where the effective date of the appraisal is two years prior to the date of the report. In researching this assignment I discovered several comparable sales that were listed, placed under contract, and sold well after the effective date of the appraisal. Would it be appropriate to use **only these** sales in my sales comparison approach to value?

Response: No. In a retrospective appraisal, the analysis should reflect the market conditions that existed on the effective date of the appraisal. Only using comparable sale information that was not available to the market place, or did not exist as of the effective date of the appraisal would be misleading because it would not reflect information available to the marketplace during that time period.

Consult SMT-3 for further discussion of retrospective appraisals.

Question #3: I am currently working in an appraisal firm as a trainee. As part of my train-

ing I contribute significant real property appraisal assistance in appraisal assignments performed by other appraisers in the firm but I do not sign the appraisal report or the certification. I understand that my name must be stated in the certification. Must the certification include a description of my assistance?

Response: A description of your assistance or contribution to the assignment is not required in the certification. However, in accordance with Standards Rule 2-2(a), (b), and (c)(vii), the extent of the assistance must be described, summarized or stated (depending on the reporting option used) within the report. This required disclosure could be included within the certification, but it could also be included in some other section of the report.

Question #4: The Record Keeping section of the ETHICS RULE states, in part; *The workfile must include . . . true copies of any written reports . . .* Does a true copy have to include a signature on the certification?

Response: Yes, a true copy is a replica of the report sent to the client. Any signatures that were affixed to the original report must also exist on the copy for the workfile. □

Trainee Issues

There have been several questions about the trainee rules that went into effect in August 2002. The rules state that a state-licensed or state-certified real estate appraiser may employ a registered trainee provided that the state-licensed or state-certified real estate appraiser has been licensed or certified for at least 2 years. Trainees must keep a log that indicates who the supervisor was for each appraisal, and whether that supervisor accompanied the trainee on the inspection of the property. *Appraisals performed in violation of the trainee rules will not be counted for experience credit.*

A supervisor cannot have more than 2 trainees working under his or her supervision at any one time, regardless of whether the trainees are employees or subcontractors, or whether the trainees are full time or part time. If there is more than 1 supervisor in the office, that supervisor is limited to 2 trainees. When a supervisor agrees to supervise a trainee, the supervisor must send

a declaration form to the Appraisal Board notifying the Board of the commencement of supervision. When the trainee leaves, the supervisor must notify the Board. If a supervisor had more than two trainees before August 1, 2002 and one of those trainees leaves, the supervisor cannot replace that trainee if the result is that the supervisor will be supervising more than two trainees.

One question that has arisen is whether a trainee can have his or her own office, and have several appraisers who supervise their work. This is acceptable, as long as each supervisor files the appropriate form with the Appraisal Board prior to beginning such supervision. Each supervisor is subject to the 2-trainee rule. Supervisors may not simply sign an appraisal report that a trainee has prepared. Supervisors must actively and personally supervise all trainees on each assignment. In addition, the supervisor must accompany the trainee on the inspections of the subject property on the first fifty (50) appraisal assignments per-

formed after August 1, 2002 for which the trainee will perform more than 75% of the work. After that point, the trainee may perform inspections without the presence of the supervisor provided that the trainee is competent to perform those inspections, and provided that the subject property is less than fifty (50) miles from the supervisor's primary business address. If the subject property is more than fifty (50) miles from the supervisor's business, the supervisor must accompany the trainee on all inspections. □

NOTICE

The Appraisal Board meets the third Tuesday of each month at the Board office in Raleigh except for two meetings each year which are held at various locations throughout the state. You are invited to attend and observe your Board conduct business. Visit the Board's website at www.ncappraisalboard.org for a schedule of Board meetings.

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**NORTH CAROLINA
APPRAISAL BOARD**
P.O. Box 20500
Raleigh, NC 27619-0500

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