



# NORTH CAROLINA APPRAISAL BOARD

# APPRAISER REPORT

Volume 12

Winter 2002

Number 1

## AQB and ASB Suggest Changes – Invite Comments

The Appraisal Foundation recently released two exposure drafts that suggest changes that will effect current and future appraisers. More importantly the Foundation is providing all interested parties a chance to make comments. The two drafts are:

- The Appraiser Qualification Board's Exposure Draft on revising the Real Property Appraiser Qualifications Criteria
- The Appraisal Standards Board's Exposure Draft on proposed revisions to the 2002 Edition of USPAP

The AQB proposes significant changes to the requirements to become licensed or certified as an appraiser. Some of the AQB's many proposals include:

- Increasing the number of hours of appraisal education required for each level of licensure—140 hours for licensed, 200 hours for certified residential, and 315 for certified general.
- Requiring a four-year bachelors degree (or other specific education) for the certified general level.
- Requiring a two-year associated degree (or other specific education) for the certified residential level.

The ASB proposed many changes to USPAP; some of them include revisions or additions related to

- Property sales history
- Updating an appraisal
- Jurisdictional exceptions

## Appraisal Board Amends Rules

The North Carolina Appraisal Board has amended its rules effective August 1, 2002. Some of the rules implement the changes in the Appraisers Act that were effective in October 2001. Others deal with preclicensing and continuing education and trainee supervision.

### New Trainee Rules

The rules regarding trainees have significantly changed. New rule 21 NCAC 57A.0407 will require that the supervisor:

1. Has been licensed or certified for at least two years.
2. Has no more than 2 trainees working under his or her supervision at any one time, either as employees or subcontractors.
3. Must inform the Board before a trainee begins working under his or her supervision.
4. Must accompany the trainee on inspections of the subject property for the first 50 inspections the trainee performs on or after August 1, 2002, and any inspections performed by the trainee on a subject property that is located more than 50 miles from the supervisor's primary business address.
5. Review all appraisal reports and supporting data used in connection with appraisals in which the services of a trainee is utilized.
6. Must make available to the trainee a copy of every appraisal report where the trainee performs more than 75% of the work on the appraisal.
7. Prepares and furnishes to a trainee whose services were utilized in connection with the appraisal a Verification of Supervised Appraisal Experience Form. A copy of the Verification Form must also be placed in the appraisal work file.
8. Has not received any disciplinary action regarding his or her appraisal license or certificate from the State of North Carolina or any other within the previous (2) years. For the purposes of this section, disciplinary action means only an active suspension or a revocation.

In addition, the Board may require that any license or certificate holder who wishes to supervise a trainee must attend an education program regarding the role of a supervisor before such supervision may begin.

The trainee will be required to maintain a log that includes, but is not limited to, each appraisal performed by the trainee, the name of the supervisor for that appraisal, the supervisor's license or certificate number and whether the supervisor accompanied the trainee on the inspection of the subject property. The Board office will soon have a supply of this new log form for trainees. Trainees are prohibited from using a seal on their appraisal reports.

### Examinations

Anyone applying for registration, licensure or certification, including trainees seeking to upgrade, must take the examination within one year of date of issuance of the exam ticket. The applicant is limited to three attempts at the examination within that one-year period, and must wait 30 days between attempts at the exam.

### Continuing Education

Significant changes have also been made to continuing education effective August 1, 2002.

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# 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**.

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www.ncappraisalboard.org

### Email Address:

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Michael F. Easley, Governor

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## APPRAISER COUNT

(As of March 1, 2002)

Trainees .....	1008
Licensed Residential .....	239
Certified Residential .....	1642
Certified General.....	859
Total Number .....	3748

## APPRAISER EXAMINATION RESULTS

November, December 2001, January 2002

Examination	Total	Passed	Failed
Trainees	98	73	25
Licensed Residential	6	5	1
Certified Residential	23	13	10
Certified General	9	7	2

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

# From the Board Room USPAP Instructor Certification Course Comes to Raleigh

Beginning in 2003, only AQB Certified USPAP Instructors will be permitted to teach The Appraisal Foundation's National USPAP Courses. Successful completion of this instructor certification course and the examination are **REQUIRED** to qualify to instruct these courses.

The Appraisal Foundation is offering this course nationwide. When the Board learned that the closest course for North Carolina instructors to attend would be in Atlanta, the Board worked with The Foundation to bring the course to North Carolina. The North Carolina Appraisal Board realizes the importance of this course and is looking forward to sponsoring the course in Raleigh on August 23-25, 2002.

The Instructor Certification Course is a challenging program covering the history, framework and concepts of the *Uniform Standards of Professional Appraisal Practice (USPAP)*. The course consists of 2 days of instruction with a comprehensive exam on the third day. The course is scheduled to be taught by the current members of the Appraisal Standards Board (ASB). The registration fee for the 2-1/2 day Instructor Certification Course is \$425.

Enrollment forms were mailed to all North Carolina instructors earlier in the year. Enrollment is limited to 40 students. Please contact the Board for application and enrollment steps or visit The Appraisal Foundation's web site at [www.appraisalfoundation.org](http://www.appraisalfoundation.org) under Qualifications Program to Improve USPAP Education for complete information regarding this program. □

## AQB and ASB Suggest Chantes - Invite Comments

*Continued from page 1*

- Appraising properties impacted by environmental contamination
- Revisions to STANDARD 3
- Segmentation of USPAP by discipline
- Certifications for multi-discipline reports

The exposure drafts can be viewed and comments can be submitted via the Foundation's website at [www.appraisalfoundation.org](http://www.appraisalfoundation.org). You can also obtain a copy of the draft by calling the Foundation at (202) 347-7722.

Comments on the ASB's exposure draft must be received by the Foundation by April 1, 2002. Comments on the AQB's exposure draft must be received by the Foundation by April 30, 2002.

The Board encourages appraisers individually and collectively through the various trade organizations to respond to these exposure drafts.

## Appraisal Board Amends Rules

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1. Licensees will be able to use any preclicensing course for continuing education purposes, although these courses cannot be used both for continuing education and for upgrading a license or certificate.
2. Continuing education credits may not carry over into the next licensing cycle.
3. Course sponsors will be required to submit course rosters; licensee will not have to send the original course completion certificate to the Board.
4. Beginning in 2003, the continuing education cycle will go to 2 years instead of one, requiring 28 hours of continuing education for the 2 years instead of 14 for one year.
5. In addition, there will be a requirement that licensees take, as part of the 28 hours, the 7 hour National USPAP update course, as required by the Appraiser Qualification Board of the Appraisal Foundation, every two years.

Many other important changes have been made to the rules in the area of education. All appraisers are encouraged to become familiar with the new rules before they go into effect. Contact the Board's office to request a copy. □

# Approved Continuing Education Courses

(As of February 27, 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 MANAGRS & RURAL APPR

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

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

## AMERICAN SOCIETY OF APPR (THE)

535 Herndon Parkway, Suite 150  
Herndon, VA 22070 (703)478-2228  
SE100: National USPAP (15/14)

## AM SOCIETY OF APPRAISERS NC CHAPTER

605 NC Highway 54 West  
Chapel Hill, NC 27516 (919)967-3338  
SE100 USPAP (15/15)  
Using Marshall & Swift/Res Prop (7/7)

## AMERICAN SCHOOL OF RE APPR

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

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

## APPRAISAL ACADEMY (THE)

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

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

## APPRAISAL FOUNDATION/ASB

1059 Vermont Avenue NW, Suite 900  
Washington, DC 20005 (202)347-7722  
2002 USPAP Update/Instructors & R (7/7)

## APPRAISAL INSTITUTE

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

320 General Applications (39/30)  
410 National USPAP (16/16)  
420 SPPB (7/7)  
430C Standards of Professional Practice - Part C (15/15)  
500 Adv Residential Form & Narrative Writing (40/30)  
520 Highest & Best Use & Market Analysis (40/30)

530 Advanced Sales Comparison & Cost Approach (40/30)

600 Inc Valuation of Small Mixed-Use Properties (15/15)  
610 Cost Valuation of Small Mixed-Use Properties (15/15)  
620 Sales Comparison Val Small Mixed-Use Prop (15/15)  
705 Litigation Appr: Specialized Topics (16/16)  
710 Condemnation Appr: Basic Principles & Apps (15/15)  
720 Condemnation Appr: Adv Topics & Apps (15/15)  
Analyzing Com Lease Clauses (7/7)  
Fundamentals of Relocation Appraising (7/7)  
Gen Demo Appraisal Rpt Writing Seminar (14/14)  
Residential Demo Appraisal Report Writing Seminar (14/14)

## APPRAISAL INSTITUTE, NC CHAPTER

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

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

## ASHEVILLE-BUNCOMBE TECH CC

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

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

## CCIM INSTITUTE

430 N Michigan Avenue, 8th Floor  
Chicago, IL 60611-4092 (312)321-4473

C1101 Fin Analysis Comm Invest (30/30)  
C1102 Market Analysis Comm In (30/30)  
C1103 User Decision Analysis Comm (30/30)  
C1104 Invest Analysis Comm Inv (30/30)  
Introduction to Com Investment RE An (12/12)

## CENTRAL PIEDMONT COMMUNITY COLLEGE

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

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

## CLARK REALTY EDUCATION SERVICES

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

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

## COLLEGE OF THE ALBEMARLE

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

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

## DAN MOHR RE SCHOOLS

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

Depreciation Workshop (7/7)  
Environmental Hazards-Residential Prop (7/7)  
Extraction of Data from Market Res (7/7)  
HP 12C Course (7/7)  
Intro to Residential Construction (30/30)  
Res Appr & Conventional Underwriting Guide (7/7)  
Residential Construction Seminar (14/14)  
Rules & Regs FHA/HUD Requirements (14/14)  
The Narrative Appraisal Report (7/7)  
Using Streamlined Appraisal Report Forms (7/7)  
USPAP 2001 (15/15)

## DENNIS BADGER & ASSOC., INC.

P.O. Box 23220  
Lexington, KY 40523 (859)252-3445  
Mfg Housing Appraisal as Appls to RE (7/7)

## DUKE UNIVERSITY

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

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

## EAST CAROLINA UNIVERSITY

School of Business 1200 Gen Classroom  
Greenville, NC 27858-4353 (252)328-6377  
Appraisal 2001 (7/7)  
USPAP 2001 (7/7)

## EDGEcombe CC

225 Tarboro Street  
Rocky Mount, NC 27801 (252)446-0436

Appraising Manufactured, Modular & Mobile (A) (7/7)  
Appraising Manufactured, Modular & Mobile (B) (7/7)  
Income Capitalization (14/14)  
Income Capitalization (A) (7/7)  
Income Capitalization (B) (7/7)  
Manufactured, Modular & Mobile (4/4)  
Narrative Appraisal Report Writing (14/14)  
Pricing Small Income Properties (4/4)  
Principles & Techniques Val 2-4 Units Res Prop (14/14)  
Real Estate Finance for Appraisers (14/14)  
Rural Valuation Seminar (14/14)  
Single Family Residential Appraisal (14/14)  
Standards of Professional Practice (15/15)  
USPAP & NC Board Rules & Regs Fo (15/15)

## ELLIOTT & CO APPRAISERS

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

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

## ERICK LITTLE & COMPANY

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

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

## FREDDIE F. STELL APPRAISAL SCHOOL

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

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

## FYI SEMINARS LLC

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

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

## HALL INSTITUTE

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

Researching and Buying Raw Land (4/4)

## HIGNITE TRAINING SERVICE

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

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

## HISTORIC PRESERVATION CONSULTING

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

Marketing & Appraising Historic Property (14/14)

## IAAO

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

101 Fund of Real Property Appraisal (30/30)

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# Approved Continuing Education Courses

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

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

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

**INTERNATIONAL RIGHT OF WAY ASSOCIATION**  
 13650 S. Vermont Avenue, Suite 220  
 Torrance, CA 90502-1144 (213)538-0233

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

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

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

**M CURTIS WEST**  
 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)  
 Vacant Land Appraisal (7/7)

**MINGLE SCHOOL OF REAL ESTATE**  
 P.O. Box 35511  
 Charlotte, NC 28235 (704)372-2984

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

**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

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)**  
 2901 Seawell Road  
 Greensboro, NC 27406 (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

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

**NCSU AGRICULTURAL & RESOURCE ECONOMICS**  
 Campus Box 8109  
 Raleigh, NC 27695-8190 (919)515-4670

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

**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)  
 Introduction to Applied GIS - Foresters (15/15)  
 Introduction to Applied GIS - Foresters (13/13)

**NCSU SOIL SCIENCE DEPT**  
 Campus Box 7619  
 Raleigh, NC 27695 (919)513-1678

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

**RANDOLPH CC**  
 P.O. Box 1009  
 Asheboro, NC 27204 (336)629-1471

Timber Appraisal Overview (10.5/10.5)

**SCHOOL OF REAL ESTATE APPRAISING**  
 62 N. Chapel Street #204  
 Newark, DE 19711 (302)368-2855

Guide to Relocation Appraisal (7/7)  
 Review of USPAP (7/7)

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

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

**STACEY P. ANFINDSEN**  
 1145-E Executive Circle  
 Cary, NC 27511 (919)460-7993

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

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

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

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

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

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

The ABC's of Construction (14/14)

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

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

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

Appraisal Update 2001 (7/7)  
 Computers 2001 (7/7)  
 FHA Guidelines 2001(7/7)  
 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)  
 Manufactured, Modular & Mobile (4/4)  
 Pricing Complex Properties (4/4)  
 USPAP & NC Rules and Regulations for App (15/15)

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

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

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

The Inspection (14/14)

# DISCIPLINARY ACTIONS

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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.

**Minor Adams (Gastonia)** - By consent, the Board reprimanded Mr. Adams and ordered him to take a course on site inspection by June 30, 2002. If he fails to take the course as agreed, a one-month suspension will be activated on that date. The Board found that Mr. Adams appraised a tract of land located in Cherryville, NC in May 2000, finding an appraised value of \$75,500. The subject property is located adjacent to an active railroad track, but Mr. Adams did not mention this fact in the appraisal report. Mr. Adams stated the subject was on a public road with curb and gutter, when it actually was on a one lane private road with no curb and gutter.

**Jonathan Brinsfield (Greensboro)** - By consent, Mr. Brinsfield voluntarily surrendered his right to renew his trainee registration. The Board dismissed the charges against him.

**Thomas F. Cavanaugh, Jr. (Wilmington)** - By consent, the Board suspended Mr. Cavanaugh's residential certification for a period of three months. The suspension is stayed until July 1, 2002. If Mr. Cavanaugh successfully completes both a standards (USPAP) course consisting of at least 14 hours as well as a sales comparison course before July 1, 2002, the suspension will be inactive. If he fails to take the courses by that date, the suspension will become active on July 1, 2002. The Board found that Mr. Cavanaugh appraised a property located in Wilmington, NC, in August 2001, finding an appraised value of \$208,000. The subject property is located in a subdivision known as the Commons. Mr. Cavanaugh used comparable sales from an adjoining subdivision. There were several recent sales in the subject subdivision that ranged in price from \$120,000 to \$190,000, with an average sales price of \$143,000. Of the seven sales, there were two sales on the subject street that were very similar to the subject in design, square footage and age. Mr. Cavanaugh did not explain in the

report why he excluded these sales in his appraisal.

**Christopher Cochran (Spartanburg, South Carolina)** - By consent, the Board suspended the residential license of Mr. Cochran for a period of three months. The suspension is stayed until October 1, 2002. If Mr. Cochran successfully completes a course in North Carolina Board Rules and a separate course in standards (USPAP) before October 1, 2002, the suspension will be inactive. If the courses are not completed by that date, the suspension will become active on October 1, 2002. Mr. Cochran is licensed as an appraiser in North Carolina and South Carolina. The Board found that in April 2000, a trainee working under the supervision of Mr. Cochran appraised a property located in Spindale, North Carolina, finding an appraised value of \$77,000. The trainee was licensed in South Carolina but was not licensed in North Carolina, and had not received a temporary practice permit to appraise this property. The appraisal report stated that the subject had forced warm air gas heat, yet it actually had electric baseboard heat with a gas wall unit in the hallway. The subject also contained a large fire alarm that appears to be for use in commercial properties, yet this fact was not mentioned in the report. Mr. Cochran used comparable sales from superior locations and made no adjustments for this fact. Finally, Mr. Cochran did not affix his seal to the appraisal report.

**Steven Evangelist (Charlotte)** - By consent, the Board suspended Mr. Evangelist's residential license for a period of two years. Before his license may be reinstated, Mr. Evangelist must complete a 15-hour USPAP course and a course in real estate fraud and the appraiser's role. There were three cases against Mr. Evangelist. In the first case, Mr. Evangelist appraised a property located in Huntersville, NC, in March 1999, finding an appraised value of \$156,000. Mr. Evangelist used comparable sales located at least two miles from the subject property, with sales prices of \$152,000 to \$193,500. In the 15 months prior to the appraisal, there were 21 sales in the subject subdivision that were similar to the subject property, ranging in price from \$101,900 to \$137,000. Mr. Evangelist did not explain in the report why he excluded these sales in his appraisal. In the second case, Mr. Evangelist appraised a property located in Charlotte, NC with an effective

date of June 13, 1999, finding an appraised value of \$107,000. The subject property had transferred to First United Group on June 11, 1999 for \$79,000 but this fact was not mentioned or discussed in the appraisal report even though it had been recorded at the deed registry on June 11, 1999. The subject property again sold on June 17, 1999 for \$118,000. One of the comparable sales used in the appraisal report was 5 miles from the subject although the report indicated 2 miles more or less. That sale had a two-car garage, and an inground swimming pool for which there were no adjustments. The property was 1 year old, yet it was adjusted only \$500 against the 17-year-old subject. The adjusted sales price for this sale was \$107,040. In the reconciliation, Mr. Evangelist states that an equal amount of weight is placed on all three sales, yet the adjusted values of the sales were \$88,620, \$92,624 and \$107,040. In the third case, Mr. Evangelist appraised a property located in Charlotte, NC in March 1999, finding an appraised value of \$195,000.

The appraisal shows the subject as a 2-story house with 1614 square feet on each level for a total of 3229 square feet, when the subject actually is approximately 1485 square feet with a full-unfinished basement. The appraisal says the subject has forced warm air heat, when in fact the owners installed forced warm air after the appraisal was done. The report states that the subject is on an asphalt road with adequate curb and gutter when it is on a gravel road with no curb and gutter. The comparables had 3100, 3351 and 2750 heated square feet respectively. The subject has a one-car carport while all three comparables have 2 car garages. Mr. Evangelist made a positive adjustment to only one of the sales for the garage, when he should have made a negative adjustment to all three comparable sales. In the cost approach, the entire 3229 square feet was figured at \$65.00 per foot.

**William P. Mitchell (Lawrenceville, VA)** - Following a hearing, the Board suspended Mr. Mitchell's general certification for a period of five years. The Board found that in 1999 Mr. Mitchell performed an appraisal of a property located in Greensboro, North Carolina. The subject property consists of approximately 48 acres of vacant, unimproved land that the Piedmont Triad Airport had taken for future expansion through a condemnation

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## Disciplinary Actions

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action. Mr. Mitchell was contracted by the landowner's attorney to determine the market value of the site as of the date of the taking, which was September 10, 1998. His appraised value was \$7,300,000. In the appraisal process, Mr. Mitchell took into account the proposed project (a Federal Express hub) when he did the report, which was a violation of G.S. B40A-65. Mr. Mitchell made a positive adjustment of 25% to all of his comparables for superior access of the subject to a parkway when in fact the subject does not have access to that road. Mr. Mitchell also made a positive adjustment of 75% to all of his comparable sales based on the lack of proximity to the airport, when in fact the subject property does not have access to the airport and is not an airport site. According to the appraisal report, Mr. Mitchell based that adjustment on land values extracted from secondary market information obtained from the Boise, Idaho, yet he failed to show any correlation between properties in Boise, Idaho and properties in North Carolina. Approximately 30% of the subject proper-

ty consisted of wetlands, yet Mr. Mitchell considered the entire tract as usable land and made no adjustment for that fact. Mr. Mitchell's comparable sales had unadjusted sales prices of \$48,445 to \$135,616 per acre, and he valued the subject at \$151,800 per acre. These factors led to an inflated value for the subject property.

**Michael Riggs (Greensboro)** - By consent, the Board suspended Mr. Riggs' residential certification for one year. The first month of the suspension shall be active, and the remainder stayed until June 30, 2002. If Mr. Riggs successfully completes a course in standards (USPAP) of at least 14 hours and a course in real estate fraud and the appraiser's role by June 30, 2002, the remainder of the suspension shall be inactive. If he fails to take the courses, the remainder of suspension will become active on July 1, 2002. The Board found that Mr. Riggs performed two appraisals of a property located in High Point, NC, both with effective dates of August 1999, and both finding an appraised value of \$53,000. The first appraisal was performed for the purchaser of the property at the time of the appraisal. The current owner was correctly listed on the report.

The second appraisal was performed for a mortgage company. The owner shown on the second report was the person listed as the purchaser on the first report. On the effective date of both appraisals, the same person was the owner of the property. In the first report, Mr. Riggs stated that the sales price was unknown, and in the second report, he stated that the sales price is the appraised value of \$53,000. The property was purchased by the borrower listed in the first report on September 23, 1999 for \$27,500. He then sold it to the borrower listed on the second report for \$53,000. Mr. Riggs made several errors in the appraisal report, such as stating that the property was under renovation, when it was not. He stated that the heating system was forced warm air when there was no furnace or other form of centralized or ducted heat within the property, and he stated that the foundation of the subject was brick when it was concrete block, which affected the value of the subject. Mr. Riggs used comparable sales that were located some distance from the subject property, although there were other proximate sales more comparable to the subject property that ranged from \$39,000 to \$55,000. □

# KEY FEATURES OF THE 2002 UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE (USPAP)

The 2002 edition of USPAP is the result of exposure drafts that occurred on February 21 and May 1, 2001. On the basis of written responses, substantial public testimony at Appraisal Standards Board (ASB) public hearings and extensive deliberation by the Board, the ASB formally adopted the 2002 USPAP on June 12, 2001. The effective date of the 2002 USPAP is January 1, 2002 for the majority of the adopted material. However, due to new federal privacy regulations that take effect on July 1, 2001, changes to the definition of *Confidential Information*, the Confidentiality section of the ETHICS RULE and the retirement of STATEMENT 5 are all effective July 1, 2001.

## Key Features of the 2002 USPAP

**DEFINITIONS:** The definition of Confidential Information was changed at lines 72-75 to indicate that confidential information can be information that is either: identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or information classified as confidential or private by applicable law or regulation.

A notice was also added at lines 76-82 to alert appraisers to the passage of the Gramm-Leach-Bliley Act in November 1999 and the resultant adoption of privacy regulations that affect appraisers. A definition of Jurisdictional Exception was added at lines 109-111. This definition was added to complement the definition of Supplemental Standards and more clearly draw the distinction between Jurisdictional Exception and Supplemental Standards.

The definition of Supplemental Standards was significantly modified at lines 173-180 to establish that Supplemental Standards are requirements issued by government agencies, government sponsored enterprises, or other entities that establish public policy which add to the purpose, intent and content of the requirements in USPAP, and that have a material effect on the development and reporting of assignment results. A Comment was also added to further distinguish Supplemental Standards from contract agreements that are unique to individual clients.

**ETHICS RULE:** The Confidentiality section of the ETHICS RULE was modified at lines 305-319 as a result of the pas-

sage of privacy legislation that made this section of the ETHICS RULE inadequate. At lines 309-310 the sentence; An appraiser must be aware of, and comply with all confidentiality and privacy laws and regulations applicable in an assignment was added. Additionally, at lines 313-315 text was added to clarify that confidential information may be provided to a peer review committee, except when such disclosure to a committee would violate applicable law or regulation.

A notice was also added at lines 320-325 to alert appraisers to the passage of the Gramm-Leach-Bliley Act in November 1999 and the resultant adoption of privacy regulations that affect appraisers.

**SUPPLEMENTAL STANDARDS RULE:** The SUPPLEMENTAL STANDARDS RULE was modified to indicate that Supplemental Standards can be issued by government agencies, government sponsored enterprises, or other entities that establish public policy.

**STANDARD 6:** This STANDARD has been updated in an effort to address contemporary theory and practice. STANDARD 6 was last updated in 1991.

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## Key Features

*Continued from page 6*

**STATEMENT ON APPRAISAL STANDARDS NO. 5 (SMT-5):** This STATEMENT was retired, effective July 1, 2001 due to the enactment of federal privacy regulations and conflicts that existed between the STATEMENT and those regulations.

**STATEMENT ON APPRAISAL STANDARDS NO. 8 (SMT-8):** This STATEMENT has been retired, effective January 1, 2002 due to technological advances that were not envisioned when the STATEMENT was originally written.

NOTE: Administrative edits were made to all sections of the document to improve consistency.

### USPAP STRUCTURE AND USABILITY ENHANCEMENTS:

In order to enhance USPAP as a reference document, several changes have been made to the publication. These changes include: the binding has been upgraded to a “lay flat” spine, thumb tabs have been added to the pages allowing the reader to more readily determine their location within the document, and a thumb index has been added to the back cover.

### ASB Work In Progress

Over the years USPAP has evolved as a document in content, form, and organizational structure. It is a work in progress, with an overall goal of Standards becoming more stable over time and guidance in the form of Statements and Advisory Opinions appearing as required. Toward this end the ASB has developed a process for developing both Standards and guidance text based, in part, on written comments submitted in response to exposure draft materials and oral testimony presented at public meetings. This process requests input on proposed changes to USPAP from all interested parties, including professional appraisers and professional appraisal organizations, educator, regulators and state enforcement agencies. In July 1998, the ASB established a mechanism for organizations to interact with the ASB and present official positions on USPAP topics during the research phase of the exposure draft process. Known as “work groups,” these entities, which are registered with The Appraisal Foundation, may develop recommendations for consideration by the ASB prior to its dissemination of proposed changes through the exposure draft process. Parties interested in registering as a work group must do so through The Appraisal Foundation.

# 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:

Does USPAP require appraisers to take continuing education courses?

### Response:

Not directly. However, the COMPETENCY RULE mandates that prior to accepting an assignment an appraiser must have the requisite knowledge and experience to complete the assignment, or: 1. *disclose the lack of knowledge and/or experience to the client before accepting the assignment;* 2. *take all steps necessary or appropriate to complete the assignment competently;* and 3. *describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.* Although the phrase “continuing education” is not used, clearly it could be one means to satisfy this rule. Additionally, Standards Rule 1-1(a), a binding requirement, states:

*In developing a real property appraisal, an appraiser must: (a) be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal;*

*Comment: This rule recognizes that the principle of change continues to affect the manner in which appraisers perform appraisal services. Changes and developments in the real estate field have a substantial impact on the appraisal profession. Important changes in the cost and manner of constructing and marketing commercial, industrial, and residential real estate as well as changes in the legal framework in which real property rights and interests are created, conveyed, and mortgaged have resulted in corresponding changes in appraisal theory and practice. Social change has also had an effect on appraisal theory and practice. To keep abreast of these changes and developments, the appraisal profession is*

*constantly reviewing and revising appraisal methods and techniques and devising new methods and techniques to meet new circumstances. For this reason, it is not sufficient for appraisers to simply maintain the skills and the knowledge they possess when they become appraisers. Each appraiser must continuously improve his or her skills to remain proficient in real property appraisal.*

The last sentence of the Comment to SR 1-1(a) clearly indicates that in order to “be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal” appraisers must maintain and continuously improve their knowledge and skills. Thus some form of continuing education is required, although not explicitly by the USPAP document.

### Question #2:

An appraiser was recently asked to review another appraiser’s appraisal review. Must the appraiser comply with STANDARD 3 in completing this assignment?

### Response:

Yes, the appraiser must comply with STANDARD 3 in this assignment. STANDARD 3 states,

*In performing an appraisal review assignment involving a real property or personal property appraisal, an appraiser acting as a reviewer must develop and report a credible opinion as to the quality of another appraiser’s work and must clearly disclose the scope of work performed in the assignment.*

The Comment to this statement goes on to state, in part,

*Appraisal review is the act or process of developing and communicating an opinion about the quality of all or part of a completed work or service performed by another appraiser in a real property or personal property appraisal assignment.*

Simply stated, “appraisal review” encompasses more than just the review of another appraiser’s appraisal. It is the act or process of developing and communicating an opinion about another appraiser’s work. (See definition of Appraisal Review).

### Question #3:

Can a business entity, such as a corpo-

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# USPAP Q & A

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ration, sign an appraisal report?

## Response:

Yes. There is no prohibition against an entity signing a transmittal letter or the final page of a report. However, USPAP does require that an individual appraiser(s) sign a certification. While USPAP does not directly state this requirement, Standards Rules 2-3, 3-2(f), 5-3, 6-8, 8-3, and 10-3 (all binding requirements) stipulate that,

*Each written appraisal (real property, personal property, mass, or business valuation) report must contain a signed certification that is similar in content to the following form:...(See Standards Rule 2-3, 3-2(f), 5-3, 6-8, 8-3, and 10-3 for the complete text)*

The Comment(s) to these Standards Rules refer to an appraiser(s), a signing appraiser(s), and any appraiser(s). Clearly, this language refers to an individual or individuals, not a corporate or business entity.

## Question #4:

Does USPAP require appraisers to develop an "as vacant" highest and best use for an improved subject property?

## Response:

No. Standards Rule 1-3(b), a specific requirement, requires an appraiser to: develop an opinion of the highest and best use of the **real estate**.

The Comment goes on to state, in part, *The appraiser must recognize that land*

*is appraised as though vacant and available for development to its highest and best use, and that the appraisal of improvements is based on their actual contribution to the site.*

Therefore, USPAP requires that an appraiser develop an opinion of the highest and best use of an improved property, only as it is improved.

It should be noted that appraisers must also be aware of supplemental standards relating to this issue.

## Question #5:

I was recently asked by a client to appraise a residential property that is located on a 40 site. The client also provided instructions to appraise the dwelling and only 5 acres of the parcel. They are unable to provide a survey delineating the 5 acres. The intended use of the appraisal is for mortgage lending purposes. Can I perform this assignment in conformance with USPAP?

## Response:

Yes, USPAP allows an appraisal of a physical segment of a property to be developed under certain conditions. Standards Rule 1-2(e)(v), a binding requirement, states;

*In developing a real property appraisal, an appraiser must: ...identify the characteristics of the property that are relevant to the purpose and intended use of the appraisal, including: ... whether the subject property is a fractional interest, **physical segment**, or partial holding*

The Comment to this Standards Rule goes on to say;

Comment on (i)-(v): *If the necessary subject property information is not available because of assignment conditions that limit research opportunity (such as conditions that preclude an onsite inspection or the gathering of information from reliable third-party sources), an appraiser must:*

- obtain the necessary information before proceeding, or
- where possible, in compliance with Standards Rule 1-2(g), use an extraordinary assumption about such information.

*An appraiser may use any combination of a property inspection and documents, such as a physical legal description, address, map reference, copy of a survey or map, property sketch, or photographs, to identify the relevant characteristics of the subject property. Identification of the real property interest appraised can be based on a review of copies or summaries of title descriptions or other documents that set forth any known encumbrances. The information used by an appraiser to identify the property characteristics must be from sources the appraiser reasonably believes are reliable.*

*An appraiser is not required to value the whole when the subject of the appraisal is a fractional interest, a physical segment, or a partial holding.*

Therefore, this type of assignment can be performed in compliance with USPAP as long as the appraiser is able to identify the relevant characteristics of the subject property.

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