



NORTH CAROLINA APPRAISAL BOARD

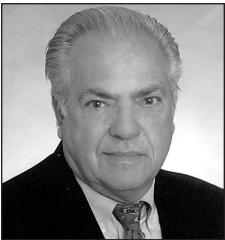
APPRAISER REPORT

Volume 13

Winter 2003

Number 1

Bryson Reappointed



Bart Bryson

Upon nomination by Speaker of the House James B. Black, Governor Michael F. Easley has announced the reappointment of Board Chair Bart Bryson to the Appraisal Board for a term that expires June 30, 2005. Mr. Bryson began his service to the Board in 1999.

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

Mr. Bryson is the only person to chair both the North Carolina Appraisal Board and the North Carolina Real Estate Commission, which he did in 1983-1984. He has also served as president of The Appraisal Institute, Chapter 40, the Society of Real Estate Appraisers, and the Hendersonville Board of Realtors. He has also served as the Regional Vice-President of the North Carolina Association of Realtors.

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

Ford Joins Staff



Paula Ford

Paula Ford has joined the Appraisal Board staff as the new Appraiser Clerk. A native of Charlotte, Ms. Ford attended East Carolina University.

While in Charlotte, Ms. Ford was associated with the Charlotte-Mecklenburg library system and later as a book buyer for a chain of six stores. Ms. Ford moved to Raleigh in the early 1990s. After moving to Raleigh, she worked in the insurance industry for a number of years.

In her new position, Ms. Ford will be responsible primarily for providing support to the Board's Legal Counsel and for maintenance of the licensee files.

Ms. Ford has one daughter and son-in-law and two cats. She enjoys reading, gardening, writing, cross-stitching, photography and learning foreign languages. □

USPAP CLASSES

A summary of the requirements

Question: I understand that effective July 1, 2003, all trainees and appraisers must take the 7-hour National USPAP Update class every two years. What if I take this 7-hour course before July 1, 2003?

Answer: The Board's administrative rule requires appraisers who need continuing education to successfully complete the 7-hour USPAP Update course between July 1, 2003 and June 30, 2005 in order to renew their license in 2005. Appraisers may successfully complete any approved continuing education course, including the 7-hour USPAP Update course, for credit before or during this two-year period. Appraisers may, therefore, take the 7-hour USPAP Update course before June 30,

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USPAP STANDARDS RULE 1-5

More on the 3-Year Rule and Normal Course of Business

The Appraisal Board notified all North Carolina appraisers of the changes to USPAP Standards Rule 1-5 in the fall 2002 edition of the *Appraisereport* and also by sending notice by first class mail. Effective as of January 1, 2003, USPAP now requires appraisers to analyze all sales of the subject property that occurred within the three years prior to the effective date of the appraisal if such information is available to the appraiser in the normal course of business. Two areas where appraisers have had additional questions are (1) the applicability of the three-year sales history requirement to comparable sales and (2) the meaning of "normal course of business."

3-Year Rule

Standards Rule 1-5 requires an appraiser to analyze all sales of the subject property. The rule does not require, nor does it mention, the analysis of comparable sales. Appraisers may be confused on this issue because several clients require appraisers to search the sales history of comparable sales. These requirements are supplemental standards. Appraisers should check with their clients as to whether a three-year sales history on comparable sales would be required.

Normal Course of Business

Appraisers routinely use information obtained from homeowners, MLS, tax records and GIS systems when research-

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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 *Appraiserreport*.

NORTH CAROLINA APPRAISAL BOARD

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www.ncappraisalboard.org

Email Address:

ncab@ncab.org

Michael F. Easley, Governor

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Donald T. Rodgers, *Investigator*
Lynn P. Crawford, *Appraiser Secretary*
Kim N. Giannattasio, *Administrative Assistant*
Paula Ford, *Appraiser Clerk*

APPRAISER COUNT

(As of March 10, 2003)

Trainees	109
Licensed Residential	282
Certified Residential	1711
Certified General	885
Total Number	3969

APPRAISER EXAMINATION RESULTS

November, December 2002, January 2003

Examination	Total	Passed	Failed
Trainee	118	80	38
Licensed Residential	16	12	4
Certified Residential	23	15	8
Certified General	8	4	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.

USPAP STANDARDS RULE 1-5

More on the 3-Year Rule and Normal Course of Business

(continued from page 1)

ing sales history. Problems arise when these systems do not include a complete sales history. For example, in some areas, tax records and GIS systems include only the most recent sale of the subject property. MLS usually does not report transfers such as foreclosures or owner sales. Current homeowners may not know that the prior owner only owned the house for less than three years. If there is **any** question about the sales history of a subject property, appraisers must at least check the registry of deeds to see what transfers of the subject have occurred. Records at the registry of deeds are considered to be information available to appraisers in the normal course of business.

It should be noted that the Appraisal Standards Board (ASB) has issued a request for written comments on its latest exposure draft on revisions to USPAP. The ASB has proposed a new advisory opinion on the subject of "Normal Course of Business." Appraisers may wish to read this proposal and provide comment. The exposure draft can be found at www.appraisalfoundation.org or by calling The Appraisal Foundation at (202) 347-7722. □

USPAP CLASSES

A summary of the requirements

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2003 and then again between July 1, 2003 and June 30, 2005, and receive credit for both classes. (Please note that the rule that allowed a course to be taken only once for continuing education credit in a three-year period was repealed effective August 1, 2002.)

Question: If I successfully complete the 15-hour National USPAP course, can I use it for continuing education credit in lieu of the 7-hour update class?

Answer: Yes, provided that you successfully complete the course by passing the course examination. You may not, however, use the same 15-hour National USPAP course for both prelicensing education and continuing education. You may complete the course one time for prelicensing purposes and then again later for continuing education purposes.

Question: If I take the 15-hour National USPAP class for continuing education purposes, why do I have to take the examination in order to receive credit for the class?

Answer: The 15-hour National USPAP class is a prelicensing class, pursuant to Appraisal Board rules. As with any prelicensing or precertification course, you must pass the examination in order to receive continuing education credit for the class. The examination time is not included in the number of hours for continuing education credit.

A REMINDER: Appraisers and most trainees must have 14 hours of continuing education credit in order to renew their licenses this year. As of July 1, 2003, the Appraisal Board is going to a two-year continuing education cycle. This means that you will need 28 hours of continuing education taken between July 1, 2003 and June 30, 2005, in order to renew your license in 2005. Included in those 28 hours is the requirement for the 7-hour National USPAP class. As of July 1, 2003, excess continuing education hours may not be carried over into subsequent renewal periods. □

Approved Continuing Education Courses

(As of March 19, 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)
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)

AMERICAN SCHOOL OF REAL ESTATE APPRAISERS

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

USPAP (15/15)

AM SOC FARM MANAGRS & 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)
Uniform Agriculture Appraisal Report (15/15)
Uniform Agriculture Appraisal Report (16/16)

AMERICAN SOCIETY OF APPR (THE)

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

Current Status & Future of Appraising (4/4)
Employee Relocation Appraising (4/4)
Going Concern Valuations (8/8)
SE100: National USPAP (14/14)
The Residential Appraiser: The Future is Yours (3.5/3.5)

AM SOCIETY OF APPRAISERS NC CHAPTER

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

SE100 USPAP (15/15)
The Appraisal of Small Subdivisions (7/7)
Using Marshall & Swift/Res Prop (7/7)

APPRAISAL ACADEMY (THE)

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

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

APPRAISAL INSTITUTE

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

320 General Applications (39/30)
330 Apartment Appr: Cncpts & (14/14)
400 National USPAP Update (7/7)
410 National USPAP (16/16)
420 Business Practice and Ethics (7/7)
430C Standards of Professional Practice - Part C (15/15)
500 Adv Residential Form & Narrative Writing (40/30)
520 Highest & Best Use & Market Analysis (40/30)
530 Advanced Sales Comparison & Cost Approach (40/30)
600 Inc Valuation of Small Mixed-Use Properties (15/15)
610 Cost Valuation of Small Mixed-Use Properties (15/15)
620 Sales Comparison Val Small Mixed-Use Prop (15/15)
700 Appraisers As Expert Witness (15/15)
705 Litigation Appr: Specialized Topics (16/16)
710 Condemnation Appr: Basic Principles & Apps (15/15)
720 Condemnation Appr: Adv Topics & Apps (15/15)
800 Separating Real & Personal (15/15)
Appraisal Consulting: A Solutions Approach for Professionals (7/7)
Appraising Environmentally Contaminated Props (7/7)
Case Studies in Limited Partnership & Common Tenancy Valuation (14/14)
Crossing the Line: Home Mortgage Fraud (3.5/3.5)
Fundamentals of Relocation Appraising (7/7)
Gen Demo Appraisal Rpt Writing Seminar (14/14)
Gen Demo Appraisal Rpt Writing Seminar (7/7)
Intro to Env Issues for RE Appr (7/7)
O/L 320 General Applications (7/7)
O/L 420 SPP Part B (7/7)
O/L 430 SPP Part C (7/7)
O/L Analyzing Operating Expenses (7/7)
O/L Appraising from Blueprints & Specifications (7/7)
O/L Appraisal of Nursing Facilities (7/7)
O/L Eminent Domain & Condemnation Appraising (7/7)
O/L The FHA & the Appraisal Process (7/7)
O/L Feasibility, Market Value, Investment Timing: Option Value (7/7)
O/L Internet Search Strategies for RE Appraisers (7/7)
O/L Intro to GIS Applications for RE Appraisers (7/7)
O/L Residential Design and Functional Utility (7/7)
O/L Residential Property Construction & Inspection (7/7)
O/L Using Your HP12-C Financial Calculator (7/7)
O/L Valuation of Detrimental Conditions in Real Estate (7/7)
Rates & Ratios: GIMs, OARs & DCF (7/7)
Residential Demo Appraisal Report Writing Seminar (7/7)
Residential Demo Appraisal Report Writing Seminar (14/14)

Road Less Traveled: Special Purpose Properties (7/7)
Scope of Work (7/7)
Small Hotel/Motel Valuation: Appr the Limited Service

Supporting Capitalization Rates (7/7)
Uniform Standards for Federal Land Acquisition (15/15)

APPRAISAL INSTITUTE, NC CHAPTER

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

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

ASHEVILLE-BUNCOMBE TECH CC

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

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

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
Gastonia, NC 28054 (704) 807-1985

National USPAP Update (8/8)

CCIM INSTITUTE

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

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

CENTRAL PIEDMONT COMMUNITY COLLEGE

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

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

CLE INTERNATIONAL

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

Eminent Domain (12/12)

COLLEGE OF THE ALBEMARLE

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

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

COMPUTAUGHT, INC.

1395 S. Marietta Parkway
Bldg. 400, Suite 107
Marietta, GA 30067 (770) 218-9000

O/L Methods of Appraisal (7/7)
O/L Overview of the Appraisal Process (7/7)
O/L USPAP 2002 (7/7)

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Approved Continuing Education Courses

(continued from page 3)

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)
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) 613-8082

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

EDGEcombe CC

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

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

EDUCATIONAL SEMINARS, INC.

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

Mold & Allergens in Home Envr (14/14)

ELLIOTT & COMPANY APPRAISERS

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

The Appraisal Smorgasbord (14/14)

ERICK LITTLE AND COMPANY

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

2003 Appraisal Requirements & Changes (14/14)

HALL INSTITUTE

110 Fairview Road
Louisburg, 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

Building the ERC, 1073, 1025, & 1004 (7/7)
Know the Board Laws (7/7)

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

201 Appraisal of Land (30/30)
311 Residential Modeling Concepts (30/30)
452 Fundamentals of Assessment Ratio Studies (30/30)
Fund of Real Property Appraisal (30/30)
Marshall & Swift - Commercial (18.5/18.5)
Principles & Techniques of Cadastral Mapping (30/30)

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)
IAAO 101: Fundamentals of Real Prop (30/30)
IAAO 102: Inc Approach to Valuation (30/30)
Marshall & Swift - Commercial (13/13)
Principles & Techniques of Cadastral 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)
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)
Income Capitalization (A) (7/7)
Income Capitalization (B) (7/7)
National USPAP Update (7/7)
Manufactured, Modular & Mobile (4/4)
Maximizing Value (4/4)
Pricing Complex Properties (4/4)
Pricing Small Income Properties (4/4)
Principles/Techniques Val 2-4 Unit Residential (14/14)
USPAP & NC Rules & Regulations for App (15/15)

M. CURTIS WEST

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)
USPAP 2002/2003 (7/7)

McKISSOCK APPRAISAL SCHOOLS

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)

MINGLE SCHOOL OF REAL ESTATE

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

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

MOULTRIE B. WATTS

P.O. Box 447
Cary, NC 27512 (919) 851-2100

Appraisal 2003 (7/7)
I've Got this House (7/7)

NAIFA

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

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

NAMA/LINCOLN GRADUATE CENTER

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

Appr Liability-Knowldg to Mnmz (8/8)
Environmental Site Assessment (15/15)
HUD Appraisal Standards Update (7/7)
Manufactured Housing Appraisal (15/15)
National USPAP Course (15/15)
Principles of Property Inspection (20/20)
Principles of Appraisal Review (15/15)
Real Estate Environmental Screening (7/7)
Residential Environmental Screening (7/7)
Residential Appraisal Review (7/7)
USPAP Update (7/7)

NC RE EDUCATION FOUNDATION (NCAR)

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

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

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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.

Correction:—In the Fall 2002 edition of the *Appraiserreport*, there was an incorrect summary of a disciplinary action regarding Jack Ragan of Raleigh. The case against Mr. Ragan has been dismissed.

Andrew Ausley (Winston-Salem)—Following a hearing, the Board suspended Mr. Ausley's general certification for twelve months. The suspension is stayed until July 1, 2003. If Mr. Ausley takes a course in market abstraction and the prelicensing course known as R-2 before that date, the suspension will be inactive. The Board found that Mr. Ausley appraised a property located in High Point, NC in January 2001, finding an appraised value of \$85,000. The appraisal report contained an incorrect market area description; the subject property and two of the comparable sales were not located in that area. Mr. Ausley did not report the most recent sale of one of his comparable sales, and he failed to verify the information on his comparable sales. The subject property contained 1049 square feet; Mr. Ausley's sales contained 1030, 1416 and 1449 square feet. These sales were all located at least two miles from the subject. Sales in the subject area had an average price of \$58,660. There were three sales available that were located within three blocks of the subject, and another on the same street as the subject, all of which were very similar to the subject property. Those sales ranged from \$53,000 to \$84,500; the sale for \$84,500 contained 1564 square feet. Mr. Ausley inflated the value of the subject property.

David Duty (Cary)—By consent, the Board suspended Mr. Duty's certification for three months. The suspension is stayed until April 30, 2003. If Mr. Duty takes a course in appraiser liability by that date, the suspension will be inactive. The Board found that Mr. Duty and a trainee were engaged to appraise a home located in Raeford, NC, and on March 27, 2001 they completed the report, finding an "as is" appraised value of \$75,000. As there were some repairs that needed to be performed on the subject property, Mr. Duty's client instructed him to wait until the repairs were finished, reinspect the subject dwelling and then complete a new report after all repairs were finished. In April 2001, the trainee reinspected the subject property and a second appraisal report was issued. The first report, issued in March 2001, shows the applicant as the borrower, and a mortgage company as the current owner. Although Mr. Duty had a copy of the sales agreement for the subject in his workfile, he did not address or analyze that agreement in the first appraisal report. The first report has no mention of

any current listing of the subject property. The second appraisal report, dated April 20, 2001, shows the same borrower as on the original report, but the current owner on this report is stated as the person who was listed as the selling agent on the first appraisal. The current owner in the second report purchased it from the mortgage company for \$25,000 on April 12, 2001. Although the second appraisal report shows a different current owner than the first appraisal report, there is no mention in the report of this transfer. There is no mention of the subject being listed, sold or under contract, except for the June 2000 sale mentioned in the first report.

Joseph Harding (Candler)—By consent, the Board suspended Mr. Harding's residential certification for three months. The suspension is stayed until June 30, 2003. Mr. Harding must also take the prelicensing course known as R-3 as well as a 15-hour USPAP course by June 30, 2003. If he takes the courses as agreed, the suspension will be inactive. If he does not, the suspension will be activated on July 1, 2003. The Board found that Mr. Harding appraised a property located in Forest City, NC in March 2000. At the time the appraisal report was done, the exterior of the house needed to be scraped and repainted or sided, and the back porch was in need of reworking. The property owner had told Mr. Harding that he was going to install vinyl siding, thus Mr. Harding appraised the property as though it had been installed. There was no mention of the ongoing repairs or remodeling in the report, and the appraisal was done as-is. The comparable sales used were superior to the subject in condition and appeal, but no adjustments were made for those factors. There was an access easement across the subject property to the neighboring house, which was not addressed in the appraisal report.

Daniel Hennigan (Charlotte)—Following a hearing, the Board suspended Mr. Hennigan's residential certification for 2 years. There were three cases against Mr. Hennigan. In all three cases, the Board found that Mr. Hennigan chose comparable sales from superior areas without making any adjustment for location. There were comparable sales available to him from the subject neighborhoods that would have indicated a lower opinion of value. Finally, he did not state the type of reporting format used in the appraisal reports. Mr. Hennigan appealed the case to the Mecklenburg County Superior Court, which upheld the Board's decision.

Jeffrey Johnson (Holly Springs)—By consent, the Board suspended Mr. Johnson's certification for three months. The suspension is stayed until April

30, 2003. If Mr. Johnson takes a course in appraiser liability by that date, the suspension will be inactive. The Board found that Mr. Johnson, while a trainee, was engaged to appraise a home located in Raeford, NC, and on March 27, 2001 he completed the report, finding an "as is" appraised value of \$75,000. As there were some repairs that needed to be performed on the subject property, Mr. Johnson's client instructed him to wait until the repairs were finished, reinspect the subject dwelling and then complete a new report after all repairs were finished. In April 2001, Mr. Johnson reinspected the subject property and a second appraisal report was issued. The first report, issued in March 2001, shows the applicant as the borrower, and a mortgage company as the current owner. Although Mr. Johnson had a copy of the sales agreement for the subject in his workfile, he did not address or analyze that agreement in the first appraisal report. The first report has no mention of any current listing of the subject property. The second appraisal report, dated April 20, 2001, shows the same borrower as on the original report, but the current owner on this report is stated as the person who was listed as the selling agent on the first appraisal. The current owner in the second report purchased it from the mortgage company for \$25,000 on April 12, 2001. Although the second appraisal report shows a different current owner than the first appraisal report, there is no mention in the report of this transfer. There is no mention of the subject being listed, sold or under contract, except for the June 2000 sale mentioned in the first report.

Phyllis Mitchell (Hickory)—By consent, the Board issued a reprimand to Ms. Mitchell and ordered her to take a sales comparison class. If she fails to take the course as agreed, a one-month suspension will be activated on that date. The Board found that Ms. Mitchell appraised a manufactured home located in Vale, NC in November 2001, finding an appraised value of \$92,500. The distances on two of her comparables were not correct, with one being further from the subject and the other being slightly closer. The appraisal report stated that one sale sold in 2000 when it actually sold in 1999. Ms. Mitchell's copy of the sales book was slightly blurred and was difficult to distinguish between the numbers 99 and 00. There were very limited market sales available in the year prior to the Respondent's report, although there were several foreclosure sales. The few sales that were found both prior to and after the date of the report appear to be predominantly in the \$60,000 - 75,000 range. □

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 have been asked to provide a Restricted Use Appraisal Report, but I would like to be very descriptive in parts of the report. Does USPAP preclude appraisers from including detailed analysis in a Restricted Use Appraisal Report?

Response: No. USPAP prescribes the **minimum** content requirements for all three reporting options, Self-Contained Appraisal Report, Summary Appraisal Report, and Restricted Use Appraisal Report. An appraiser is always free to add to the minimum requirements.

Question #2: A client recently requested that I perform a feasibility study on a potential retail development. No value conclusions are included in the scope of the work assignment agreed upon with the client, but they have requested that I provide many of the components of what could lead to a value conclusion, such as potential income streams, capitalization rates, cost estimates, etc. I have completed numerous appraisal assignments for this client and I am certain that I was chosen, in large part, because I am an appraiser. Does this assignment fall within appraisal practice? And, must I comply with USPAP in completing the assignment?

Response: Yes, this assignment would fall under appraisal practice. USPAP defines appraisal practice as *valuation services, including **but not limited to** appraisal, appraisal review, or appraisal consulting, performed by an individual as an appraiser.* (Bold added for emphasis)

Comment: Appraisal practice is provided only by appraisers, while valuation services are provided by a variety of professionals and others. The terms appraisal, appraisal review, and appraisal consulting are intentionally generic and are not mutually exclusive. For

example, an opinion of value may be required as part of an appraisal review and is required as a component of the analysis in an appraisal consulting assignment. The use of other nomenclature for an appraisal, appraisal review, or appraisal consulting assignment (e.g., analysis, counseling, evaluation, study, submission, or valuation) does not exempt an appraiser from adherence to the Uniform Standards of Professional Appraisal Practice.

The feasibility analysis, described in this question clearly falls with the scope of appraisal practice; however, since it is not an appraisal, appraisal review, or appraisal consulting assignment as defined in USPAP, it does not fall within STANDARDS 1-10. Therefore, the applicable sections of USPAP would be the DEFINITIONS, the PREAMBLE, the ETHICS, COMPETENCY, JURISDICTIONAL EXCEPTION and SUPPLEMENTAL STANDARDS RULES, as applicable to the assignment.

Question #3: I was recently asked to perform an appraisal assignment where the individual that contacted my firm was not the client and indicated that the client could not be identified. Can I accept this assignment and comply with USPAP?

Response: No. Standards Rule 1-2, a binding requirement, states, in part:

In developing a real property appraisal, an appraiser must:

(a) *identify the client and other intended users;*

Comment: Identification of the intended use is necessary for the appraiser and the client to decide:

- *the appropriate scope of work to be completed, and*
- *the level of information to be provided in communicating the appraisal.*

An appraiser must not allow a client's objectives or intended use to cause an analysis to be biased.

This does not preclude a third party, acting as an agent for the client, from ordering the appraisal; however, the appraiser must be able to identify the client. Refer to STATEMENT No. 9 for additional discussion of identification of the client and intended users.

Question #4: I have an assignment that involves a tract of land that is improved with two structures. However, the client has requested that I appraise the underlying land and only one of the two structures, without mentioning the other structure. Is it ethical to not disclose the presence of the second structure?

Response: No. The Conduct section of the ETHICS RULE states:

An appraiser must not communicate assignment results in a misleading or fraudulent manner. An appraiser must not use or communicate a misleading or fraudulent report or knowingly permit an employee or other person to communicate a misleading or fraudulent report.

In the situation described, performing an appraisal without disclosing the existence of both structures in the report would be misleading.

Question #5: What is the primary intent of USPAP?

Response: The intent of USPAP is to promote and maintain a high level of public trust in professional appraisal practice. This concept is emphasized at the very beginning of the PREAMBLE:

The intent of these Standards is to promote and maintain a high level of public trust in professional appraisal practice.

The development of "trust" between the general public and the professional appraiser is not unique to the appraisal profession - it is also inherent in other professions such as medical practice and accountancy.

Contained within this notion of "trust" is a relationship that requires the professional to provide more than their skill or expertise. There is a distinct ethical obligation to act in the behalf of the public's interest, not out of self-interest. Because of the public interest aspect of the service the public must be able to trust that a professional will act in an ethical and competent manner.

Question #6: I was recently hired to perform an appraisal assignment for a government agency. The agency has a regulation that requires me to provide the appraisal report to other government agencies if requested. Does this regulation create a jurisdictional exception to the Confidentiality section of the ETHICS RULE?

Response: No. The Confidentiality section of the ETHICS RULE reads, in part:

An appraiser must not disclose confidential information or assignment results prepared for a client to anyone other than the client and persons specifically authorized by the client; state enforcement agencies and such third parties as may be authorized by due process of law; and a duly authorized professional peer review committee except when such dis-

closure to a committee would violate applicable law or regulation. It is unethical for a member of a duly authorized professional peer review committee to disclose confidential information presented to the committee. (Bold added for emphasis)

Since the Confidentiality section of the ETHICS RULE allows for the disclosure of confidential information to “persons specifically authorized by the client” and such third parties as may be authorized by due process of law”, the JURISDICTIONAL EXCEPTION RULE would not apply.

Question #7: I understand that USPAP has been revised to require real property appraisers to analyze all sales of the subject property that occurred in the three years prior to the appraisal date, even for one-to-four family dwellings. Is this true?

Response: Yes. As of January 1, 2003 Standards Rule 1-5, a binding requirement, has been modified to read as follows:

In developing a real property appraisal, when the value opinion to be developed is market value, an appraiser must, if such information is available to the appraiser in the normal course of business:

- (a) analyze all agreements of sale, options, or listings of the subject property current as of the effective date of the appraisal; and
- (b) analyze all sales of the subject property that occurred within the three (3) years prior to the effective date of the appraisal.

Comment: See the Comments to Standards Rules 2-2(a)(ix), 2-2(b)(ix), and 2-2(c)(ix) for corresponding reporting requirements relating to the availability and relevance of information. (Bold added for emphasis)

For analysis and reporting of prior sales, previous editions of USPAP made a distinction between the time period required for one-to-four-family residential properties and the time period required for all other types of real estate. That distinction no longer exists. The three year time period now applies to all real property appraisals.

Question #8: I was told that as of January 1, 2003, USPAP now requires real property and personal property appraisers to analyze previous sales of comparable properties used in the sales comparison approach to value. Is this true?

Response: No. The 2003 edition of USPAP includes changes to SR 1-5 and SR 7-5 regarding the analysis of prior sales of the **subject property only**. USPAP does not require analysis of the sales history of comparable sales. However, appraisers may be

subject to Supplemental Standards in certain appraisal assignments that require the appraiser to provide a more detailed analysis than otherwise required by USPAP.

Question #9: I noticed that the 2003 edition of USPAP no longer contains SR 1-5(c) or SR 7-5(c). Does this mean the reconciliation process is no longer required by USPAP in real property and personal property appraisal assignments?

Response: No. In fact, USPAP has been modified to emphasize the importance of the reconciliation process. Standards Rules 1-5(c) and 7-5(c) were removed and Standards Rules 1-6 and 7-6 were inserted in order to clearly demonstrate that reconciliation is a separate component of the appraisal process rather than a function within the analysis of sales history.

Question #10: I am currently appraising an office building that was transferred 18 months ago via a deed in lieu of foreclosure. Am I required to analyze this transaction?

Response: Yes. Advisory Opinion 4 (AO-4) states:

The intent of Standards Rule 1-5(b) is to encourage the research and analysis of prior sales of the subject property. All sales of the appraised property within the 3 year time period stated in Standards Rule 1-5(b) includes transfers in lieu of foreclosure and foreclosure sales.

This AO goes on to state:

Foreclosure sales and voluntary transfers of title by mortgagor to mortgagee in lieu of foreclosure are transactions grounded in objective necessity. Nevertheless, they are sales because they transfer ownership of and title to property for a valuable consideration.

Question #11: In an appraisal review assignment that includes the reviewer’s own opinion of value, is the reviewer required to use the same scope of work as the original appraiser?

Response: No. Standards Rule 3-1(c) states, in part; *In developing an appraisal review, the reviewer must:*

- (c) identify the scope of work to be performed;

Comment: . . . When the scope of work of the assignment includes a requirement for the reviewer to develop his or her own opinion of value, the following apply:

- **The reviewer’s scope of work in developing his or her own opinion of value may be different from that of the work under review.** (Bold added for emphasis)

For example, the scope of work in the original appraisal may have included an interior and exterior inspection of the subject

property, and the scope of work for the appraisal review may include only an exterior inspection or no inspection at all.

Question #12: Recently one of my appraisal reports was reviewed. The review report contained information that could not have been available to me at the time I completed my appraisal report. The reviewer used this additional information to discredit my opinion of value. Is this appropriate?

Response: No. Standards Rule 3-1(c) allows a reviewer to use additional information that was not available to the original appraiser in the development of his or her value opinion; however, the **reviewer must not use such information as the basis to discredit the original appraiser’s opinion of value.** (Bold added for emphasis)

Question #13: In an appraisal review assignment for which the reviewer develops his or her own opinion of value, is it permissible for the reviewer to use an effective date that differs from the work under review?

Response: Yes. The Comment to Standards Rule 3-1(c) states, in part;

The effective date of the reviewer’s opinion of value may be the same or different from the date of the work under review.

For further information regarding USPAP Q&A, please contact: Jim Park, Director of Research & Technical Issues, The Appraisal Foundation, 1029 Vermont Avenue NW, Suite 900, Washington, DC 20005, (202) 624-3044, (202) 347-7727, fax

IMPORTANT NOTICE

Please see the information on page 8 about the May Board Meeting in Asheville, North Carolina

North Carolina Appraisal Board

Invites you to attend its meeting

May 22-23, 2003

Asheville, North Carolina

The May Board Meeting will be held on the campus of
Asheville-Buncombe Technical Community College

in the Simpson Building's lecture room.

The meeting begins at 9:00 am on
Thursday and Friday, May 22nd and 23rd, 2003.

FOR MORE INFORMATION, PLEASE CONTACT THE BOARD'S OFFICE AT 919-420-7920.

(continued from page 4)

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)

NC DOT

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 Lig (7/7)
Revisiting the Cost Approach & Recurring Errors (7/7)
Sales Comp Grid/Appr of Trans (7/7)

NCSU FORESTRY ED OUTREACH PROGRAM

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Raleigh, NC 27695 (919) 515-3184

Accurate Forest Inventory (16/16)
Applied Intermediate GIS - Foresters (15/15)
Dlntr of Pdmnt & Cstl Pln Jrsl (30/30)
Introduction to Applied GIS - Foresters (15/15)
Introduction to Applied GIS - Foresters (13/13)

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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)

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National USPAP Update (7/7)

SOUTHEASTERN CC

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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

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)
USPAP 2003 (15/15)

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Raleigh, NC 27609 (919) 876-9596

USPAP 2002/2003 (7/7)

WENDELL HAHN & ASSOCIATES

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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)

Pricing Complex Properties (4/4)

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

WILLIAM H. SHARP & ASSOCIATES

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Douglasville, GA 30134 (678) 838-2949

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Income Capitalization Techniques (8/8)

Introduction to GIS in Real Estate (8/8)

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