



# NORTH CAROLINA APPRAISAL BOARD

# APPRAISER REPORT

Volume 9

Fall 1999

Number 3

## Holmes Joins Board Staff



*Roger G. Holmes*

Roger G. Holmes has been employed as the Board's new Investigator. A native of Fayetteville, Mr. Holmes graduated from East Carolina University with a bachelor's degree in business. He is a State-Certified General Appraiser and a Licensed Real Estate Broker.

Prior to joining the Board staff, Mr. Holmes was a Revaluation Appraiser with the Cumberland County Tax Office, where he specialized in income-producing properties. Prior to that, Mr. Holmes was associated with Carlyle Realty, Inc., a commercial and residential appraisal firm in Fayetteville. He comes to the Board staff with ten years of appraisal experience.

In his new position, Mr. Holmes will be responsible for processing complaints against appraisers by examining data in appraisal reports and performing field investigations. He also will be conducting unannounced audits of appraisers and their files.

Roger and his wife, Loretta, have one daughter, Amanda. □

## Appraising Manufactured Housing

A few years ago the Board published an article regarding the appropriate choice of comparable sales for manufactured housing. It appears from the many inquiries received by Board staff that there is some confusion regarding appraising manufactured or factory-built housing.

In appraising a manufactured home that is not yet affixed to the land or which is still considered personal property, an appraiser has three options. One option is to appraise the lot and mention that personal property (in the form of a manufactured home) is situated on the land.

Another option is to provide a prospective value estimate on the basis of the hypothetical condition that the manufactured home is affixed to the land. The appraiser must make it clear that this is a prospective value by using words such as "the prospective market value is expected to be..." and not using words such as "the market value is..."

A third option is to develop a current value estimate on the basis of the hypothetical condition that the manufactured home has already been affixed to the land. The appraiser must disclose the hypothetical condition in the report, with a description of the hypothetical condition, the rationale for its use and its effect on the result of the assignment. The rationale must clearly indicate that the manufactured home is not currently affixed to the land.

In appraising a manufactured home that is affixed to the land, the appraiser has all three of the approaches to value available. In some situations, the income approach may be the least applicable. The cost and sales comparison approaches are generally applicable, and may also be necessary depending upon the appraisal assignment. Only the appraiser can make that determination, based on the local market.

The Cost Approach is applicable to valuing a manufactured home permanently affixed to a lot. This approach deals with the value of the land as well as the cost of improvements, such as the manufactured house, well and septic tank, and foundation among other items. For a new manufactured home, this is an ideal approach since it reflects the current market. The appraiser must be careful to reflect depreciation from all sources, such as physical, functional, and external depreciation. The Cost Approach is most reliable when the improvements are new or relatively new, when improvements represent the highest and best use of the site, when land value is well supported and when no functional or external obsolescence is evident.

The Sales Comparison Approach should also be considered when a manufactured home is permanently affixed to a lot. The best comparison sale is one that is in the same market area, and is similar to the subject in age, condition, size and quality. Many times, however, such comparison sales are difficult to find, especially since these sales may not always be reported in listing services. If that is the case, the appraiser may need to expand the search area as well as the age of the sales. This expansion of search para-

*Continued on page 8*

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

James B. Hunt, Jr., Governor

### APPRAISAL BOARD MEMBERS

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- John K. Weaver, *Deputy Director*
- Matthew W. Green, *Investigator*
- Roger G. Holmes, *Investigator*
- Barbara S. Perryman, *Administrative Assistant*
- Lynn P. Crawford, *Appraiser Secretary*
- Kim N. Giannattasio, *Appraiser Clerk*

### APPRAISER COUNT

(As of November, 1999)

Trainees .....	1,222
Licensed Residential .....	224
Certified Residential.....	1484
Certified General.....	852
Total Number .....	3782

### APPRAISER EXAMINATION RESULTS

August, September, October 1999

Examination	Total	Passed	Failed
Trainees	107	78	29
Licensed Residential	11	11	0
Certified Residential	21	19	2
Certified General	6	4	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.

# Chairman's Comments On Out of State Appraisers and Supervision



E. Ossie Smith

Appraisers who are licensed or certified in North Carolina but live out of state occasionally have questions regarding the extent to which they can use the services of associates who are not licensed in North Carolina.

North Carolina law is very clear that only people who are state-licensed or state-certified, or who are registered trainees working under the supervision of an appraiser who is state-licensed or state-certified, may appraise property within this state. Appraisers and trainees who reside outside of North Carolina and are

registered, licensed or certified as an appraiser in their resident state may apply for a temporary practice permit to appraise property in North Carolina.

Unlicensed staff associates located outside of North Carolina may not appraise property in this state. This means that they may not sign the appraisal report in any fashion. They may only provide clerical assistance. For example, they can obtain copies of tax cards, deeds and maps. They may also assist in measuring the property by holding the "dumb" end of a tape, check MLS listings for data and type the report. They may **not** select comps, measure a property on their own, inspect a property, make adjustments to comps or draft an appraisal report. Unlicensed assistants can only do work of a clerical nature and cannot exercise any independent judgment when performing those tasks.

For further information on what tasks an unlicensed assistant may perform, see the article in the August 1996 edition of the *Appraisereport*. □

## Continuing Education Reminder

Please check your mailing label on page 8 to see the number of continuing education hours the Board has on file for you. Licensed and certified appraisers as well as those trainees renewing for the third time will need at least 14 hours of continuing education to renew in Spring 2000.

# Approved Continuing Education Courses

(As of November 12, 1999)

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 CC

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

Appraising Sm Res Income Prop (10/10)  
New Exstg Res Cds Afftng RE Appr (10/10)  
Cnstrctn Methods I: Print Rdnng (5/5)  
Cnstrctn Methods II: Fndtns & Msnry (5/5)  
Ethical Principles of Appraisal I (4/4)  
Real Estate Finance (4/4)  
Intro to Commercial Real Estate (4/4)

## ALBEMARLE APPR & RE ACADEMY

605 E. Main St.  
Elizabeth City, NC 27909 (919)335-5030

How to Read an Appraisal (4/4)  
USPAP (10/10)

## ALLSTATE HOME INSPECTION TRAINING INSTITUTE

Rt. 1, Box 130  
Randolph Center, VT 05061 (800)245-9932

FHA Test Preparation (8/8)  
Introduction to Home Inspec (8/8)

## AM SOC FARM MANGRS & RURAL APPR

950 S. Cherry St., Ste. 508  
Denver, CO 80222 (303)758-3513

Uniform Agriculture App Report (15/15)  
Adv Appraisal Review A-35 (49/30)  
Advanced Resource Appraisal A-34 (30/30)  
Highest & Best Use A-29 (15/15)  
A-12 Part 1 ASFMRA Code of Ethics (7/7)  
Appraising Rural Res Prop (16/14.5)  
Rural Business Valuation Sem (16/16)  
Conservation Easement (16/16)  
Fractional Interests (16/16)  
Timber & Timberland Value (12/12)  
Appraising Rural Res Prop (8/8)  
A-12 (II) Nat USPAP (15/15)  
Bureau of Land Mgmt Course (18.5/18.5)

## AM SOC OF APPRAISERS NC CHAPTER

605 NC Hwy 54 West  
Chapel Hill, NC 27516 (919)967-3338

USPAP (15/15)

## AMERICAN SCH OF RE APPR

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

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

## APPRAISAL INST (THE)

875 N. Michigan Ave., Suite 2400  
Chicago, IL 66011 (312)335-4100

410 National USPAP (16/16)  
420 SPPB (7/7)  
320 General Applications (39/30)  
500 Adv Res Form & Narrative Wrt (40/30)  
520 High & Best Use & Mkt Analysis (40/30)  
530 Adv Sales Comp & Cost Approach (40/30)  
600 Inc Val of Small Mixed-Use Prop (15/15)  
610 Cost Val of Small Mixed-Use Prop (15/15)  
430C Sndrds of Prof Prcct - Part C (15/15)

620 Sales Comp Val Sm Mixed-Use Prop (15/15)  
710 Condemnation Appr: Basic Prin & Apps (15/15)  
720 Condemnation Appr: Adv Topics & Apps (15/15)  
Appraisal of Non-Conforming Uses (7/7)  
Partial Interest Valuation-Divided (7/7)  
Appraising Manufactured Housing (7/7)  
Gen Demo Appr Rpt Writing Sem (14/14)  
Res Demo Appr Rpt Writing Sem (14/14)  
Reits & Role of the RE Pro (7/7)  
Rgrssn Anlys for Appr: Concepts & Apps (7/7)  
Case Studies in Com Hghst & Bst use (7/7)  
Case Studies in Res Hghst & Bst Use (7/7)  
Partial Interest Valuation (7/7)  
The FHA and the Appraisal Process (7/7)

## APPRAISAL INSTITUTE NC CHAPTER

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

USPAP Update for 1999 (4/4)  
Small Hotel/Motel Valuation (7/7)

## ASHEVILLE-BUNCOMBE TECH CC

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

USPAP (10/10)  
PDH RE - Basic Surveying (5/5)  
Res Bldg Code Changes in NC (5/5)  
The UDO: Rgltnng RE Use & Dev (4/4)

## BRUNSWICK CC

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

USPAP 1999 (7/7)  
The Tough Ones - Complex Res Properties (7/7)

## 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 SRVCS

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

Res Prop Analysis, Inspection & Reporting (14/14)

## CONTINUING EDUCATION INSTITUTE

158 Mine Lake Court  
Raleigh, NC 27615 (919)676-7888

Common Problems with Houses (4/4)  
A Closer Look at Mfg Housing (4/4)  
Market Extractions (4/4)  
Valuing This Old House (4/4)  
Dev & Rptng the FHA Appraisal (14/14)  
USPAP 99 (14/14)  
Back to Basics I (4/4)  
Back to Basics II (4/4)

## DAN MOHR RE SCHOOLS

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

Extraction of Data from Market Res (7/7)  
HP 12C Course (7/7)  
Intro to Residential Construction (30/30)

Residential Construction Seminar (14/14)  
Res Appr & Conv Undrwrtrg Guide (7/7)  
Using Streamlined Appr Rpt Forms (7/7)  
The Narrative Appraisal Report (7/7)  
Depreciation Workshop (7/7)  
1999 USPAP - What You Need to Know (15/15)  
Envrnmntl Hazards-Res Prop (7/7)  
Rules & Regs FHA/HUD Rqrmt (14/14)

## DARRELL K. HIGNITE

300-B West Arlington Blvd.  
Greenville, NC 27834 (252)756-7288

Val Analysis for Home Mortg Ins (14/14)

## EAST CAROLINA UNIVERSITY

Sch of Bus 1200 Gen Clasm  
Greenville, NC 27858-4353 (252)328-6377

USPAP 99 (14/14)

## EDGEcombe CC

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

Narrative Appr Report Writing (14/14)  
Standards of Professional Practice (15/15)  
Prin & Tech Val 2-4 Units Res Prop (14/14)  
Single Fam Res App (14/14)  
RE Finance for Appraisers (14/14)  
Rural Valuation Seminar (14/14)

## ERICK LITTLE & CO.

P.O. Box 4267  
Cary, NC 27519 (919)783-0090

New FHA Reqmnts, Fannie Mae & VA (14/14)

## FREDDIE F. STELL APPR SCHOOL

1816 Front Street, Suite 240  
Durham, NC 27705 (919)383-2595

Res/Invstmnt/Com/Indstrl Forms (10.5/10.5)  
The Site Inspection (7.5/7.5)  
Fannie Mae Underwriting Guidelines (7/7)  
FMNA Gdlns Rural/Com Lndng/USPAP (7/7)

## HALL INSTITUTE

PO Box 52214  
Raleigh, NC 27612-0214 (919)481-2080

Researching and Buying Raw Land (4/4)

## HISTORIC PRESERVATION CONSULTING

40 Clarendon Avenue  
Avondale Estates, GA 30002 (404)297-1850

Marketing & Appraising Historic Property (14/14)

## IAAO

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

600 Prin & Tech of Cadastral Mapping (30/15)  
400 Assessment Administration (30/30)  
500 Assessment of Personal Prop (30/30)  
311 Res Modeling Concepts (30/30)  
312 Comm/Ind Modeling Concepts (30/30)  
252 Val Prop Aff Environmental Con (15/15)  
Appraisal of Land (30/30)  
Fundamentals of Mass Appraisal (30/30)  
Applications of Mass Appr Fund (30/30)

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# Approved Continuing Education Courses

Continued from page 3

## INSTITUTE OF GOVERNMENT

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

Appr Uses of Spreadsheet Software (18.5/18.5)  
Computer Assisted Mass Appr. (21.5/21.5)  
Hotel/Motel Appraisal Seminar (7/7)  
Standards of Practice & Pro E (18.5/18.5)

## INT RIGHT OF WAY ASSOC

13650 S. Gramercy Place  
Gardena, CA 90249 (213)538-0233

Ethics & Right of Way Profession (8/8)  
Easement Valuation (8/8)  
Intro to Inc Apprch to Valuation (8/8)  
Land Titles (10/10)

## JACK A UNDERDOWN INC

920 N. Bridge Street  
Elkin, NC 28621 (336)835-2256

Mastering the HP-12C (10/10)

## JOHNSTON CC

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

Prin & Tech for Val 2-4 Prop (10/10)  
Narr Report Writing (10/10)  
The New URAR (10/10)  
Appr Proposed Res Properties (10/10)  
Prin & App of Sales Comp Apprch (5/5)  
Prblm Char That May Effect Mkt VI (5/5)  
Risk Management for Appraisers (5/5)  
Calculating Sq Ft in Res Prop (5/5)  
The Uniform Standards Today (14/14)  
USPAP 99 (14/14)  
Dev & Reporting the FHA Appr (14/14)

## L. WENDELL HAHN & ASSOCIATES

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

Appr Res Prop Under FHA Gdlns (7/7)  
Standards of Pro Practice (15/15)  
The Residential Appraisal Form (7/7)  
Computers and the Appraiser (7/7)

## LENOIR CC

P.O. Box 188  
Kinston, NC 28502-9946 (252)527-6223

Challenging the Appraisal (4/4)  
Pricing Sm Inc Properties (4/4)  
Pricing Complex Properties (4/4)  
Maximizing Value (4/4)  
Prin/Tech Val 2-4 Unit Res (14/14)  
Appr Mfg, Mod, & Mobile (A) (7/7)  
Appr Mfg, Mod, & Mobile (B) (7/7)  
Manufactured, Modular & Mobile (4/4)

## M CURTIS WEST

P.O. Box 947  
Zebulon, NC 27597 (919)217-8040

Inc Cap Approach — Pst, Pres, Fut (10.5/10.5)  
Property Tax Values & Appeals (6/6)

## MCKISSOCK DATA SYSTEMS

P.O. Box 1673  
Warren, PA 16365 (814)723-6979

Fair Lending for Appraisers (7/7)  
Manufactured housing (7/7)

## MINGLE SCHOOL OF RE

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

Commercial RE Development (10/10)  
Commercial RE Property Management (10/10)  
Income Valuation Fundamentals (4/4)  
Basic House Construction (4/4)  
Environmental Impact on Res RE (4/4)  
NC Appr Act, Board Rules & USPAP #2 (15/15)  
NC Appr Act, board Rules & USPAP #3 (4/4)

## MOULTRIE B. WATTS

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

Developing & Reporting the FHA Appraisal (14/14)

## NAIFA

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

1.3 Construc & Dev of Res RE Appr (30/30)  
Report Writing of Res RE Appr (30/30)  
Income Prop Appr Investm Analysis (30/30)  
Val — Lndscp Improv, Timb & Orchards (15/15)  
Marshall & Swift Valuation Guides (15/15)  
Financial Analysis Inc Property (15/15)  
Environmental Risk Screening (22/22)  
Pro Standards of Practice (15/15)  
Lim Scope Appraisals & USPAP (8/8)  
Intro to Historic Appraising (15/15)  
Condemnation Appraising (15/15)  
Relocation Report Writing (15/15)  
Appr Guide to Environ Issues in US (8/8)

## NAMA/LINCOLN GRAD CTR

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

Envir Site Assessment (15/15)  
Standards of Prof Appr Practice (15/15)  
Principles of Appraisal Review (15/15)  
Manufactured Housing Appraisal (15/15)  
RE Eviron Screening (7/7)  
Res Environmental Screening (7/7)  
USPAP Update (7/7)  
Residential Appraisal Review (7/7)  
Prin of Property Inspection (20/20)

## NC RE EDUCATION FOUNDATION (NCAR)

2901 Seawell Road  
Greensboro, NC 27406 (800)443-9956

1999 USPAP Guidelines (7/7)  
Arch Styles & Prob w/Older C (4/4)  
Fundamentals of HP-12C (4/4)  
Legal Issues in Real Estate (7/7)  
Res Construction Techniques (4/4)  
Residential Construction (7/7)  
Residential RE as an Investment (7/7)  
Residential Site Appraisal (4/4)  
Tax Planning for the RE Agent (7/7)

## NCDOT (ATTN: B CRIST)

629-B Peters Creek Pkwy.  
Winston-Salem, NC 27103 (336)761-2310

Appr Foundation USPAP Update (3.5/3.5)  
Appr Guide & Legal Principle (10/10)  
Appr Review for Fed Aid Hwy Part A (14/14)  
Appr Review for Fed Aid Hwy Part B (14/14)  
Highest & Best Use (3.5/3.5)  
Matched Pairs & Mrkt Extra (3.5/3.5)  
NCDOT Seminar I — '99 (7/7)

NCDOT Seminar II — '99 (7/7)  
Reviewing Appraiser's Seminar (14/14)  
Six Appraisal Reporting Options (3.5/3.5)

## NCSU EXTENSION COOP. SERVICE

Campus Box 8003  
Raleigh, NC 27695-8003 (919)515-5636

Esmnts & Trnsfrng Dev Right (8/8)

## NCSU FORESTRY EDUCATION

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

Prctcl Steps in Dev Cnsvrtn Esmnt (8/8)

## RALEIGH/WAKE BOARD OF REALTORS

1301 Annapolis Drive  
Raleigh, NC 27608-2177 (919)834-0359

Appr Process & Val of Res Prop (4/4)  
Calculating Sq Ft in Res Prop (3.5/3.5)  
Residential construction (4/4)

## RANDOLPH CC

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

Timber Appraisal Overview

## SOUTHEASTERN CC

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

Applied Sales Comp 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

Appr Process & Val of Res Pro (4/4)

## SURRY CC

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

Appr/Math using HP12-C (15/15)  
USPAP 2000 (15/15)

## TRIANGLE APPR & RE SCHOOL

4525 Falls of Neuse Road  
Raleigh, NC 27609 (919)876-9596

USPAP (10/10)

## WAKE TECH CC

9101 Fayetteville Road  
Raleigh, NC 27603-5696 (919)772-0551

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

## YVONNE C SHARP & ASSOC

1459 Pineview Circle  
Douglasville, GA 30134 (770)947-7154

Consult-2010 Plans Review (14/14)  
Consult-2015 New Appr/Inspct (14/14)



# DISCIPLINARY ACTIONS

**Phillip Case (Lenoir)** - By consent, the Board issued a reprimand against Mr. Case and ordered him to take a standards course. The Board found that Mr. Case, under the supervision of a state certified residential appraiser, appraised a home located in Lenoir, NC in March 1999, finding an appraised value of \$96,000. The subject property is an older home that has been converted into three apartments. Mr. Case used a URAR 1004 Form to report his appraisal. For comparable sales he chose single-family residences. He made adjustments to the comparable sales for the extra two kitchens of the subject. The subject property sold for \$10,000 on July 15, 1998, but this fact was not mentioned in the appraisal report.

**Ronald Ferrell (Huntersville)** - By consent, the Board ordered that Mr. Ferrell's residential certification be suspended for six months, which is stayed until December 31, 1999. If before that date Respondent completes a sales comparison course, the suspension shall be inactive. There were two cases against Mr. Ferrell. In the first case, Mr. Ferrell and a trainee appraised a single family home located in Mooresville, NC. The subject property contained a finished area over the garage that was included in the cost approach, but was not mentioned or adjusted for in the sales comparison approach. None of the comparable sales had such an area. In the cost approach, Mr. Ferrell valued the basement area at the same rate per square foot as the main dwelling. He made inadequate and inappropriate adjustments to his comparable sales for differences in view and location, and for the garage. On the report, he misstated the distance to his first and third comparable sales. The

appraisal report does not state if the appraisal is made "as is" or "subject to". In the second case, Mr. Ferrell performed two appraisals on a property located in Mooresville, NC. One was performed in September 1998 and the other in February 1999. On both appraisals, Mr. Ferrell valued the property at \$426,000. The subject property sold on October 19, 1998 for \$329,000, yet he did not consider or analyze the sale information in the February 1999 appraisal report. On the second report, Mr. Ferrell increased the lot value and the cost per square foot in the cost approach with no explanation. His first comparable sale on the second appraisal report was not an arm's length transaction, and his third comparable sale could not be verified.

**M. Allison Ford (Raleigh)** - By consent, the Board ordered a reprimand against Ms. Ford and ordered her to take a standards course. The Board found that Ms. Ford appraised a single-family home located in Apex, NC, finding an appraised value of \$365,000. She used sales from outside the subject subdivision when there were sales available within the subdivision. She made a site adjustment to her comparable sales, but did not make any adjustment for location.

**Teri Hoke (Mount Holly)** - By consent, the Board issued a reprimand against Ms. Hoke and ordered her to complete a sales comparison course and a course in standards (USPAP) by December 31, 1999. In September 1997, Ms. Hoke and a supervisor appraised a single family home located in Mooresville, NC. Ms. Hoke was a trainee at the time this appraisal was performed. The subject property contained a fin-

ished area over the garage that was included in the cost approach, but was not mentioned or adjusted for in the sales comparison approach. None of the comparable sales had such an area. In the cost approach, Ms. Hoke valued the basement area at the same rate per square foot as the main dwelling. She made inadequate and inappropriate adjustments to the comparable sales for differences in view and location, and for the garage. On the report, she misstated the distance to her first and third comparable sales. The appraisal report does not state if the appraisal is made "as is" or "subject to".

**Allen P. James (Charlotte)** - By consent, the Board issued a reprimand against Mr. James and ordered him to take a continuing education course. Mr. James appraised a single-family residence with a "mother-in-law" suite in August of 1997 for \$170,000.00. Mr. James' report did not mention the "mother-in-law" suite, that the property had two kitchens and a back up oil furnace in the basement; noting only the primary heat pump. Mr. James also incorrectly stated the total number of rooms and baths, and omitted reporting the toilet in the laundry room.

**David Joyner (Windsor)** - By consent, the Board issued a reprimand against Mr. Joyner and ordered him to take a standards (USPAP) course by December 1, 1999. The Board found that in March 1999, Mr. Joyner appraised a single-family residence located in Long Beach, NC. In the appraisal report, Mr. Joyner did not state what type of report it was. He did not properly invoke the departure provision to explain why

*Continued on page 6*

## **DISCIPLINARY ACTIONS** *Continued from page 5*

he did not use the sales comparison approach. Finally, he did not affix his seal to the appraisal report.

**David S. Pearsall (Charlotte)** - By consent, the Board suspended Mr. Pearsall's residential certificate for one month, which is stayed until December 31, 1999. If Respondent completes a standards (USPAP) course by that date, the suspension will be inactive. The Board found that Mr. Pearsall performed an appraisal in May 1999 on a single family home located in Charlotte, NC, finding an opinion of value of \$365,000. The subject property sold for \$275,770 in September 1998, yet Mr. Pearsall did not disclose this fact on the appraisal report. In the appraisal report, Mr. Pearsall stated the subject property was brick, when in fact, it had a brick front and sides, and the siding on the rear of the building was masonite. He failed to make adjustments for the fact that the comparable sales were of brick construction.

**Ronnie V. Perry (Granite Falls)** - By consent, the Board suspended Mr. Perry's residential certification for a period of two months. The suspension is stayed until October 1, 1999. If Mr. Perry completes a standards course before that date, the suspension shall be inactive. The Board found that Mr. Perry and a trainee under his supervision appraised a home located in Lenoir, NC in March 1999, finding an appraised value of \$96,000. The subject property was an older home that had been converted into three apartments. Mr. Perry used a URAR 1004 Form to report his appraisal. For comparable sales he chose single-family residences. He made adjustments to the comparable sales for the extra two kitchens of the subject. The subject

property sold for \$10,000 on July 15, 1998, but this fact was not mentioned in the appraisal report.

**Ralphele Reels (Durham)** - By consent, the Board suspended Mr. Reels' trainee registration for three months, effective March 1, 2000. If Mr. Reels completes a standards course and a sales comparison course before that date, the active portion of the suspension shall be only one month. The Board found that Mr. Reels performed an appraisal, under the supervision of a state certified general appraiser, of a townhouse located in Raleigh, NC, finding an appraised value of \$128,000. The subject property had sold in July 1998 for \$85,000, yet this fact was not mentioned in the appraisal report. Mr. Reels utilized sales from other areas when there were sales available within the subject complex, and these sales would have indicated a lower opinion of value for the subject property. He included below grade space in the gross living area. The square footage on the first comparable sale is stated as 2,024 on the report, when the size of that comparable sale is actually 1,740 square feet. The photographs of the first two comparable sales were incorrect.

**Christopher Salley (Belmont)** - By consent, the Board issued a reprimand against Mr. Salley and ordered him to take a standards (USPAP) course by December 31, 1999. If he does not complete the course by that date, a one-month active suspension will be imposed on that date. The Board found that Mr. Salley performed an appraisal, under the supervision of a state-certified residential real estate appraiser, of a modular home located in Newton, NC. He utilized site-built homes in superior locations for comparable sales

when there were modular home sales available as comparison sales. There was a city dump entrance approximately 1,000 feet from the property, yet Respondent failed to mention it in the report.

**William Seward (Chesapeake, VA)** - By consent, the Board issued a reprimand against Mr. Seward and ordered him to complete a standards (USPAP) course. This course must be completed before he may reinstate his North Carolina certification. The Board found that in June 1997, Mr. Seward appraised a proposed manufactured house located in Moyock, NC. He utilized two sales that were located 12 and 25 miles from the subject property and that were 13 and 14 years old. There were comparable sales available which were closer to the subject property and which were newer than those used by Respondent, which may have indicated a lower opinion of value for the subject.

**Kenneth Smith (Belmont)** - By consent, the Board suspended Mr. Smith's certification for one month. The Board also ordered Mr. Smith to take a standards (USPAP) course by December 31, 1999. If he completes the course by that date, the suspension will be inactive. There were two cases against Mr. Smith. In the first case, the Board found that a trainee under the supervision of Mr. Smith certified an appraisal in December 1998 for property located in Gastonia, NC. Mr. Smith did not mention or make adjustment for a fireplace in his second comparable sale. He stated that his third comparable sale sold for \$129,000, when it actually sold for \$126,000 with seller paying \$2,500 in sale concessions. This information was obtained from an MLS sheet that

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## **DISCIPLINARY ACTIONS** *Continued from page 6*

was incorrect. In the second case, a different trainee under the supervision of Mr. Smith certified an appraisal in February 1999 for a modular home located in Newton, NC. Mr. Smith utilized site-built homes in superior locations for comparable sales when there were modular home sales available as comparison sales. There was a city dump entrance approximately 1,000 feet from the property, yet it was not mentioned in the report.

**Melissa Stocks (Kinston)** - By consent, the Board suspended Ms. Stocks' trainee registration for a period of three months. The suspension is stayed until December 31, 1999. If before that date Ms. Stocks successfully completes a course in manufactured housing as well as a standards course, the suspension shall be inactive. The Board found that, under the supervision of a state-certified residential appraiser, Ms. Stocks appraised a manufactured home located in Kinston, NC in December 1998, finding an appraised value of \$76,000. Two of the three comparable sales used in the appraisal were land/home package sales. The property was listed for sale for \$59,000 at the time of the appraisal, yet this fact was not mentioned in the appraisal report.

**Elbert Taylor (Asheville)** - By consent, the Board suspended Mr. Taylor's general certification for three months, which shall be inactive provided that he take a standards course, consisting of at least 10 hours, by January 1, 2000. The Board found that Mr. Taylor appraised a vacant lot for refinance in March 1997, finding a value of \$27,850. The subject lot had been sold to an out of state buyer in December of 1996 for \$24,999, yet this sale was not dis-

closed in the report. Mr. Taylor used two comparable sales from the subject subdivision and a third sale from a similar subdivision. The subject property is very isolated and has only cart path or logging type roads in place. Two of the comparable sales are fronting lots with easier access and similar views, yet no adjustments were taken for the superior factors. One comparable sale is located in a somewhat superior location with better access, and no adjustment was taken for this fact.

**J. P. Walters (LaGrange)** - By consent, the Board suspended Mr. Walters' residential certificate for a period of three months. The suspension is stayed until December 31, 1999. If before that date Respondent successfully completes a course in manufactured housing, the suspension shall be inactive. The Board found that a trainee under the supervision of Mr. Walters appraised a manufactured home located in Kinston, NC in December 1998, finding an appraised value of \$76,000. Two of the three comparable sales used in the appraisal were land/home package sales. The property was listed for sale for \$59,000 at the time of the appraisal, yet this fact was not mentioned in the appraisal report.

**Lauriette West (Durham)** - By consent, the Board suspended Ms. West's general certification for four months, effective March 1, 2000. If Ms. West completes a standards course and a sales comparison course before that date, the active portion of the suspension shall be only two months. There were three cases against Ms. West. In the first case, in August 1998, Ms. West and a trainee appraised a townhouse located in Raleigh, NC, finding an appraised value of

\$128,000. The subject property had sold in July 1998 for \$85,000, yet this fact was not mentioned in the appraisal report. Ms. West utilized sales from other areas when there were sales available within the subject complex, and these sales would have indicated a lower opinion of value for the subject property. She included below grade space in the gross living area. The square footage on the first comparable sale is stated as 2,024 on the report, when the size of that comparable sale is actually 1,740 square feet. The photographs of the first two comparable sales were incorrect. In the other two cases, Ms. West performed two appraisals using the same comparable sales for both appraisals. The sales prices on her three comparable sales were all incorrect. The sales dates on her first and second comparable sales were incorrect. She stated on the report that the data and/or verification source for all three of the comparable sales was MLS/broker, when only the first comparable sale was reported on MLS.

**Thomas Yorke (Raleigh)** - By consent, the Board ordered that Mr. Yorke receive a reprimand. The Board also ordered that he take a course in measuring properties by December 1, 1999. The Board found that in May 1997, Mr. Yorke appraised a single-family home located in Raleigh, NC, finding an appraised value of \$365,000. In measuring the property, Mr. Yorke counted one area of the first floor twice in making his calculations. He stated that the subject property contained 3388 square feet when in fact it contained approximately 2800 square feet. □

# Appraising Manufactured Housing

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meters should be explained in an addendum to the appraisal report. There also may be other sources for sales information that can be explored, such as homeowners, real estate agents, and employees in the tax office, register of deeds, zoning office, etc. Of course, all information should be verified before it is used.

Appraisers are often offered land home packages to use as comparable sales. These packages generally consist of the purchase of land and of a new or used manufactured home that is to be placed on the land. Often the only form of documentation of these package sales is a HUD settlement statement, since public records may not reflect the transaction. Land home package sales are **not** appropriate for the sales comparison approach since the subject, as a whole, has not been exposed to the market. They can, however, be a good source of information for the cost approach. The appraiser must be very careful to look for financing considerations and incentives which may be built into the sales price.

The question is often raised as to whether it is ever appropriate to use a

## THE USPAP ETHICS RULE: Offering Discounts As A Marketing Scheme

The Board has received several calls recently asking about the propriety of sending out "discount coupons" to potential clients. As part of a marketing scheme, the callers were considering offering a discount for a first time client. Some callers were also offering discounts to repeat clients.

The Management section of the Ethics Rule of USPAP states that:

"The payment of undisclosed fees, commission or things of value in connection with the procurement of appraisal, review, or consulting assignments is unethical." (emphasis added)

The comment to this Rule is instructive. It notes that "competency, rather than financial incentives, should be the primary basis for awarding an assignment." This section does not prohibit appraisers from soliciting business nor from offering a discount for a first time or even a repeat client. The Rule does, however, require that appraisers disclose the fact that a discount was offered in order to obtain the assignment. The disclosure should appear in both the certification section of the report and in any letter of transmittal. □

stick-built home as a comparison sale for a manufactured home. Generally speaking, it usually is not appropriate to do so. There may be occasions, however, where there are no sales that can legitimately be used, and stick built homes that are similar to the subject are all that are available.

If such sales are used, supportable adjustments should be made for all appropriate factors, especially quality of construction. The appraiser must note that the comparison sales are stick built and must explain why they were chosen as comps for a manufactured home. □

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