

# NORTH CAROLINA APPRAISAL BOARD

# APPRAISER REPORT

Volume 9

Summer 1999

Number 2

## Faircloth Reappointed To Board



*Henry E. Faircloth*

President Pro Tempore Marc Basnight has reappointed Henry E. Faircloth of Salemburg to the Appraisal Board for a term that expires June 30, 2002. Mr. Faircloth has served continuously on the Board since he was first appointed on July 1, 1991. He led the Board as Chairman in the Board's first year as an autonomous agency in 1995-1996 and served as chairman again in 1998-1999.

The Board's only public member, Mr. Faircloth has been a building contractor for nearly 30 years. He has been very active in both civic and community affairs over the years in Sampson County, serving on various boards, committees and advisory councils.

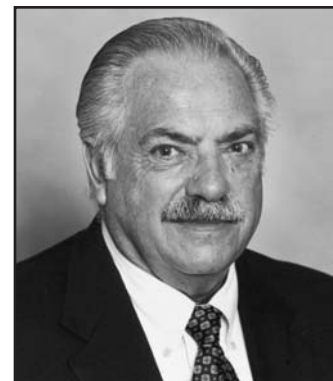
Mr. Faircloth and his wife, Faye, have one son and one grandson. □

## Speaker Appoints Bart Bryson of Hendersonville

Speaker of the House of Representatives, James B. Black, has appointed Bart Bryson for a term expiring June 30, 2002. The Honorable Sarah Parker, Associate Justice of the North Carolina Supreme Court, administered the oath of office to Mr. Bryson on August 17, 1999, at the Board's office in Raleigh.

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

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*Bart Bryson*

## Board Elects Officers



*E. Ossie Smith*

**E. Ossie Smith** of Oxford has been elected Chairman of the Appraisal Board for 1999-2000. Mr. Smith was appointed to the Appraisal Board by Governor James B. Hunt, Jr. and has served on the



*J. Vance Thompson*

Board since September 1995. His current term expires June 30, 2001.

A State-Certified General appraiser and licensed Real Estate Broker, Mr. Smith

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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**.

## NORTH CAROLINA APPRAISAL BOARD

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P.O. Box 20500  
Raleigh, North Carolina 27619-0500

### Street Address:

3900 Barrett Drive, Suite 101  
Raleigh, North Carolina 27609  
Phone: 919/420-7920  
Fax: 919/420-7925

### Website:

www.ncab.state.nc.us

### Email Address:

ncab@ncab.org

James B. Hunt, Jr., Governor

## APPRAISAL BOARD MEMBERS

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

## STAFF

A. Melton Black, Jr., *Executive Director*  
John K. Weaver, *Deputy Director*  
Roberta A. Ouellette, *Legal Counsel*  
Matthew W. Green, *Investigator*  
Barbara S. Perryman, *Administrative Assistant*  
Lynn P. Crawford, *Appraiser Secretary*  
Kim Giannattasio, *Appraiser Clerk*

## APPRAISER COUNT

(As of August 18, 1999)

|                            |      |
|----------------------------|------|
| Trainees .....             | 1135 |
| Licensed Residential ..... | 207  |
| Certified Residential..... | 1448 |
| Certified General.....     | 832  |
| Total Number .....         | 3622 |

## APPRAISER EXAMINATION RESULTS

May, June, July 1999

| Examination           | Total | Passed | Failed |
|-----------------------|-------|--------|--------|
| Trainees              | 186   | 142    | 43     |
| Licensed Residential  | 24    | 22     | 2      |
| Certified Residential | 48    | 37     | 11     |
| Certified General     | 3     | 2      | 1      |

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 Investigations and Reviews



E. Ossie Smith

It has become obvious that some appraisers do not understand what an investigator really does and what the difference is between an investigation and a review appraisal. I will try to explain how the process works and what we here at the Appraisal Board are trying to do. It is the duty of the Appraisal Board to enforce the Uniform Standards of Professional Appraisal Practice, Standards Rules 1, 2 and 3 and the North Carolina Laws, Rules and Regulations. North Carolina uses certified real estate appraisers to investigate complaints against appraisers and to perform field audits of appraisers. The Board feels that this is a better process than using investigators and trying to teach them to be appraisers. Many other jurisdictions use investigators that have police, military, or private investigation training and no real estate appraisal experience or practical knowledge.

An investigation into an appraisal or the appraiser performing the appraisal is brought about in a number of ways: usually a complaint is filed against an appraiser or an audit reveals a probable violation of law, rule or standards. Once an investigation is assigned to an investigator the investigator becomes a collector of facts. It is the investigator's job to determine all of the facts that surround an appraisal and the validity of the information contained in the actual appraisal. Once the investigator reports the information gained during his investigation, then the North Carolina Attorney General's Office attorney

assigned to the North Carolina Appraisal Board brings a probable cause summary before the Board. The Board hears the evidence collected and decides if there is cause to bring the appraiser to a hearing or whether to dismiss the complaint filed against the appraiser. This entire process is done with the Appraisal Board never knowing who the appraiser is; this insures a nonbiased decision. Quite often the complaint is found to be groundless and no violations of the Standards or Laws have occurred and the case is dismissed. Other cases are brought to hearing before the North Carolina Appraisal Board. One should remember that of the seven Board members, six are certified real estate appraisers and one is a public member. Therefore, those hearing the complaint have a good knowledge of the real estate appraisal practices and the Standards under which an appraisal must be performed.

Much talk lately has centered around the fact that it is the belief of some appraisers that an investigator must perform a Standard 3 review appraisal on an appraisal that is under question by the Appraisal Board. This is not necessarily the case. The Appraisal Subcommittee's legal counsel holds the opinion that investigators for appraisal regulatory agencies are not required to perform a Standard 3 review when performing their duties as an investigator. The North Carolina Appraisal Board believes it is beneficial for all of its investigators to be certified appraisers. Also, the Board may ask the investigator to perform a Standard 3 review of the appraisal in question if it becomes necessary for the investigator to express an opinion of value. If the investigator expresses no opinion of value, then no review appraisal is required. Hopefully this will help some appraisers understand the purpose of an investigator, the work that they do, and the difference between an investigator's investigation and a review appraiser's work. □

# Approved Continuing Education Courses

(As of August 26, 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 Aftng RE Appr (10/10)  
Cnstrctn Methods I: Print Rdng (5/5)  
Cnstrctn Methods II: Fndtns & Msrny (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

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

FHA Test Preparation (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)

## 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 Prctc - 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: Rglng 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)

## 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)

## 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 Clasrm  
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

PO Box 4267  
Cary, NC 27519 (919)783-0090

## 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)  
USPAP 98 Update (7/7)  
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)

*Continued on page 4*



# Approved Continuing Education Courses

Continued from page 3

## 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)

## 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 & ASSOC

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 Forum (7/7)  
Computers and the Appraiser (7/7)

## LENOIR CC

P.O. Box 188  
Kinston, NC 28502-9946 (252)559-2503

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)

## 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)

## MCKISSOCK DATA SYSTEMS

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

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

## 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 - Lndsc 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 ED FND (NCAR)

2901 Seawell Road  
Greensboro, NC 27407-4706 (800)443-9956

Residential Construction (7/7)  
Legal Issues in Real Estate (7/7)

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

## NCDOT (ATTN: B CRIST)

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

Appr Review for Fed Aid Hwy Part A (14/14)  
Appr Review for Fed Aid Hwy Part B (14/14)  
Appr Guide & Legal Principles (10/10)  
Reviewing Appraiser's Seminar (14/14)  
Matched Pairs & Market Extraction (3.5/3.5)  
Highest & Best Use (3.5/3.5)  
Appr Foundation USPAP Update (3.5/3.5)  
Six Appraisal Reporting Options (3.5/3.5)  
NCDOT Seminar I - '99 (7/7)  
NCDOT Seminar II - '99 (7/7)

## RALEIGH/WAKE BOARD OF REALTORS

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

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

## RANDOLPH CC

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

Timber Appraisal Overview (10.5/10.5)

## SOUTHEASTERN CC

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

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

## STACEY P. ANFINDSEN

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

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

## SURRY CC

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

Appr/Math Using HP12-C (15/15)

## TRIANGLE APPR & RE SCHOOL

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

USPAP (10/10)

## YVONNE C. SHARP & ASSOC

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

Consult - 2010 Plans Review (14/14)

# DISCIPLINARY ACTIONS

**Claudius M. Cecil, Jr. (Greensboro)** - By consent, the Board ordered a reprimand against Mr. Cecil and required him to take a standards (USPAP) course. The Board found that Mr. Cecil appraised a home located in Greensboro, NC in April 1998. He stated on the report that the home contained 3810 square feet, when it actually contained 3560 square feet. Although most of his actual measurements were correct, he did the calculations by hand and made several mathematical mistakes which led to the wrong square footage being used on the report. Because of the error in square footage, Mr. Cecil made inappropriate adjustments to his comparable sales.

**Lewis W. Davis (Charlotte)** - By consent, the Board suspended Mr. Davis' residential certificate for a period of two months, which shall be inactive. The Board found that Mr. Davis appraised a property for a home equity loan in May 1996. The assignment was done "subject to plans and specifications" of an addition to the subject of 300 square feet with one more bath. The final appraised value was \$121,900 with a land value of \$12,500. Mr. Davis did a new appraisal "as is" in September 1996 for another lender, with the same effective date, finding a value of \$106,000 with a land value of \$14,500. He used the same comparable sales in the second report and did not adequately adjust for the difference in square footage. He also made grossly inadequate adjustments for the double garage of comps 1 and 2.

**William Graves, III (Oriental)** - By consent, the Board ordered a reprimand against Mr. Graves. The Board found that Mr. Graves appraised a manufactured home located in New Bern, NC in December 1998. In his sales comparison approach, Mr. Graves utilized land/home packages for comparable sales, not market transactions. He identified his source of data for the sales as Site/MLS and tax office, although there was no MLS in the county where the subject property is located.

**Kenneth Hart (Newton)** - By consent, the Board ordered a reprimand against Mr. Hart and required him to take a standards (USPAP) course, consisting of at least 7 hours, by October 1, 1999. If the course is not completed by that date, the reprimand will be automatically vacated and a one-month active suspension will be imposed as of October 1, 1999. The

Board found that Mr. Hart appraised a home located in Denver, NC in June 1998. He made several errors in reporting amenities of his comparable sales in the appraisal report, and in failing to adjust for those amenities.

**Johnny E. Heffner, Sr. (Hickory)** - By consent, the Board ordered a reprimand against Mr. Heffner and required him to take a standards (USPAP) course, consisting of at least 7 hours, by October 1, 1999. If the course is not completed by that date, the reprimand will be automatically vacated and a one-month active suspension will be imposed as of October 1, 1999. The Board found that Mr. Heffner appraised a home located in Denver, NC in June 1998. He made several errors in reporting amenities of his comparable sales in the appraisal report, and in failing to adjust for those amenities.

**Christopher Howell (Lansing)** - Following a hearing, the Board suspended Mr. Howell's trainee registration for two months, which is stayed until December 31, 1999. If Mr. Howell successfully completes both a course in standards (USPAP) and the precicensing course known as R-3 by December 31, 1999, the suspension shall be inactive. The Board found that Mr. Howell and a supervisor appraised a property located in Ennice, NC in August 1997. On the appraisal report, Mr. Howell incorrectly spelled the subject street name and city, and stated the wrong county. He did not properly identify his client on the appraisal report. The property had two levels of living space; the main level had a living room, kitchen and one bath, and the basement level had a bedroom and a half bath. There was no interior stairway from the main level to the lower level, and there was no mention anywhere in the appraisal report of this fact. Mr. Howell took no functional depreciation in his Cost Approach for the lack of interior access to the lower level.

**Lativla R. Lee (Durham)** - By consent the Board ordered a reprimand against Ms. Lee and ordered her to complete a standards (USPAP) course by October 1, 1999. The Board found that Ms. Lee and a supervisor appraised a single-family residence located in Conetoe, NC in August 1998. The appraisal report had incorrect sales prices for the first and third comparable sales. The second page of the URAR stated that the subject had a carport, yet no car storage was mentioned on the first page.

**Danforth E. Leitner (Hendersonville)** - By consent, the Board ordered a reprimand against Mr. Leitner. The Board found that Mr. Leitner appraised a property located in Hendersonville, NC in August 1997. He misstated the square footage of the first comparable sale, and he made a negative adjustment for a basement in one comparison sale which should been a positive adjustment.

**J. Scott Lindsley (Charlotte)** - By consent, the Board ordered a reprimand against Mr. Lindsley and required him to take a standards (USPAP) course, consisting of at least 7 hours, by October 1, 1999. If the course is not completed by that date, the reprimand will be automatically vacated and a one-month active suspension will be imposed as of October 1, 1999. The Board found that Mr. Lindsley and a trainee appraised a property located in Mooresville, NC in November 1998. They made inappropriate room count and square footage adjustments in the sales comparison approach. They also stated in the report to see attached deed and survey, but those items were not included with the report. The location map had no road names on it, which made it impossible to locate the subject and the comparable sales. Finally, Mr. Lindsley checked the "did inspect" box on the appraisal report, yet he did not inspect the interior of the subject property.

**Todd McIntosh (Durham)** - By consent the Board ordered a reprimand against Mr. McIntosh and ordered him to complete a standards (USPAP) course by October 1, 1999. The Board found that Mr. McIntosh and a trainee under his supervision appraised a single-family residence located in Conetoe, NC in August 1998. The appraisal report had incorrect sales prices for the first and third comparable sales. The second page of the URAR stated that the subject had a carport, yet no car storage was mentioned on the first page.

**Jimmy R. Miller (West Jefferson)** - Following a hearing, the Board suspended Mr. Miller's residential certification for two months, which is stayed until December 31, 1999. If Mr. Miller successfully completes both a course in standards (USPAP) and the precicensing course known as R-3 by December 31, 1999, the suspension shall be inactive. The Board found that Mr. Miller and a trainee under his supervision appraised a property located in Ennice, NC in August 1997. On the appraisal

*Continued on page 6*

## DISCIPLINARY ACTIONS *Continued from page 5*

report, Mr. Miller incorrectly spelled the subject street name and city, and stated the wrong county. He did not properly identify his client on the appraisal report. The property had two levels of living space; the main level had a living room, kitchen and one bath, and the basement level had a bedroom and a half bath. There was no interior stairway from the main level to the lower level, and there was no mention anywhere in the appraisal report of this fact. There was no mention anywhere in the appraisal report that there was no interior access from the main level to the lower level. Mr. Miller took no functional depreciation in his Cost Approach for the lack of interior access to the lower level.

**Robert N. Moore (Charlotte)** - By consent, the Board ordered a reprimand against Mr. Moore and required him to take a standards (USPAP) course, consisting of at least 7 hours, by October 1, 1999. If the course is not completed by that date, the reprimand will be automatically vacated and a one-month active suspension will be imposed as of October 1, 1999. The Board found that Mr. Moore and a supervisor appraised a property located in Mooresville, NC in November 1998. They made inappropriate room count and square footage adjustments in the sales comparison approach. They also stated in the report to see attached deed and survey, but those items were not included with the report. The location map had no road names on it, which made it impossible to locate the subject and the comparable sales.

**Michael D. Ollison (Oriental)** - By consent, the Board ordered a reprimand against Mr. Ollison. The Board found that Mr. Ollison appraised a manufactured home located in New Bern, NC in December 1998. In his sales comparison approach, Mr. Ollison utilized land/home packages for comparable sales, not market transactions. He identified his source of data for the sales as Site/MLS and tax office, although there was no MLS in the county where the subject property is located.

**Curtis Reid (Winston-Salem)** - After a hearing, the Board suspended Mr. Reid's residential certificate for six months, effective September 1, 1999. The first month of the suspension shall be active; the remaining five months shall be stayed until January 1, 2000. It is further ordered that if Mr. Reid successfully completes a course in standards (USPAP) and a course in

North Carolina Appraisal Board statutes and rules by December 31, 1999, the remaining five months of the suspension shall be inactive. The Board found that Mr. Reid appraised a single-family residence located in Winston-Salem, NC in December 1998. The appraisal was completed using a Limited One-Family Residential Appraisal and Summary Report (Fannie Mae 2055) form. Mr. Reid performed only a cost approach for the appraisal, and he did not provide an explanation in the appraisal report which supported the exclusion of the sales comparison and income approaches. In his certification, he stated that adequate comparable market data existed in the general market area to develop a reliable sales comparison analysis for the subject property. In the report, he did not state the intended use of the appraisal report and he did not summarize the information considered and the reasoning which supported his cost approach. □

### Display of Licenses

Appraisal Board Rule 57A.0402 requires trainees and appraisers to "prominently display" their license at the appraiser's place of business. Generally, this is the place where the appraiser meets the public, such as a home or business office. This Rule also requires trainees and appraisers to display their licenses at the office of their managing appraiser.

In some situations, trainees and appraisers may have more than one location where they do business. For example, a trainee may perform appraisals under the supervision of more than one appraiser, and may have more than one "place of business." In this circumstance, the trainee should display the original registration at the place where she most often meets the public, and display a copy of the registration in any other office where she does business. □

## USPAP Course Strongly Encouraged

Several states require that their licensees complete a USPAP (Uniform Standards of Professional Appraisal Practice) course at regular intervals, usually every five years, as part of their continuing education requirements. North Carolina Appraisal Board rules do not currently require taking a USPAP course. All trainees and state-licensed and state-certified appraisers are strongly encouraged by the North Carolina Appraisal Board to take at least 15 hours of USPAP every 5 years.

Remember, a course may be taken only once for continuing education credit every three years. □

## What Address Do I use?

Recently the Board staff has received several phone calls from appraisers regarding the appropriate address for an appraiser to use on an appraisal report. Some clients have been requesting that the appraiser use the client's address instead of that of the appraiser. In some instances, the client is in another state.

It is NOT appropriate for an appraiser to use any address other than that of the appraiser's place of business. To use an address of another state may imply that the appraiser is licensed in that state. Using the client's address instead of the appraiser's address results in a misleading appraisal report. □

## Bart Bryson

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Mr. Bryson is a resident of Hendersonville and earned his bachelor degree from Western Carolina University. He earned his M.A.I. designation in 1969, his SRA designation in 1967, and has been an instructor of real estate and appraisal courses at the university and community college levels.

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

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



# Board Elects Officers

*Continued from page 1*

entered the real estate appraisal profession in 1972. He founded Ossie Smith Realty, Inc. in 1973 and operates the company as chief appraiser.

In addition to his years of experience as an appraiser, Mr. Smith has been actively involved in numerous real estate development ventures, including land development, real estate investment and forest management. Mr. Smith is a member of the Kerr Lake Board of Realtors, formerly serving on the Board of Directors.

Mr. Smith and his wife, Dale, have two children.

**J. Vance Thompson** of Elkin has been elected Vice-Chairman of the Appraisal Board for 1999 — 2000. Mr. Thompson was appointed to the Appraisal Board by Governor James B. Hunt, Jr. in March 1998 for the balance of Mr. Gilmer M. Dockery's term and reappointed in 1998 for a term set to expire on June 30, 2001.

Mr. Thompson, a State-Certified Residential appraiser and licensed Real Estate Broker, is President of Thompson's Appraisal Service, Inc., in Elkin and has over 35 years of appraisal experience. He has been a staff appraiser, as well as a review appraiser, for financial institutions and was County Tax Supervisor and Appraiser for Surry County. A member of the National Association of Independent Fee Appraisers, Mr. Thompson has served that organization as State Director and President of the Surry/Piedmont Chapter.

Mr. Thompson is Past President of his local Chamber of Commerce and a member of the Rotary Club. He also serves on the Hugh Chatham Memorial Hospital Foundation Board, and is a member of BB & T's Local Advisory Board.

Mr. Thompson and his wife, Betty, have two children, Dexter L. Thompson and Jill T. Young.

# ASB's 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 state and territory appraisal regulators to inform all states and territories 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. The ASB USPAP Q&A do not constitute a legal opinion of the ASB.*

## Question:

Could the coming Y2K (Year 2000) event, and problems that may result from it, have any effect on an appraiser's compliance with USPAP?

## Answer:

Though USPAP doesn't include material specific to Y2K, appraisers could find themselves in violation of their professional standards if they don't prepare properly for Y2K.

Standards 1, 4, 6, 7 and 9 all require appraisers to not "commit substantial error[s] of omission or commission" that could affect their appraisals. Further, appraisers must not "render appraisal services in a careless or negligent manner..." Appraisers whose business systems have not been made Y2K-compliant may find that their appraisals violate these USPAP rules. Computer software, such as that used to analyze leases, make mathematical calculations or access online data, may require updating to ensure that appraisers avoid making errors in their work.

Appraisal development standards also require appraisers to identify the scope of work necessary to solve specific appraisal problems. As stated in the Comment to Standard Rule 1-2 (f):

*An appraiser must not allow assignment conditions or other factors to limit the extent of research or analysis to such a degree that the resulting opinions and conclusions developed in an assignment are not credible in the context of the intended use of the appraisal.*

Thus, an appraiser would not be excused for not taking the steps necessary to solve an appraisal problem due to office systems that were not adequately prepared for the transition to the Year 2000.

In addition, the coming of Y2K may affect the value or marketability of some

properties. These include real, personal and business properties whose functions are heavily influenced by date-sensitive systems, including, but not limited to security, irrigation and communication systems. USPAP's appraisal development standards for all types of property require an appraiser to identify those characteristics of a subject property relevant to an appraisal's purpose and intended use. The development standards also require that appraisers collect sufficient data by which to credibly analyze value. These requirements suggest that appraisers should use special care in identifying Y2K issues in both subject and comparable properties for which those issues might have a significant value impact. For properties where Y2K compliance is a significant factor, but cannot be verified, appraisers should include an extraordinary assumption, as defined in USPAP, in their appraisal analyses. Appraisers may want to use language similar to the following when writing such an extraordinary assumption.

*The subject property includes mechanical and electronic systems whose operations may be affected by Y2K (Year 2000) related issues. The appraiser is not an expert in the detection of Y2K issues, but acknowledges that failures in critical systems could adversely affect the performance of the subject property or the market for similar properties. Unless the appraiser has been provided with specific information regarding the subject's Y2K status, the appraiser assumes that the performance of the subject's critical systems and those of similar properties within that market will not be adversely affected by Y2K issues.*

## Question:

How does an Extraordinary Assumption differ from a Hypothetical Condition? Can you give some examples that might apply in a real property appraisal?

## Answer:

An **Extraordinary Assumption** is defined in USPAP as *an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.*

*Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.*

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# ASB's Q&A

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A **Hypothetical Condition** is defined in USPAP as that which is contrary to what exists, but is supposed for the purpose of analysis.

*Comment:* Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.

Appraisers may need to use extraordinary assumptions or hypothetical conditions in performing an assignment. When used in an assignment they become part of the “givens” in an assignment and have a significant effect on the appraiser’s opinions and conclusions.

The difference between whether a condition is an extraordinary assumption or a hypothetical condition rests on what the appraiser knows about the condition in question.

- If an appraiser cannot verify a certain condition that is critical to the valuation but which he believes is true and has no reason to doubt is true, then the condition is an extraordinary assumption and the appraiser must comply with appropriate standards having to do with both the development and reporting of the condition.
- If, on the other hand, an appraiser is

asked to use a condition which he knows to be false but which is necessary for the analysis, then two things are required; the appraiser can use the condition as long as it meets the criteria in USPAP and the appraiser must not confuse the information with the known facts.

Appraisers must clearly distinguish “false conditions” from those other assumptions or conditions which are believed or taken to be true. To properly distinguish these two, the false conditions are called hypothetical conditions. The best way to distinguish the two is to ask yourself whether the condition in question is known to be false. If, as of the date of value the condition in question is known to be false, then it is a hypothetical condition. If, as of the date of value, the fact of the condition is unknown and it is reasonable to believe that the condition is true, then the condition is an extraordinary assumption.

The following assumptions would be extraordinary if their use has a significant affect on the appraiser’s opinions and conclusions.

1. Appraising proposed improvements, such as new construction or additions, as of the date of completion (a prospective date of value).
2. Appraising a property as if it were free of environmental contamination when it is not known to be contaminated.
3. Appraising a site as if sewer were available when the fact is unknown and there is no apparent evidence that the

sewer is not available.

4. Appraising a site under an assumed zoning when the zoning is not known and there is no evidence that the assumed zoning is not possible.
5. Appraising irrigated farmland on the premise that the water supply is adequate for irrigated crop production, absent any evidence that the supply is not adequate.

## Question:

Is it okay for me to say in my appraisal report that I’ve done a Limited Appraisal, even though I didn’t invoke the Departure Rule?

## Answer:

USPAP defines “Limited Appraisal” as:

*the act or process of developing an opinion of value or an opinion of value developed and resulting from invoking the DEPARTURE RULE.*

By definition, then, if the Departure Rule is not invoked, an appraisal is not a Limited Appraisal. Further, all USPAP’s reporting standards (Standards 2, 5, 8 and 10, and portions of Standards 3 and 6) require that in reporting a Limited Appraisal, an appraiser must “state and explain any permitted departures from applicable specific requirements.” A report of a Limited Appraisal that lacks these required disclosures would violate USPAP; a report that disclosed departures that weren’t actually taken would be misleading and so would also violate USPAP. □

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