



NORTH CAROLINA APPRAISAL BOARD

APPRAISER REPORT

Volume 10

Winter 2000

Number 1

When May a Trainee Begin Work

There appears to be some confusion in this state regarding when a person who has completed the three residential level prelicensing courses may begin working as a trainee. The North Carolina Appraisers Act provides that... "it shall be unlawful for any person in this State to act as a real estate appraiser, to directly or indirectly engage or assume to engage in the business of real estate appraisal, or to advertise or hold himself or herself out as engaging in or conducting the business of real estate appraisal...unless that person is registered as a trainee, licensed or certified as an appraiser by the Appraisal Board."

A person may not perform any of the appraisal related activities listed in the statute after merely completing the three courses or after the examination is passed. People who have successfully completed the three courses and passed the examination may perform appraisal work only after the trainee registration has been issued and the pocket card and license are in their possession. Any appraisal related activity performed before that time, even if under the supervision of a state-licensed or state-certified appraiser, is in violation of the Appraisers Act.

If evidence is presented to the Board that a trainee performed appraisal work before being properly registered, those appraisals will not be credited towards the trainee's experience requirement for licensure or certification. Such activity may also result in disciplinary action against the trainee, as well as the supervisor who allows an unlicensed person to perform appraisal work.

USPAP 2000

The 2000 Edition of the Uniform Standards of Professional Appraisal Practice became effective January 1, 2000.

Advisory Opinion 19 (AO-19) "Unacceptable Assignment Conditions in Real Property Appraisal Assignments" has been added. This opinion illustrates the applicability of appraisal standards and helps appraisers understand how to respond to clients' requests in a manner that is consistent with USPAP. A copy of AO-19 is included in this edition of the *Appraiser Report*.

Other changes of note in the new USPAP are the addition of line numbers, modifications to the Ethics and Competency Rules, changes to Standards 1, 2 and 3, the retirement of Statement 1, and editing to Statements 3, 4, 6, 7 and 9.

All appraisers are encouraged to obtain a copy of USPAP 2000 from the Appraisal Foundation by contacting them at 202/347-7722 or www.appraisalfoundation.org.

USPAP Q & A

This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. The ASB USPAP Q & A is issued to 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 does not constitute a legal opinion of the ASB.

Question # 1:

What does USPAP say about property flipping?

Answer:

The phrase "property flipping" or "a flip" is commonly used to describe the

transfer of property where fraud is used to obtain inflated prices and loans.

It is important to note that "property flipping" is distinctly different than the usual activity of buying and selling property at a profit. The market for real estate is imperfect. Knowledgeable and honest parties seek opportunities to acquire a given property at a favorable price with the objective of reselling that property at a profit. Such activity does not constitute flipping as there is no intent to mislead or defraud.

USPAP does not describe property flipping, itself, but it does prohibit appraisers from communicating assignment results in a fraudulent or misleading manner. The ETHICS RULE is explicit about any kind of activity designed to mislead or defraud - as specified in the Conduct Section of the ETHICS RULE:

An appraiser must perform assign-

Continued on page 5

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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APPRAISER COUNT

(As of February 21, 2000)

Trainees	1261
Licensed Residential	230
Certified Residential.....	1528
Certified General.....	871
Total Number	3890

APPRAISER EXAMINATION RESULTS

November, December, 1999 and January 2000

Examination	Total	Passed	Failed
Trainees	110	76	34
Licensed Residential	14	13	1
Certified Residential	38	24	14
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 Post Office Box 20500, Raleigh, North Carolina 27619-0500.

Chairman's Comments



E. Ossie Smith

It has come to my attention that a lot of appraisers do not understand the Appraisal Board's policy of not approving courses for continuing education credit that focus on training students to use computer software. Computers have become a part of our daily work tools much as the typewriter that they have almost replaced. But a computer is just that one of the many tools that an appraiser uses to perform an appraisal. There are probably more different computer programs and companies furnishing computer components to appraisers today than I could ever imagine. So far, all of these courses that the Appraisal Board has considered train appraisers to use tools that help them do a quicker job of an appraisal or perform an appraisal on a particular type of form that a client may wish them

to use to satisfy their needs.

Some programs do income capitalization, some do regression analysis, and there are a whole host of different vendors selling these types of programs. However, none of them do any work that an appraiser could not do with a pencil and piece of paper. They just do the same job much quicker than an appraiser could without the assistance of a computer.

It is the duty of the Appraisal Board to see that course offerings that are approved for continuing education contain information that is useful to the appraiser in learning how to do an appraisal better by improving their appraisal knowledge, skill, and competence. The course should not merely train an appraiser to do their job quicker. Therefore, when a course sponsor submits a course for continuing education approval and the course only teaches an appraiser how to use a particular piece of software that only fills in the blanks and does not follow the principles of appraising, the course sponsor's request is not approved. It is not the intention of the Appraisal Board to give credit to appraisers for enhancing their computer skills or to learn a quicker method of applying an appraisal technique. It is our duty to be sure that we treat every course provider equally and in a manner that will assist the appraisers of North Carolina and the public that these appraisers serve. □

ANONYMOUS COMPLAINTS

The Board often receives questions regarding whether it takes anonymous complaints. As published in previous *Appraisereports*, the Board's policy is to open a case to investigate an anonymous written complaint only if it presents evidence of **significant** wrongdoing on the face of the complaint. No investigation is conducted unless the case is opened.

Any complainant who wishes to remain anonymous must take care to not include his name or identifying information in the complaint. A copy of the complaint will be provided to the respondent once the complaint is opened. When the name of the complainant is included with the complaint it is a public record and Board staff will not withhold it, even when the complainant asks that their name not be divulged. □

Approved Continuing Education Courses

(As of January 13, 2000)

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 Rdng (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 Inspection (8/8)

AM SOC FARM MANAGRS & 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 I 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)

AM SOC OF APPRAISERS, NC WESTERN CHAPTER

5500 Executive Center Drive #227
Charlotte, NC 28212 (704)536-1620

USPAP (14/14)

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 COLLEGE (THE)

1944 Hwy 45 Bypass
Jackson, TN 38305 (901)664-3426

Prop Insp for Appraisal (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 Stndrds 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

Conservation Easement (8/8)
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: Rgltn 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)

COLLEGE OF THE ALBEMARLE

P. O. Box 2327
Elizabeth City, NC 27906-2327 (919)335-0821

The Tough Ones: Complex Res Prop (14/14)
The Uniform Standards Today (14/14)

COMMERCIAL INVESTMENT RE INST

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

C1101 Fin Analysis Comm Inves (30/30)
C1102 Market Analysis Com I (30/30)
C1103 Lease Analysis Comm Inv (30/30)
C1104 Invest Analysis Comm In (30/30)

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 Undrwrtr 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)
Envrmmntl 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)

DUKE UNIVERSITY

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

Forest Appraisal (36/30)

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)
Appr Mfg, Mod & Mobile (A) (7/7)
Appr Mfg, Mod & Mobile (B) (7/7)
Mfg, Mod & Mobile (4/4)

ELLIOTT & CO APPRAISERS

7-Coak Branch Drive
Greensboro, NC 27407 (336)854-3075

Appr The Tough Ones (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)
FHA Guidelines (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

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Approved Continuing Education Courses

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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)
Dev Capitalization Rates (7/7)
Preparation for Litigation (7/7)

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)
New FHA Exam Prep & Res Appr (14/14)
Automated Val Mod App (7/7)
Automated Val Moc Concept (7/7)

USPAP (14/14)
FHA Residential Appraisal Guidelines (7/7)
Introduction to Narrative Report Writing (7/7)
Factory-Built Housing (14/14)

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)
HUD Appraisal Standards Update (7/7)

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

Pretcl Steps in Dev Cnsrvtn 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

SCHOOL OF REAL ESTATE APPRAISING

62 N Chapel St. #204
Newark, DE 19711 (302)368-2855

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

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 Prop (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)

WESTERN PIEDMONT CC

1001 Buckemont Ave.
Morganton, NC 28655 (828)438-6104

Appr Manufactured Modular & Mobile-A (7/7)
Appr Manufactured Modular & Mobile-B (7/7)
Manufactured Modular & Mobile (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)

USPAP Q & A

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ments ethically and competently in accordance with these standards, and must not engage in criminal conduct.

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.

Question #2:

Since many flipping schemes rely on appraisals, what kinds of things should appraisers look for to avoid being entangled, inadvertently in such schemes?

Answer:

There are a number of actions appraisers can take to safeguard against over-valuations.

Standards Rule 1-5 requires that appraisers analyze any current Agreement of Sale, option, or listing of the property, when such information is available. Many lenders require that Agreements of Sale be provided to the appraiser for their review and analysis. Sometimes the second or third leg of a flip can be discovered when the seller in the sale agreement is not the owner of record. Verification of the terms of sale with brokers may also reveal multiple transactions on the same property.

Experienced appraisers can recognize anomalies in the market and will avoid relying on sales that do not reflect the prevailing market. If an appraiser is asked to value a property in an area that is unfamiliar to them they should become familiar with the area and the market for the subject property. The Comment to the COMPETENCY RULE states the following:

The concept of competency also extends to appraisers who are requested or required to travel to geographic areas wherein they have no recent appraisal experience. An appraiser preparing an appraisal in an unfamiliar location must spend sufficient time to understand the

nuances of the local market and the supply and demand factors relating to the specific property type and the location involved.

Standards Rule 1-4 requires the appraiser to collect, verify and analyze information applicable to the appraisal problem. Knowing the conditions of sale, financing and motivations of the buyer helps the appraiser to adjust sales to the market and avoid the affects of inflated prices.

Standards Rule 1-2(e) requires that the appraiser identify the characteristics of the property that are relevant to the purpose and intended use of the appraisal including its location and physical, legal, and economic attributes. Knowledge of these attributes plays a critical role in the valuation process. Appraisers should exercise care in identifying these attributes noting any adverse condition which could impact the property's value.

Question #3:

Is there anything I can put into a report that would protect me from being entangled in a flipping scheme?

Answer:

There are safeguards in USPAP that pertain to reporting as well. It is good to review the first principle in all the reporting standards of USPAP: to clearly and accurately set forth the appraisal in a manner that will not be misleading. Providing candid and appropriate disclosures in the report serves to limit the appraiser's liability and inform the client of important issues that qualify the conditions of the appraisal.

Standards Rule 2-2(a-c)(ix) is a good example of where appropriate disclosures help appraisers avoid costly mistakes and subsequent criticism.

When the purpose of an assignment is to develop an opinion of market value, a summary of the results of analyzing the information required in Standards Rule 1-5 is required. If such information was unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the

information and citing its lack of relevance is required.

This Standards Rule requires that the appraiser disclose significant information specified in Standard Rule 1-5 if it is available or what steps were taken to obtain the information in the event that it was not obtained. The first type of disclosure protects the appraiser from over-valuation when the information is available and the second, if addressed properly, should convince third parties that the appraiser exercised reasonable care in the performance of the assignment.

Question #4:

Is the supervisory appraiser who signs an appraisal report that was developed for use in a property flipping transaction responsible for the appraisal and contents of the appraisal report?

Answer:

Yes, SR 2-5 states: "An appraiser who signs a real property appraisal report prepared by another in any capacity accepts full responsibility for the appraisal and the contents of the appraisal report."

Question #5:

Recently a reviewer downgraded an appraisal I completed on an existing single-family residence property. The improvements were over 20 years old and, like many others in the market area, had been remodeled, repaired, and updated/upgraded over the years. I had several current sales of very similar properties to use as comparables, all with sale prices (unadjusted) within an eight percent price range. I could not find any sales of open sites in the mature and stable tract setting of the subject, or any sales of homes that had not been significantly altered from the original builder's plans.

The purpose of the assignment was to develop an opinion of market value. My value opinion was based on a sales comparison analysis. I did not complete a cost approach and reported the appraisal as a "Complete Appraisal." I

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USPAP Q & A

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stated that due to a lack of a reliable basis for identifying a site value and market-extracted depreciation, the result of completing a cost approach would not be meaningful as an independent approach to value; therefore, a cost approach was not applicable.

Was I wrong in calling the appraisal “Complete” in this situation?

Answer:

The Comment to the DEPARTURE RULE states:

A specific requirement is not applicable when:

- It addresses factors or conditions that are not present in the given assignment, or
- It addresses analysis that is typical practice in such an assignment, or
- It addresses analysis that would not provide meaningful results in the given assignment.

In the situation you describe, omitting a cost approach would not make the appraisal “Limited” because omitting the cost approach in those circumstances would not be a departure from the specific requirements set forth in Standards Rule 1-4(b). Due to the lack of reliable ways to develop an opinion of site value [SR 1-4(b)(i)] or estimate accrued depreciation [SR 1-4(b)(iii)] in this situation, completing a cost approach would not provide a meaningful result.

Although omitting a cost approach under the circumstances you described would not be a departure from the specific requirements in USPAP, it is important to note that if a client’s supplemental standards required a cost approach, and that supplemental requirement was a part of the assignment, you would be obligated to complete a cost approach. However, you would not be obligated to place reliance on its result as an indicator of market value because of the data deficiency.

Question #6:

I was told that the ASB adopted a

change in part of the language in the Comment to Standards Rule 1-2(f), having to do with “third party” or something like that. Can you tell me what and why?

Answer:

The change that was adopted is as shown in the June 25, 1999 exposure draft Part E, Standards Rule 7-2(f).

Comment:

An appraiser must have sound reasons in support of the scope-of-work decision, and be prepared to support the decision to exclude any information or procedure that would appear to be relevant to the client, an intended user, or the appraiser’s peers in the same or a similar assignment. ~~a third party.~~

The text with dotted underline was added; in place of the text that has been striken-out. The adopted text will appear in the 2000 edition of USPAP.

This change was prompted by a need to be explicit about who had reason to question the appraiser’s scope-of-work decision. The phrase “third party” was being used in some cases to suggest anyone with a different point of view could challenge the appraiser’s scope-of-work decision. The adopted language sets a framework that includes the client, an intended user of the appraiser’s assignment results, or the appraiser’s peers, all in the context of the same or a similar assignment.

An example of who might be included as the appraiser’s peers is provided in Statement on Appraisal Standards No. 7 (SMT-7), quoted here for convenience:

“Appraiser’s peers” are other competent, qualified appraisers who have expertise in similar types of assignments involving similar types of properties.

Question #7:

Our local community public works department has declared a parcel of land surplus and asked me to appraise the real property at market value with a date of appraisal prior to its advertisement for sale. However, the Public Works Director said there will be a

covenant placed on the land immediately prior to the sale that will restrict its use to open space or recreation and the value in my appraisal is to reflect that title condition. Currently, the property is in use by the public works department and does not have such a use limitation.

Since I know the “as is” condition of the property title is not as the Director described it, can I do the appraisal as if the covenant was in place?

If so, it appears that the covenant will be an extraordinary assumption in the appraisal. Is this correct?

Answer:

a) Given the purpose of the appraisal (market value, with the title conditioned as the Director described), and intended use of the assignment results (provide the client with information for use in deciding an asking price), the appraisal must reflect an analysis as if the covenant was in place.

b) The appraisal of the property as though it had the covenant in place requires a hypothetical condition in the appraisal, because you know, as of the date of appraisal, that the property did not have the covenant in place (i.e., the covenant is “that which is contrary to what exists, but is supposed for purpose of analysis”).

If you did not know whether the covenant was or was not in place, but you based the appraisal on the covenant being in place, the appraisal would be based on an extraordinary assumption. This is because you would be presuming as fact otherwise uncertain information about the condition of title which, if found false, could alter your opinions or conclusions.

If, instead of saying there would be a covenant recorded after the date of appraisal, the Director provided a title document that said the covenant was already in place, the appraisal would not involve either a hypothetical condition or an extraordinary assumption about that land use limitation. This is because the title condition used in the appraisal is its actual condition. □

DISCIPLINARY ACTIONS

Jennifer Anderson (Charlotte) - By consent, the Board issued a reprimand to Ms. Anderson, and ordered her to successfully complete a standards (USPAP) course by March 1, 2000. The Board found that in September 1999 Ms. Anderson appraised a single-family home located in Matthews, NC, finding an appraised value of \$290,000. She utilized two comparable sales from outside the subject subdivision when there were comparable properties available within the subdivision. The subject property had sold in January 1999 for \$239,000, yet Ms. Anderson did not mention this fact in the appraisal report.

Lynda C. Bunch (Laurel Hill) - Following a hearing, the Board suspended Ms. Bunch's trainee registration for two years. The Board found that Ms. Bunch, under the supervision of a state certified residential appraiser, appraised a home located in Laurinburg, NC in February 1998, finding an appraised value of \$95,000. The subject property was located in the business district, in an area zoned general business. At the time this appraisal was performed, the property was listed for \$36,000. Ms. Bunch stated that the property was listed for sale at the time of the appraisal but did not indicate the sales price. The subject property had been vacant for several years and had cracked and peeling paint, old and stained floor coverings, broken kitchen cabinets, rotted wood on the porch, and broken windows, and missing doorknobs, and had no heat or electricity at the time of the appraisal, yet Ms. Bunch noted on the appraisal report only the fact that there was deteriorating wood on the front porch and stated that the condition of the house was "average" on the appraisal report. The comparable sales chosen by Ms. Bunch were superior to the subject in location and condition yet she made no adjustments for these factors.

Casper E. Dozier (Greenville) - By consent, the Board issued a reprimand to Mr. Dozier and ordered him to take a standards (USPAP) course and a manufactured housing course by June 1, 2000. The Board found that a

trainee under Mr. Dozier's supervision appraised a home located in Bethel, NC in February 1999. The subject property is a modular home, yet Mr. Dozier used comparable sales that were doublewide mobile homes. All the comparable sales used in the appraisal report were land/home packages, not market transactions. None of the data reported on the appraisal report for the comparable sales could be verified from public sources.

John M. Howell (Farmville) - By consent, the Board issued a reprimand to Mr. Howell and ordered him to take a standards (USPAP) course by June 1, 2000. The Board found that Mr. Howell, a registered trainee, appraised a home located in Bethel, NC in February 1999, under the supervision of a state-certified general appraiser. The subject property is a modular home, yet Mr. Howell used comparable sales that were doublewide mobile homes. All the comparable sales used in the appraisal report were land/home packages, not market transactions. None of the data reported on the appraisal report for the comparable sales could be verified from public sources.

John Neapolitan (Sanford) - Following a hearing, the Board accepted a consent order. The Board suspended Mr. Neapolitan's residential certification for twelve months. The suspension is stayed until July 1, 2000. If Mr. Neapolitan successfully completes R-3, USPAP and a course in complex properties before that date, the suspension will be inactive. The Board found that a trainee under the supervision of Mr. Neapolitan certified an appraisal in February 1998 of an older frame property located in the business district of a small town. The property was listed for sale at the time of the appraisal, but the sales price was not mentioned in the appraisal report. The comparable sales were far superior from the subject in location, quality and physical condition, yet there were no adjustments for those differences. The physical condition of the subject property was not adequately described in the appraisal

report. There were several items of deferred maintenance that were not adequately discussed in the report.

Ronald Neyhart (Atlanta, Georgia) - Following a hearing, the Board accepted a consent order. The Board suspended Mr. Neyhart's general certification for six months. The suspension is stayed until July 1, 2000. If Mr. Neyhart takes the course in USPAP and NC Board rules before July 1, 2000, the suspension will be inactive. Mr. Neyhart is a Georgia resident who is licensed in North Carolina as a state-certified general real estate appraiser. The Board found that Eric Jason Lund, a resident of North Carolina, completed several real estate appraisals in North Carolina that Mr. Neyhart signed as supervisory appraiser. Mr. Lund was not licensed by North Carolina as a real estate appraiser or trainee when he performed those appraisals, nor had he received a temporary practice permit for them. Mr. Neyhart knew that Mr. Lund was not licensed by North Carolina to perform appraisals in this state at that time the appraisals were performed but believed Mr. Lund could perform the appraisals because he relied on a superseded version of the statute.

William J. Rowland (Garner) - By consent, the Board suspended Mr. Rowland's certification for one month. The suspension is stayed until June 1, 2000. If he successfully completes a sales comparison course by that date, the suspension will be inactive. The Board found that a trainee under the supervision of Mr. Rowland appraised a home located in Raleigh, NC in April 1997. The subject property is a single family house that has a two car attached garage, with a living space located on the second floor over the garage. Mr. Rowland did not include the garage in the Cost Approach section of the appraisal report. The second floor sketch in the appraisal report indicates that there is finished living area over the entire area of the garage, when it actually is over only a part of the garage. In addition, the report does not state the type of appraisal reporting format utilized.

Other Actions:

McKissock Data Systems

(Warren, PA) - Following a hearing, the Board accepted a consent order which provides that for all courses offered by McKissock Data Systems to appraisers in North Carolina for continuing education credit in North Carolina, McKissock Data Systems agrees to the following terms: (1) McKissock Data Systems will cease from accepting further enrollment for registration for all continuing education classes seven (7) days before the date the class will be offered; (2) Each student in the class will have a minimum of 28 square feet of space for the duration of the class; (3) Appraisal Board members and staff may monitor any class at any time without prior notice to McKissock Data Systems; (4) All classes must be held in rooms that meet the requirements of North Carolina Appraisal Board rules. If there is any violation of this Consent Order within (one) 1 year of the date it is signed by the Executive Director, the approval of McKissock Data Systems to offer courses in North Carolina will be suspended for one year from the date of that violation without further action by the Board. The Board found that on June 7, 1999, McKissock Data

Systems offered a continuing education course entitled "Manufactured Housing", which was held at the Ramada Inn, located in Raleigh, NC. Ninety-two students took and completed the class. The classroom was overcrowded and did not adequately accommodate all the students who took the class, and did not contain adequate table space for all students.

IMPORTANT NOTE TRAINEE MAY NOT USE SEAL

When applicants are granted a license or certificate, the Appraisal Board issues them a seal authorization form allowing them to have a seal or a stamp made to use on their appraisal reports. Trainees are not issued a seal authorization form and are not permitted to use a stamp, pursuant to Appraisal Board Rule 57A.0405(b).

N.C. Historically Underutilized Business (HUB) Program

On April 20, 1999, Governor Hunt signed Executive Order 150 that is designed to increase the amount of goods and services acquired by the state from businesses owned by HUBs; to ensure the absence of barriers that reduce their participation; and to encourage purchasing officers within State agencies, departments and universities to identify prospective HUB vendors and service providers. The order also created the Office of Historically Underutilized Businesses (HUB OFFICE) to serve as an advocate for minority, women and disabled-owned businesses in their efforts to conduct business with the State of North Carolina.

Historically Underutilized Businesses (HUBs) consist of minority, women and disabled business firms that are at least fifty-one percent owned and operated by individual(s) of the aforementioned categories. Also included in this category are disabled business enterprises and non-profit work centers for the blind and severely disabled.

Since the State Property Office contracts for services that you provide, if you determine that you qualify as a HUB based on the information in this announcement and are interested in possibly contracting to perform real estate appraisals for the State, please contact June W. Michaux of the State Property Office at 919/733-4346 or Bridget L. Wall of the HUB Office at 919/733-2330.

Continuing Education Reminder for Trainees

As announced in the Spring of 1999, trainees registered on or before June 30, 1999, must have 14 hours of Continuing Education in order to renew for the 2000-2001 renewal period.

4,150 copies of this document were printed at a cost of \$.318 per copy.

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