Board Elects Officers

Earl M. Worsley, Jr. of Wilmington has been elected Chairman of the Appraisal Board for 2006-2007. Governor Michael F. Easley originally appointed Mr. Worsley to the Board in 2003. Mr. Worsley served as Vice-Chairman of the Appraisal Board for 2005-2006.

Mr. Worsley is a certified general appraiser and holds the professional designation of MAI from the Appraisal Institute. Mr. Worsley is a North Carolina real estate broker with the CRE designation and has been active in the National Association of Realtors through its local Board in Wilmington. He is a native of Pitt County and a graduate of East Carolina University. Mr. Worsley formed the Worsley Real Estate Company in 1995 to concentrate as an advisor and consultant in various real estate ventures. Mr. Worsley has many years of experience in real estate appraisal, brokerage and also in real estate investment and development. Mr. Worsley also formed Worsley Investment and Development, LLC and is very active in the investment and development of real estate in eastern North Carolina.

Mr. Worsley is married to Charlotte Wilson Worsley and they have one son, William Earl Worsley.

Henry E. Faircloth has been elected to Vice-Chairman of the Appraisal Board for 2006-2007. Mr. Faircloth was first appointed to the Board on July 1, 1991 and has served continuously on the Board to the current date. He led the Board as Chairman in the Board’s first year as an autonomous agency in 1995-1996 and has served as Chairman on three additional occasions in 1998-1999, 2001-2002 and 2004-2005.

Mr. Faircloth is the Board’s only public member, as required by state statute, and has been appointed to each term upon the recommendation of the President Pro Tempore of the North Carolina Senate. He has a great deal of real estate appraisal expertise by having served on the Board for this record-breaking term.

Mr. Faircloth is a building contractor with over thirty years of experience and owns a construction company, which specializes in commercial construction. He is on the Board of Trustees for Sampson Community College and is very active in both civic and community affairs. He and his wife, Faye, make their home in Salemburg.

Governor Reappoints Board Members

Governor Michael F. Easley has reappointed Earl M. Worsley, Jr. and Larry N. Wright to three-year terms until June 30, 2009. This will be the second terms for both members with Mr. Worsley and Mr. Wright being originally appointed by Governor Easley in June 2003 to terms that expired in June 2006. Mr. Worsley is from Wilmington and Mr. Wright is from Candler. Both are certified general appraisers and Mr. Worsley holds the professional designation of MAI and Mr. Wright the SRA designation from the Appraisal Institute.

New Board Building

The many years of planning, dedication of many Board and staff members and the wise use of funds have finally resulted in the Board having a new owner occupied building. The new building was occupied on June 26 and the first Board meeting in the new building was on July 18, 2006. This building was designed to serve the public and appraisers for many years to come with room for expansion and is considered to be an outstanding asset for the State. You are invited to visit us anytime at our new location which is 5830 Six Forks Road, Raleigh, NC 27609. Our new phone number is 919-870-4854 and our new fax number is 919-870-4859. Our email remains the same at ncab@ncab.org.
Appraising a building with an illegal addition

On occasion an appraiser will receive an assignment to appraise a property and then discovers that there is an upgrade or addition to the building for which a permit was never received. Often this is ascertained by finding a discrepancy between the tax card and physical inspection of the property. Or, the property owner may inform the appraiser of the upgrade.

The North Carolina Real Estate Commission takes the position that unless the upgrade is “legal,” any additional footage as a result of the illegal addition cannot be listed in the GLA for the property on the MLS.

The North Carolina Appraisal Board takes the position that if the additional square footage still results in zoning compliance, the square footage may be used in the appraisal. A comment should be made on the appraisal report that it appeared that no building permit was received for the additional area. If the information regarding a building permit is readily available to the appraiser in the normal course of business, the appraiser must check the information. If not, the appraiser does not have the obligation to make sure that the property received proper permits.

Appraisers are not pest control inspectors!

The North Carolina Structural Pest Control Act requires that any one who works in any phase of pest control must be licensed by the Structural Pest Control Division of the NC Department of Agriculture. This includes any one who identifies infestations and who inspects household structures or commercial buildings, as well as outside areas.

Appraisers are often asked to determine the presence of wood-destroying insects when they inspect a subject property. The only thing an appraiser can legally do without a pest control license is to call attention to potential wood-destroying insect problems in very general terms. An appraiser cannot say that the property has termites or other wood-destroying insects or that the property has been damaged by such insects.

When doing an inspection, if you observe the presence of wood destroying insects, or it appears that the property has had problems in the past and it has been remedied, the only thing you should note on your appraisal is that there appears to be some evidence of current or past insect activity on the property. You should state in the appraisal report that the property owner should have an inspection by a qualified individual to determine whether wood-destroying insects are present and whether they have caused damage.
Land Home Packages Defined

Appraisers know that they cannot use a land/home package as a comparable sale. The question often received by Board staff is: How do I recognize a land/home package?

Some land/home package sales are simple to recognize. A check of the public records may indicate that the property transferred was only a lot, but the HUD-1 (settlement form) shows the sales price of both the land and the home. If public records indicate that only the land transferred, this is a land/home package sale and cannot be used as a comparable sale.

In other instances, what may look like a land/home package is actually a legitimate sale. In the past several years, more developers have been building subdivisions and advertising the properties on MLS as presales. The buyer goes to a sales office, selects a lot, and then selects from a limited number of the developer's floor plans to be built on the lot. There may be a limited list of custom features available that adds to the cost of the package. When the home is finished, both the lot and the house convey as one unit, which is reflected in the public records.

If, however, the buyer goes to a developer and buys a lot, then selects his own builder who builds a home customized to the buyer, this is not a legitimate sale to use as a comp. The key is that the combination of the lot and home has not been exposed to the market and negotiated between a willing buyer and seller.

There are some instances where real estate agents report a land/home package sale on MLS. There are some red flags that could indicate such a sale. Some agents will make a remark that the sale is for information purposes only and is not to be used as a comp. Other agents may state that the sale is for comp purposes only. The property may show that it was only on the market for one or two days. Even if the sale is reported on the MLS, that does not always make it a legitimate, arm's length transaction. It is the appraiser's responsibility to verify the legitimacy of the sale.

Remember, Standards Rule 14 of USPAP requires that you collect, verify and analyze the data used in the report. For example, if you collect comparable sales information form MLS, you then verify the information by calling the listing or sales agent, the tax office, or another source. If there is any discrepancy between these two sources, you must continue to research the sale until you are confident that the information you will use in your analysis is correct. This is especially important if you receive verbal information or a HUD-1 that conflicts with public records.

You should also be careful to correctly identify both your data source and verification source, and to keep in your workfile a copy of the information relied upon for the appraisal. For example, if you use MLS as your data source and tax records as your verification source, you should have a copy of the MLS sheet and tax record in your file. Sometimes you may receive information orally, such as from the listing broker over the telephone. You should make a note for the file of your conversation, including the name and telephone number of the source of information and the date, as well as a summary of the information received.

A deed must be recorded to be a valid transfer!

The Board has seen an increase in the number of false deeds that have been presented to appraisers. In many cases, these deeds are part of a flipping scheme where the middleman does not actually have title to the property. In a flipping scheme, the “flipper,” or middleman, looks for a property to buy at a low cost. This could be through foreclosure or by checking MLS for distressed properties on the market. The middleman then finds a buyer for the property at an inflated price, and then prepares a deed for the original owner that appears to transfer the property to the middleman. The deed is not recorded. A contract is prepared between the middleman and the buyer at an inflated price. It is this contract that is presented to the appraiser to use in the appraisal process.

Since the first deed is not recorded, it has not actually transferred title to the property and public records will reflect that the original owner is still the owner of record. If you are given a copy of an unrecorded deed, the owner of record must be shown as the owner on the appraisal report. You should then make a comment in an addendum to your appraisal report informing the client of the unrecorded deed and the contract. As an appraiser, USPAP requires you to verify ownership of the subject property, as well as any transfers of the subject property within the three years prior to the effective date of the appraisal report. This means that if there is an unrecorded deed, you must attempt to discover the price paid or to be paid to the original buyer in the unrecorded deed. You must then report that sales price in your appraisal report in the addendum.

In a flip sale, the owner, client or buyer may tell you that the property is not listed for sale, and there may not be a “For Sale” sign on the property. In order to protect yourself and to comply with USPAP, you must check with your local multiple listing service to see if the property is actually listed for sale. If so, you must report this information in your appraisal report.

Remember, not all flip sales involve unscrupulous parties. As an appraiser, your job is to disclose the facts as you find them, not as someone reports them to you.
USPAP

Questions & Answers

The 2006 edition of the Uniform Standards of Professional Appraisal Practice becomes effective on July 1, 2006. To assist with this transition, the Appraisal Standards Board has created a document (available on The Appraisal Foundation website at www.appraisalfoundation.org) to answer some of the most common questions about the 2006 USPAP and Scope of Work. We have reprinted several of those questions and answers below.

2006 USPAP & Scope of Work

Question #1: What are the major changes in the 2006 USPAP related to the scope of work and departure concepts?

Response: The biggest changes are elimination of the DEPARTURE RULE and introduction of the SCOPE OF WORK RULE. The most visible change in appraisal practice is the discontinued use of the terms “Complete” and “Limited” to describe the appraisal process. There are numerous related changes, but these are the main focus.

Question #2: What is scope of work?

Response: In basic terms, the scope of work is the work an appraiser performs to develop assignment results. USPAP defines “scope of work” as the type and extent of research and analyses in an assignment. Note that this definition excludes reporting.

Question #3: Will the changes in the 2006 USPAP change the steps an appraiser takes in developing assignment results from what is done now?

Response: No. The SCOPE OF WORK RULE has no requirements that were not in USPAP before. It’s a matter of emphasis. The process of problem identification and the development of an appropriate scope of work, both previously existing USPAP requirements, are emphasized more in the 2006 USPAP.

Question #4: Has any advice been issued to help understand the SCOPE OF WORK RULE and its use?

Response: Yes, the ASB issued two new Advisory Opinions:

• AO-29 An Acceptable Scope of Work; and
• AO-28 Scope of Work Decision, Performance, and Disclosure

Question #5: How does an appraiser know if the scope of work is adequate?

Response: The same way appraisers know now. Appraisers will continue to use their training, experience and judgment to determine a scope of work that produces credible assignment results.

Question #6: Who determines the scope of work?

Response: It is the appraiser’s responsibility to determine and perform the appropriate scope of work.

Question #7: Is a scope of work specified by the client acceptable?

Response: It is if that scope of work allows the appraiser to develop credible assignment results. If the scope of work specified by the client does not allow the development of credible assignment results, the appraiser needs to discuss changing the scope of work or withdraw from the assignment.

Question #8: What’s important to know about “credible”?

Response: Whether or not assignment results are credible is always measured in the context of the intended use of the assignment. This means that credibility is relative, not absolute. Assignment results that are credible for one intended use may not be credible for another intended use.

Question #9: Does the SCOPE OF WORK RULE introduce any new reporting requirements?

Response: No. The SCOPE OF WORK RULE does emphasize that the appraiser must report the scope of work performed in the assignment, but this requirement has been in USPAP for many years.

The requirement to report the scope of work takes on greater significance because intended users rely on this disclosure to understand the research and analyses performed in the assignment, rather than relying on the simple (and potentially misleading) labels Complete Appraisal and Limited Appraisal.

Question #10: Is a separate section in the report needed for the scope of work description?

Response: No. USPAP does not dictate where information must be included in reports. The scope of work performed may be described in one section or throughout the report.

Question #11: Does the report need to explain what wasn’t done in an assignment?

Response: Possibly. In addition to the disclosure of research and analyses performed, disclosure of research and analyses not performed might be needed to allow users of the report to understand your scope of work. The report must explain why the cost approach, sales comparison approach or income approach was not developed. It may also be necessary to disclose other research and analysis not performed.

Question #12: Have the reporting labels been deleted from USPAP?

Response: No. The report types identified in USPAP have not changed. Self-Contained Report, Summary Report and Restricted Use Appraisal Report are still the report options for real and personal property appraisals. Appraisal Report and Restricted Use Appraisal Report are still the report options for business or intangible asset appraisals. □
Reissuing or assigning an appraisal report

Who is my client? What are my obligations to my client? When do those obligations end? Can my client have me reassign the report to others? Can I appraise the same property for a different client? What if the lender hires me but the homeowner pays my fee at the door? These are some of the many questions we receive regarding the appraiser-client relationship.

**Question 1.** I recently performed an appraisal on a subject property for a lender, and now a mortgage broker has contacted me to ask me if I can transfer the report to him. He wants to have a different lender’s name placed in the client line. He says he has the permission of the first lender for me to do this. Is this okay under USPAP?

**Answer—** No. Once a report has been prepared for a named client, the appraiser cannot readress or transfer the report to another party. Simply changing the client name on the report cannot change or replace the original appraiser-client relationship that was established with the first client. See Advisory Opinion 26 for more information.

**Question 2.** I know that I cannot transfer a report from one client to another, but I get calls all the time asking me to do this. Is there any way I can accept the assignment and comply with USPAP?

**Answer—** Yes. The appraiser can consider the request a new assignment and establish a new appraiser-client relationship with the second client. See Advisory Opinion 27 for more information.

**Question 3.** I recently performed an appraisal on a subject property and a new lender contacted me to request a separate but complete appraisal on the same property. Can I do this new assignment?

**Answer—** Yes. As long as the appraiser does not use any confidential information given to him or her by the first client, the appraiser can accept an assignment to appraise the same property for a different client. See Advisory Opinion 27 for more information.

**Question 4.** The lender hired me to do an appraisal, and told me to collect at the door. The homeowners paid my fee, and now they want a copy of the report. What can I do?

**Answer—** USPAP defines the client as “the party or parties who engage an appraiser (by employment or by contract) in a specific assignment.” The determining factor is not who pays for the appraisal or how it is paid, but who contacted the appraiser in the first place and placed the appraisal order. For a federally-related transaction, federal law requires the lender to be the one to engage the appraiser’s services. In many, if not most cases, the homeowner pays for the appraisal either directly to the appraiser or indirectly through the lender, thus payment for services is not the determining factor. In the above scenario, it is the lender who is the client, not the homeowner, and the appraiser cannot give a copy of the report to the homeowner without the lender’s consent. You should inform the homeowner of this when you collect the fee so there is no confusion.

Lenders are required by federal law (the Equal Credit Opportunity Act) to furnish a copy of the appraisal to the borrower if the borrower requests a copy in writing. This applies to both consumer and business loans for which real estate will be collateral. If the homeowner wants a copy of the appraisal, they can be told to contact the lender directly or the appraiser can ask the client for permission to send a copy.

**Question 5.** A mortgage broker hires me to appraise a property. The broker asks that his name not be used as the client, but that I instead identify the client as a local lender on the written appraisal report. The mortgage broker’s name or relationship to the parties is not to be mentioned in the report. Can I do this?

**Answer—** Once an appraiser places a client name on the appraisal report, that person or company is the client, resulting in an appraiser-client relationship. If a mortgage broker wants an appraiser to perform an appraisal on a property that will then be offered to several lenders, the appraiser should not submit an appraisal report naming anyone other than the broker as the client. The appraiser could state that intended users include lending institutions, without naming any one lender. If the appraiser does state a client name in the appraisal report, the appraiser cannot simply change the name of the client and submit the appraisal to a new lender (See Question 1 this page).

**Question 6.** What if it is the homeowner who engages my services and wants me to put a lender’s name on the report as the client?

**Answer—** First of all, before the appraiser accepts the assignment, the appraiser must disclose to the homeowner that a lender or its agent is required to directly engage the services of an appraiser in a federally-related transaction. The appraiser should make it clear to the homeowner that a lender may not accept the report even if he states on the report that the lender is the client. Also, the homeowner should be informed that once the appraiser states in the report the name of the client, the appraiser cannot change the name of the client on the report.

For more information on these and other questions, see Advisory Opinions 26 and 27.
Approved Continuing Education Courses

(As of July 10, 2006)

Listed below are the courses approved for appraiser continuing education credit as of date shown above. Course sponsors are listed alphabetically with their approved courses. Shown parenthetically beside each course title are sets of numbers (for example: [15/10]). The first number indicates the number of actual classroom hours and the second number indicates the number of approved continuing education credit hours. You must contact the course sponsor at the address or telephone number provided to obtain information regarding course schedules and locations.

Alamance Community College
P.O. Box 8000
Graham, NC 27253
336-578-2002

Appraising Small Residential Income Prop (30/10)
Intro to Commercial Real Estate (4/4)
New Exptg Res Cds Afftg RE Appr (30/10)
Real Estate Finance (4/4)

Allen Tate School of Real Estate – Dan Mohr School
1000 Nations Circle Road, Suite 206
Charlotte, NC 28217
704-365-2266

Mod/Homes & Real Property (7/7)
National USPAP Update (7/7)
New Fannie Mae Forms (7/7)
New Rules & Regs FHA/HUD Appraisal Requirements (14/14)
Residential Construction Seminar (14/14)
Starting Out of Trouble - NC App (7/7)

Allstate Home Inspection Training Institute
14 Merchant Street
Berri, VT 04541
802-496-4397

Environmental Awareness (8/8)
FHA Test Preparation (8/8)
Introduction to Microsoft Inspection (8/8)
USPAP Refresher (8/8)

Allterra Consulting Group LLC
1772, Five Mile Ext
Rochester, MN 55903
520-659-3356

AVM Fundamentals (7/7)
Best Practices/Intented Users (7/7)
Keynode Address/Appraiser Lia (7/7)

American School of Real Estate Appraisers
P.O. Box 275
Cherriville, NC 28221
435-924-1111

National USPAP Update (7/7)
Value? What Value? (4/4)

American Society of Farm Managers and Appraisers
950 Southeast Cherry Street, Suite 508
Denver, CO 80222
303-758-3513

A-12 Part 1 ASFMRA Code of Ethics (7/7)
A-22 (111) National USPAP Update (7/7)
A-25 Eminent Domain (19/19)
A-27 Income Capitalization (16/27)
A-28 A Highest & Best Use (15/15)
Advanced Resource Appraisal A-34 (30/30)
A-35 Advanced Appraisal Review (49/59)
A-36 Intro to Appraisal Review (14/14)
Appraising Agricultural Land in Transition (14/14)
Appraising Agricultural Land in Transition (18/18)
Appraising Rural Residential Properties (15/15)
Conservation Easement Valuation & Case Study (24/24)
Conservation Easements (16/14)
Cost Estimating (18/8)
Current Environmental Issues (8/8)
Identifying Intangible Assets (16/26)
Yiye Bx - Uniform Appr Standards for Fed Land Acq (8/8)

American Society of Appraisers NC Chapter
121 SE 21st Street
Oak Island, NC 28465
802-476-4307

National USPAP Update (7/7)
National USPAP Update 2006 (7/7)
National USPAP Update 2005 (7/7)
National USPAP Update 2004 (7/7)
National USPAP Update 2003 (7/7)
National USPAP Update 2002 (7/7)

American School of Real Estate Appraisers
P.O. Box 275
Cherryville, NC 28221
435-924-1111

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Keynode Address/Appraiser Lia (7/7)
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<th>Approved Continuing Education Courses</th>
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*Elliott & Company Appraisers*
3306A Battlefield Avenue
Greensboro, NC 27410
336-854-3075
National USPAP Update 2006 (7/7)
The Changing World of Appraising (7/7)

*Erick Little & Company*
PO Box 426
Cary, NC 27519
919-461-8823
National USPAP Update 2006 (7/7)
New Forms Old Problems (7/7)

*Foundation of Real Estate Appraisers*
2140 W. Chapman Avenue, #207
Orange, CA 92868
949-735-1161
National USPAP Update 2005 (7/7)

*Hignite Training Service*
208 Gloria Street
Greensboro, NC 27408
884-518-9000
Changes in FHA (7/7)
Fannie Mae Forms & Regulations (7/7)
National USPAP Update 2005 (7/7)
National USPAP Update 2006 (7/7)

*Hondros College*
4340 Executive Parkway
Westerville, OH 43081
4140 Executive Parkway
Hondros College
National USPAP Update 2006 (7/7)
National USPAP Update 2005 (7/7)
Fannie Mae Forms & Regulations (7/7)
Changes in FHA (7/7)
FHA Appraising Today (7/7)
Made in America: Appraising Factory Built Housing (7/7)
National USPAP Update 2005 (7/7)
Relocation Appraisal is Diff (7/7)
Preparation of a Quality URAR (7/7)
Scope of Work (7/7)
Mal Black/NCREEEI
P.O. Box 459
Cherryville, NC 28021
704-435-9192
2.4-Family Properties (7/7)
2006 National USPAP Update Course (7/7)
Board Rules and Laws (7/7)
Current Issues & Problem Solving in Res Appraising (14/14)
National USPAP Update 2005 (7/7)
National USPAP Update 2006 (7/7)
New 2005 & 2006 Driveby Forms (7/7)
O/L. Income Approach (7/7)
O/L. Intro to Commercial Appraisal (3/3/35)
O/L. Residential Cost Approach (7/7)
O/L. Sales Comparison Approach (7/7)
Sales Comp Anal by analogy on Mx (7/7)
Technical Writing for Appraisers (7/7)
The New URAR (7/7)
Top Appraisal Questions & Their Answers (7/7)
Trainees & Supervisors (7/7)
Value? Value What? (4/4)

*Mingle School of Real Estate*
P.O. Box 3231
Charlottesville, VA 22902
919-372-2961
Appraising in NC (4/4)
National USPAP Update (7/7)

*North Carolina Real Estate Education Foundation (NCAR)*
P.O. Box 304
Wilson, NC 27893
803-779-4721
Current Issues & Problem Solving in Res Appraising (14/14)
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O/L. Sales Comparison Approach (7/7)
Sales Comp Anal by analogy on Mx (7/7)
Technical Writing for Appraisers (7/7)
The New URAR (7/7)
Top Appraisal Questions & Their Answers (7/7)
Trainees & Supervisors (7/7)
Value? Value What? (4/4)

*Pitt Community College*
PO Box 70070
318 S. Memorial Drive
Greenville, SC 29651
252-493-7629
Narrative Appraisal Report Writing (14/14)
National USPAP Update 2006 (7/7)
New FNMA Forms - Single Family (7/7)

*REALTECH.COM*
2520 Delaney Avenue
Wilmington, NC 28403
910-352-9661
Appraisers and Residential Reviews (7/7)
Fannie Mae Guidelines for Appraisers (7/7)
Introduction to Environmental Risk & Remedies (7/7)
National USPAP Update 2005 (7/7)
National USPAP Update 2006 (7/7)
What the NC Appraisal Board Expects From You (4/4)

*Samaritan's House, Inc.*
PO Box 690039
Charlottesville, VA 22927
704-545-2340
Cost Approach (7/7)
Loan Office & Appr Relationship (7/7)

*School of Real Estate Appraising Inc.*
62 North Chapel Street, Suite 6
Newark, NJ 07111
330-588-2885
The New Fannie Mae Appraisal (7/7)

*Surry Community College*
P.O. Box 304
Dobson, NC 27017
336-386-8122
Fannie Mae Updated Prop & App (8/8)
Home Inspections & Common De (4/4)
Is the Complete Comparable (8/8)
Mobile Mfg Homs & Types of M (4/4)
National USPAP Update 2005 (7/7)
Prop 24 35 Res Indem Income Prop (8/8)
Preparation of a Quality URAR (8/8)
Reviewing a Residential Appraisal (8/8)
Testing Highest & Best Use (8/8)

*Triagle Appraisal & Real Estate School*
2806 54th Ward Boulevard
Wilson, NC 27893
252-292-1200 or 919-971-3887
Changes in NC’s Rules & Regs (3/3/35)
Changes in Standards (3/3/35)
Manufactured Home Construction (7/7)
National USPAP Update 2005 (7/7)
National USPAP Update 2006 (7/7)
New FNMA Forms (7/7)
North Carolina Rules (7/7)

*Wendell Hahn & Associates*
PO Box 5245
Columbia, SC 29059
803-779-4722
National USPAP Update 2005 (7/7)
National USPAP Update 2006 (7/7)
New FNMA Forms (7/7)
Property Inspection for Appraisers (7/7)
Six Critical Problems that Appraisers (7/7)

*Western Piedmont Community College*
200 East College Drive
Morganton, NC 28655
828-438-4000
Appr Mtg, Modular & Mobile (A) (34/14)
Income Capitalization (A) (7/7)
Income Capitalization (B) (7/7)
Maximizing Value (4/4)
Mtg, Modular & Mobile (7/7)
Narrative Appraisal Report Writing (14/14)
National USPAP Update 2005 (7/7)
National USPAP Update 2006 (7/7)
New FNMA Forms - Multi Family (7/7)
New FNMA Forms - Single Family (7/7)
Profit Complex Properties (4/4)
Principles & Techniques for Determining Market Adjustments (7/7)
USPAP & NC Rules & Regs for Appraisers (15/15)

*World Savings*
4360 Wisconsin Boulevard
San Antonio, TX 78251
210-543-5464
Appraisal Review 2 (8/8)
Appraising in a Changing Market (4/4)
National USPAP Update (7/7)

*Worldwide Employee Relocation Council*
1772 Pennsylvania Ave. NW
Washington, DC 20006-4055
202-557-0853
O/L. The Relocation Appr Training Program (6/6)
Disciplinary Actions

The following is a summary of recent disciplinary actions taken by the Appraisal Board. This is only a summary; for brevity, some of the facts and conclusions may have not been included. Because these are summaries only, and because each case is unique, these summaries should not be relied on as precedent as to how similar cases may be handled.

Thomas Anderson A5383 (Skyland)—By consent, the Board suspended Mr. Anderson's general certification for a period of 6 months. The first three months of the suspension shall be active and the remainder stayed until December 31, 2006. If Mr. Anderson completes a course in the income approach and the sales comparison approach, or the G2 course, by that date, the remainder of the suspension will be inactive. The Board found that Mr. Anderson and another appraiser appraised a property located in Ashevile, North Carolina a 1,044 square foot, one story, single family, ranch residence, that had subsequently been removed from the site. The lot size is shown as 37,462 square feet, and not the single property as shown in the report. His adjusted value for this sale was $125,640. The report indicates that most weight was given to this sale; however, the adjusted value is incorrect and not the single property as indicated in the report. His adjusted value for this sale was $125,640. The report indicates that most weight was given to this sale; however, this sale appears to be the most reasonable sale used in the report. There were other sales in the area that would have supported a lower value than indicated in the report. Mr. Billowitz was a trainee when he performed the report. Mr. Anderson used three approaches to value in the analysis. In the Cost Approach, he used five sales in the land value analysis. The three sales were actually purchases of more than one tract. Although each contained improvements the percentage of the sale, there was no mention of the improvements and large adjustments were taken for functional utility with no explanation. Another sale is a 6,098 square foot site, and Mr. Anderson adjusted this sale down 10% for functional utility with no explanation of the adjustment. The fifth sale involved the purchase of approximately 4.04 acres with buildings that have subsequently been removed from the site. There is no explanation in the report that the sale was larger than indicated and no explanation for the functional utility adjustment. There were sales of vacant sites that were more similar in size and would have required fewer adjustments than those used in the report. In the Cost Approach, Mr. Anderson indicates the subject's lot value to be $15,50 per square foot or $67,510. The lot size is shown as 37,462 square feet, which would result in a $621,467 value. The total value shown by the Cost Approach in the report was $1,029,396. Mr. Anderson used three improved sales in the Sales Comparison Approach. He extracted information on one of these sales with no explanation as to how the building value was extracted in the report. In his Income Approach, Mr. Anderson used estimated figures with no real support or explanation. All three of the approaches produced results that are not credible, either due to flawed data, poor methodology or lack of support.

Jack Baber Jr. A51 (Asheville)—By consent, the Board suspended Mr. Baber's residential certification for one month and ordered him to take a sales comparison course. If he fails to take the course, the one-month suspension will be extended to six months beginning October 1, 2006. The Board alleged that a trainee working under Mr. Baber's supervision appraised a property located in Marshall, North Carolina in December 2003. The subject property is a 1,460 square foot dwelling with a 546 square foot finished basement. The appraisal report contained erroneous data with regard to the subject's zoning, flood zone, and census tract. The sales locator map was incorrect with regard to the distances between the subject property and comparable sales. The first three comparable sales have significantly larger lot sizes, and inadequate adjustments were made for this difference. Other sales used in the report would have led to a lower value for the subject property. The certification attached to the appraisal report indicated that Mr. Baber had personally inspected the interior of the subject property and the exterior of the comparable sales, but in fact Mr. Baber did not inspect the subject property prior to the report being issued.

Rodney Billowitz A5279 (Matthews)—By consent, the Board suspended Mr. Billowitz's residential license for a period of six months. The suspension is stayed until October 1, 2006. If Mr. Billowitz completes a course in scope of work and a course in sales comparison by that date, the remainder of the suspension will be inactive. The Board found that Mr. Billowitz appraised a property located in Charlotte, North Carolina in February 2003, finding an estimate of value of $120,000. The subject property is a 103-year-old dwelling containing 1,198 square feet. It sold on March 16, 2002 for $101,000. The subject had been remodeled on the interior and freshly painted on the exterior. Mr. Billowitz's report stated that the subject was listed for $120,000 within the past 30 days according to the MLS and public records, although in fact it was not listed. He used three sales in his Sales Comparison Approach. He indicates that Sale 1 closed on September 3, 2002 for $120,000, but in fact this sale involved three separate properties with a total area of 1,500 square feet and not the single property as shown in the report. His adjusted value for this sale was $125,640. The report indicates that most weight was given to this sale; however, this sale appears to be the most reasonable sale used in the report. There were several sales of vacant lots in the area that would have supported a lower value than indicated in the report. Mr. Billowitz was a trainee when he performed this report, and he has since upgraded to licensed residential. His supervisor surrendered his license to the Board in 2004 in another matter.

Jeffrey Burns A4971 (Fayetteville)—The Board accepted the voluntary surrender of Mr. Burns' residential license.

Craven Casper A71 (Rockey Mount)—By consent, the Board suspended Mr. Casper's residential certification for a period of five years with the first six months of the suspension to be active, subject to the following provisions. Mr. Casper's wife will accompany him on all appraisals and to the 10-hour appraisal inspection of all appraisals performed during the month to the Appraisal Board by the 5th day of the following month. The log will include the telephone number for the property owner. He will undergo evaluation and assessment at a mental health facility or with a licensed mental health provider. Once the assessment is completed, a copy will be sent to the Appraisal Board. Mr. Casper will undergo treatment as determined by the facility or provider. Once treatment has ended, the provider will send a statement to the Appraisal Board that he poses no threat to the public. If at any time in the future it is shown to the satisfaction of the Board after a hearing or upon admission of Mr. Casper that he has made any sort of inappropriate comment in the presence of an inspector, he will face revocation of his certification. Mr. Casper will send a written letter of apology to the Complainant, with a copy of that letter to be delivered to the Appraisal Board. The Board found that Mr. Casper was engaged to appraise a property located in Rocky Mount in 2005. The owner of the subject property, a single mother, was present when Mr. Casper inspected the property. While Ms. Chance was not familiar with the appropriate methodology or lack of support.

Tracee Chance A4903 (Charlotte)—By consent, the Board suspended Ms. Chance's residential license for a period of six months. The two months of the suspension is active and the remainder is stayed until December 1, 2006. If Ms. Chance completes a course in appraiser liability (or a similar course) and the 15-hour National USPAP course by that date, the remainder of the suspension shall be extended to six months. The Board found that Ms. Chance appraised a property located in Bessemer City, North Carolina, finding an estimate of value of $129,000. The subject was a one-story doublewide manufactured home with 1,880 square feet of gross living area. When Ms. Chance issued the appraisal report, she included comparable sales that were all doublewide manufactured homes. After she issued the report, her client sent her an email stating that he had a letter from the county stating the subject was not manufactured, but was modular. Based on that email, she changed the description of the subject to state that it was not a manufactured home. Tax data in the work file indicates that the subject is a manufactured home. Ms. Chance did not take any steps to confirm the client's assertion that the subject was modular. She also changed the description of the comparable sales in the original report to say that it was a ranch, not a doublewide. She then chose other comparable sales that were modular. The final opinion of value was the same as her original appraisal. The comparable sales were doublewide manufactured homes in the subject subdivision one year prior to the appraisal report. They ranged in build from 1995 to 1999, in square footage from 1,103 to 1,652, and in sales price from $15,700 to $75,000. Ms. Chance over valued the subject property.

James L. Chappell, Jr. A5069 (West Jefferson)—By consent, the Board suspended Mr. Chappell's residential certifications for a period of 3 months. The suspension is stayed until July 1, 2006. If Mr. Chappell completes both a course in sales comparison and a course in appraiser liability by that date, the suspension will be inactive. The Board found that Chappell and another appraiser appraised a property located in North Wilkesboro, North Carolina in January 2003, finding an estimate of value of $88,000. The appraisal was performed “as is.” The report indicates a sales price of $88,000; however, an order form in the work file indicates a price of $75,000. There was no contract in the work file. The appraisal report states that the site contains 3.4 acres. An addendum attached to the report states that an additional 2.1 acres is being purchased. The subject site actually contains 0.42 acre and a dwelling. Mr. Chappell used the tax card information and an additional 2.1 acres to the rear of the site in the report. He used three sales in the report. While there were few sales available, the sales used should have been adjusted down for location differences.

Daniel C. Covington A5763 (Dawsonville, Georgia)—By consent, Mr. Covington surrendered his residential certification.

Dexter Davis A3235 (Rockey Mount)—By consent, the Board issued an inactive suspension to Mr. Davis for a period of three months. If Mr. Davis fails to complete courses in narrative report writing, appraiser liability, and the income approach by October 1, 2006, the suspension will become active. The Board alleged that Mr. Davis appraised a proposed 32-room motel located in Scotland Neck, North Carolina in April 2004, finding an estimate of value of $1,292,000. Mr. Davis was full time for the U. S. Department of Agriculture and does occasional appraisal work outside of his employment with the USDA. Although he is a certified general appraiser with commercial experience, he had not appraised a motel before this time. Since Mr. Davis was not familiar with the appropriate appraisal methodology to appraise a proposed motel, he used another appraisal of a motel as a guide in doing the appraisal. He completed the appraisal and charged $200 for it. There were no problems noted with the appraisal or the appraised value.
Disciplinary Actions

his appraisal. Mr. Davis utilized all three approaches to value. In the Sales Comparison Approach he used six sales of modular homes on a similar location in the nearby town of2005. The Board found that Mr. Davis identified it as a mobile home and set the appraised value at $40,000. Mr. Davis did not utilize this value in his appraisal as he did not identify the subject as a mobile home.

J. Paul Jones T3445 (Clay)—By consent, the Board suspended Mr. Jones’s trainee registration for a period of six months. The suspension is stayed until December 1, 2006. Mr. Jones agrees to complete courses in complex properties and report writing. If he fails to complete the courses by December 1, 2006, the suspension will become active on that date. Mr. Jones and his supervisor appraised a property located in Whittier, North Carolina as of January 26, 2005, finding a value of $185,000. The subject property consisted of a 58-year-old 1-story dwelling located upon a 5-acre tract. The adjustment grid indicates that the comparables were all between 6 and 26 years old. Mr. Jones said that the subject was remodeled and had an effective age of 10. The comparable sales are superior to the subject in appeal and quality, yet no adjustments were made for either of those characteristics. The work file was insufficient as there was little information about the subject property.

Rules. The Board found that Mr. Howard appraised a property located in Lindell, North Carolina in October 2003, finding an estimate of value of $81,000. The subject was a thirty-one year old 1,178 square foot brick ranch style home that is located in a rural section of the county. The report included three comparable sales that were all between 20 to 30 miles away. There was nothing noted in the report that would indicate it was a mobile home.

The tax office classified the subject as of modular construction. The home has been resided and the HUD tags, if they are still there, are no longer visible. The appraisal reports indicated that all his sales were modular homes, but one of the sales was in fact a manufactured home. All of the sales were located outside of the subject subdivision. There were sales in the subject subdivision that could have been used as comparables. Those properties were smaller and would have required substantial adjustments. Mr. Howard should have noted these sales in his appraisal report.

Jason Garlow T6215 (St. Pauls)—By consent, the Board suspended Mr. Garlow’s trainee registration for a period of six months. The suspension is stayed until October 1, 2006. If Mr. Garlow completes a course in scope of work and a course in rough appraisal assignments by that date, the suspension shall be inactive. The Board found that Mr. Garlow and Mr. Swift Valuation Service in the cost approach. Although the subject property was for small commercial purposes. He was not allowed to testify at the trial on his reasoning and opinions and conclusions as to how he arrived at the appraisal figures.

Michael Howard A4930 (Cary)—By consent, the Board issued a reprimand to Mr. Howard and ordered him to complete a course in appraisal rules. The Board found that Mr. Howard appraised a property located in Durham, North Carolina in January 2001, finding an estimate of value of $287,000. The report included three comparable sales that were all between 20 and 30 miles away. There was nothing noted in the report that would indicate it was a manufactured home.

The report included three comparable sales that were all between 20 to 30 miles away. There was nothing noted in the report that would indicate it was a mobile home. The tax office classified the subject as of modular construction. The home has been resided and the HUD tags, if they are still there, are no longer visible. The appraisal reports indicated that all his sales were modular homes, but one of the sales was in fact a manufactured home. All of the sales were located outside of the subject subdivision. There were sales in the subject subdivision that could have been used as comparables. Those properties were smaller and would have required substantial adjustments. Mr. Howard should have noted these sales in his appraisal report.
Disciplinary Actions

which was located at 314 Old Castle Lane. The first appraisal was done in 2002 and the second was done in 2003. In the first appraisal, the property, the appraiser stated that the subject had 1,490 square feet, and Ms. Kanipe appraised it for $99,800. In the second report, Ms. Kanipe said that the owners had added a room, and the property now contained 1,695 square feet. The appraisal was appraised for $93,300. The sales used in both reports were located in superior locations, with no adjustment made for location. The four other properties were of properties all located in the same neighborhood. They were very similar in the amenities and appraisal for similar amounts. The comparables were used for all of these properties. Three of these four appraisals were completed for the same owner. No adjustments were made. No location adjustments were made. The subject property, they were located in superior submarket, and the comparison was made to similar homes in the community, and homeowner dues are assessed. Although all three sales were located within 5 blocks of the subject, they were located in superior submarket. The property was located at 314 Old Castle Lane. The subject property is a one-story ranch style home situated on a 5.44-acre site. The subject appears to be the largest and highest property in the area.
Disciplinary Actions

By consent, the Board suspended Mr. Monk's residential certification for a period of six months. The suspension is stayed until July 1, 2006. If Mr. Monk completes both a course in sales comparison and a course in appraiser liability by that date, the suspension will be inactive. The Board found that Mr. Monk appraised a property located in North Wilkesboro, North Carolina in January 2003, finding an estimate of value of $88,000. The appraisal was performed "as is." The Board found that Mr. Monk did not adjust for any location differences. It provides an analysis only of the site. There is no summary of damages from the take. This page states no intended users, the report did not contain sufficient information to disclose the scope of work used to develop the appraisal. The report also did not summarize the information analyzed, the appraisal procedures followed or the data and assumptions used to support the conclusions.

By consent, the Board suspended Mr. Neal's general certification for a period of one month. The suspension is stayed until October 1, 2006. If Mr. Neal completes a course in sales comparison and a course in appraiser liability by that date, the suspension will be inactive. The Board found that Mr. Neal appraised a property located in Cherryville, North Carolina in February 2003, finding an estimate of value of $347,000. The subject property consisted of a single-family ranch style brick dwelling with 1,029 square feet of gross living area and a detached 1-car garage and gazebo. The site contains 2.04 acres. Ms. Saine used three sales in the report. There were two sales in the site area within one year of the report, but the sales that were used did not have an active or vacant site in the sales area.

Disciplinary Actions

B. Dean Nixon, Jr. A4367 (West Jefferson)—By consent, the Board suspended Mr. Nixon's residential certification for a period of six months. The suspension is stayed until July 1, 2006, if Mr. Nixon completes both courses in sales comparison and a course in appraiser liability by that date, the suspension will be inactive. The Board found that Mr. Nixon appraised a property located in North Wilkesboro, North Carolina in January 2003, finding an estimate of value of $88,000. The appraisal was performed "as is." The Board found that Mr. Monk did not adjust for any location differences. It provides an analysis only of the site. There is no summary of damages from the take. This page states no intended users, the report did not contain sufficient information to disclose the scope of work used to develop the appraisal. The report also did not summarize the information analyzed, the appraisal procedures followed or the data and assumptions used to support the conclusions.

Lowrance M. Smith A2069 (Asheville)—By consent, the Board suspended Mr. Smith's general certification for a period of six months. The suspension is stayed until January 31, 2007, if Mr. Smith completes a course in sales comparison and a course in appraiser liability by that date, the suspension will be inactive. The Board found that Mr. Smith appraised a property located in Asheville, North Carolina as of November 19, 2004 indicating a value of $1,025,000. The subject property is a 0.86-acre site improved with a 5,049 square foot building constructed in 1976 and currently occupied as a medical office. Mr. Smith used three approaches to value in the Cost Approach, he used five sales in the land value analysis. The three sales were actual purchases of more than one tract. Although each contained improvements at the time of the sale, there was no indication that the improvements were taken for functional utility with no explanation. Another sale is a 6,098 square foot site, and Mr. Smith adjusted this sale down 10% for functional utility with no explanation of the adjustment. The fifth sale involved the purchase of one tract with buildings that have subsequently been removed from the site. There is no explanation in the report that the site was larger than indicated and no explanation for the functional utility adjustment. There were sales of vacant sites that were more similar in size and would have required fewer adjustments than those used in the report. In the Cost Approach, Mr. Smith indicates the subject's lot value to be $15,350 per square foot or $875,380. The lot size is shown as 37,462 square feet, which would calculate to $80,661 rather than $875,380. The total value shown by the Cost Approach in the report was $1,029,396. Mr. Smith used three improved sales in the Sales Comparison Approach. He extracted the building value of one of the sales with no explanation as to how the building value was extracted in the report. In his Income Approach, Mr. Smith used estimated figures with no real support or explanation. All three of the approaches and the conclusions that are not credible either due to flawed data, poor methodology or lack of support. The other appraiser who signed the report was formerly employed in Mr. Smith's office. The client initially contacted Mr. Smith to do the report but after contacting him, the client hired the other appraiser. Mr. Smith reviewed the report; he did not have the entire work file but only the report. Based on the report, he felt it was in line and signed it.
Disciplinary Actions

William Vaughan, Jr. A4510 (Greensboro)—By consent, the Board issued a reprimand to Mr. Vaughan and required him to complete a course in appraiser liability by June 1, 2006. If Mr. Vaughan fails to complete the course, the reprimand will be vacated and a one-month active suspension imposed on that date. The Board found that Mr. Vaughan appraised a property located in Winston-Salem, North Carolina in April 2001, finding an estimate of value of $640,000. The appraisal was done for the property owner in a condemnation action brought by the city. The subject is a 16-acre tract of vacant land that is zoned RM-18. There is a 34,600 square feet cellular tower site and a utility easement located upon the property. There are low-lying areas on the subject that may be unsuitable for development. Mr. Watts stated in the report that the highest and best use for the property was the development of subsidized non-owner occupied multifamily housing. The report was based on the full 16 acres of the property to support 300 units, at $2,800 per unit. Since the property had a cellular tower and utility easements on it, the actual usable land was much less, although the actual number of allowable multifamily units that could be constructed on the subject was unknown as of the effective date of the subject report. The decision to characterize the entire site as being physically able to support 300 units regardless of the topography was an extraordinary assumption that was not disclosed within the report. Mr. Watts’ client instructed him to ignore the cellular site and other issues and to consider the entire square footage in his calculation of usable area, but Mr. Watts did not disclose this hypothetical condition in the report. There were sales in the market area that supported his price per unit.

Wanda Whitfield A3417 (Fayetteville)—By consent, the Board suspended Ms. Whitfield’s residential certificate for a period of three months. If Ms. Whitfield completes a course in scope of work by June 1, 2006, the suspension shall be inactive. The Board found that Ms. Whitfield and a trainee under her supervision appraised a property located in Fayetteville, North Carolina in October 2005, finding an estimate of value of $367,000. The subject was under contract for $380,000 on the effective date of the report. The subject had transferred through foreclosure one month before the report for $248,500, which was noted in the report. Several improvements had been made to the subject since the sale. The subject is located on a small cul-de-sac that backs up to a city power substation and water tower. Ms. Whitfield used three sales in the report that were all superior to the subject in quality of construction and appeal, yet she did not make any adjustments for these differences. Had she made appropriate adjustments to the sales, the estimate of value would have been lower.

Randolph York A2392 (Greensboro)—By consent, the Board suspended Mr. York’s residential license for a period of three months. If Mr. York completes a course in sales comparison by June 1, 2006, the suspension shall be inactive. The Board found that in May 2004, Mr. York appraised a property located in Reidsville, North Carolina, finding an estimate of value of $170,000. The subject is a 3-year-old one story frame modular home containing 2,184 square feet and located on a 6.89-acre site. The subject property was foreclosed on August 6, 2003, and sold at auction one day prior to the effective date of the report for a total auction sales price of $73,500. Mr. York’s work file contains a copy of the tax card pulled on the effective date of the report, which did not indicate the change in ownership from the foreclosure sale. Mr. York made a positive $6,000 adjustment for inferior condition on this sale that did not appear warranted. There were few sales of modular homes in the subject area. One additional similar sale was found that sold on January 30, 2004 for $150,000 after being on the market for 249 days. This sale was a modular home that contained 2,225 square feet with a detached garage on 3.8 acres. By failing to use this sale, and by failing to make appropriate adjustments to the sales he used, Mr. York over valued the subject property.

Continuing Education Reminder

The current two-year continuing education cycle runs July 1, 2005 - June 1, 2007. In order to renew your registration, license or certificate, continuing education must be completed by June 1, 2007. Board Rule 57A.0204 (b) requires trainees, licensees and certificate holders to complete their continuing education courses by June 1st of odd-numbered years. The continuing education requirement in odd-numbered years is 28 hours with 7 of the 28 hours being the National USPAP course. Please keep in mind that you may complete up to 14 hours of approved online continuing education per 2-year continuing education cycle. Registered trainees who were initially registered with the Board after January 1 of an odd numbered year will not be required to show continuing education credit for renewal of their registration in that odd numbered year. Appraisers residing outside of North Carolina who are licensed or certified by reciprocity must submit an original letter of good standing from their resident state along with their application for a period of six months. The suspension is stayed until October 1, 2006. If he fails to complete the course in appraiser liability by that date, the suspension shall be vacated and a one-month active suspension imposed on that date. The Board issued a reprimand to Mr. Watts. Mr. Watts also agreed to complete a course in scope of work by October 1, 2006. If he fails to complete the course, the reprimand will be vacated and a one-month active suspension imposed on that date. The Board found that Mr. Watts appraised a property located in Winston-Salem, North Carolina in April 2001, finding an estimate of value of $519,000 since September 2003 until the effective date of the report, although in November 2003 the owner of the subject entered into a lease/purchase agreement to sell the property for $519,000. Mr. Vaughan did not address either the listing or the lease purchase agreement in any of the appraisal reports.

Henry M. Watts A301 (Greensboro)—By consent, the Board issued a reprimand to Mr. Watts. Mr. Watts agreed to complete a course in appraiser liability by June 1, 2006. If Mr. Watts fails to complete the course, the reprimand will be vacated and a one-month active suspension imposed on that date. The Board found that Mr. Watts appraised a property located in Winston-Salem, North Carolina in April 2001, finding an estimate of value of $519,000 since September 2003 until the effective date of the report, although in November 2003 the owner of the subject entered into a lease/purchase agreement to sell the property for $519,000. Mr. Vaughan did not address either the listing or the lease purchase agreement in any of the appraisal reports.

Mr. Watts appraised a property located in Winston-Salem, North Carolina in April 2001, finding an estimate of value of $519,000 since September 2003 until the effective date of the report, although in November 2003 the owner of the subject entered into a lease/purchase agreement to sell the property for $519,000. Mr. Vaughan did not address either the listing or the lease purchase agreement in any of the appraisal reports.

Mr. Watts appraised a property located in Winston-Salem, North Carolina in April 2001, finding an estimate of value of $519,000 since September 2003 until the effective date of the report, although in November 2003 the owner of the subject entered into a lease/purchase agreement to sell the property for $519,000. Mr. Vaughan did not address either the listing or the lease purchase agreement in any of the appraisal reports.

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