



NEW BOARD APPOINTMENTS

Governor Pat McCrory has appointed Hector R.M. Ingram to the Appraisal Board for a three-year term ending June 30, 2018. Mr. Ingram is a 1989 graduate of the University of North Carolina at Chapel Hill. He is a real estate appraiser with Ingram & Company, Inc. He has been appraising real property in Southeastern NC since 1991. He holds the Appraisal Institute's MAI Designation and is a past Director and President of the NC Chapter of the Appraisal Institute. He has served as a Director with the Wilmington Regional Association of Realtors in 2014. Hector presently serves on the New Hanover County Board of Equalization and Review and lives in Wilmington with his wife Amy and children Angus, Duncan and Eleanor.

Governor Pat McCrory has appointed Christie L. Standish to the Appraisal Board for a three-year term ending June 30, 2018. Ms. Standish studied at Western North Carolina University. She is a Certified Residential real estate appraiser with 3D Appraisal, Inc. in Andrews, and performs appraisals in Cherokee, Clay and Graham counties. Ms. Standish resides in Murphy with her husband, Christopher and has a son, Josh.

President Pro Tempore of the Senate Phil Berger appointed Maggie Sandrock to the Appraisal Board to fill the unexpired term of David B. Goldberg, ending June 30, 2017. Ms. Sandrock, of Lillington, is a recent retiree from 3M. She is a Customer Service & Sales Consultant working in the Security Industry. She holds degrees in Business Management and Marketing from Trident Technical College, Charleston, South Carolina. A Navy Veteran and the wife of a retired Submarine Veteran, she is active with Veteran's causes, is a Board Member of Lillington Grace Church and is active in various civic organizations. She resides in Lillington with her husband of 38 years, John.

Fern H. Shubert was reappointed by President Pro Tempore of the Senate Phil Berger to a three-year term ending June 30, 2018. Ms. Shubert is a '69 graduate of Duke University and a long time Certified Public Accountant with extensive experience working with businesses of all sizes. Ms. Shubert served in the NC House of Representatives for six years, 1995-1998 and 2001-2002. In 2002 she was elected to the NC Senate and served as Senate Republican Whip during the 2003-2004 sessions.

APPRAISER REPORT

Published as a service to appraisers to promote a better understanding of the Law, Rules and Regulations, and proficiency in ethical appraisal practice. The articles published herein shall not be reprinted or reproduced in any other publication, without specific reference being made to their original publication in the **North Carolina Appraisal Board Appraisereport**.

NORTH CAROLINA APPRAISAL BOARD

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Pat McCrory, Governor

APPRAISAL BOARD MEMBERS

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Fern H. Shubert	Marshville
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Maggie Sandrock	Lillington
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Mindy M. Sealy, *Executive Assistant*

APPRAISER COUNT

(As of October 31, 2015)

Trainees	328
Licensed Residential	86
Certified Residential	1960
Certified General	1284
Total Number	3658

APPRAISER EXAMINATION RESULTS

April 1, 2015 – October 31, 2015

Examination	Total	Passed	Failed
Certified Residential	10	6	4
Certified General	9	7	2

Examinations are administered by a national testing service. To apply for the examination, please submit an application which may be downloaded from the Appraisal Board's website at

<http://www.ncappraisalboard.org/forms/ApplicationForLicensure.pdf>

BOARD ELECTS OFFICERS

Charles L. McGill has been elected Chairman of the Appraisal Board for 2015-2016. House Speaker Thom Tillis appointed Mr. McGill to the Board in 2011.

Fern H. Shubert has been elected Vice-Chairman of the Appraisal Board for 2015-2016. President Pro Tempore of the Senate Phil Berger appointed Fern H. Shubert, CPA to the Appraisal Board in 2012.

LEGISLATURE ADOPTS HOUSE BILL 651

House Bill 651 takes effect on October 1, 2015. There are two provisions in the bill.

N.C.G.S. §1-51 was amended to add a limitation on when civil lawsuits may be filed.

(3) Notwithstanding G.S. 1-52(9) or any other provision of law, no suit, action, or proceeding shall be brought or maintained against a real estate appraiser, general real estate appraiser, or appraiser trainee who is licensed, certified, or registered pursuant to Chapter 93E of the General Statutes, unless the suit, action, or proceeding is commenced within (i) five years of the date the appraisal was performed or (ii) until the applicable time period for retention of the work file for the appraisal giving rise to the action as established by the Recordkeeping Rule of the Uniform Standards of Professional Appraisal Practice has expired, whichever is greater.

N.C.G.S. §93E-2-4 was amended to limit an AMC from requesting a background check from an appraiser more than once a year.

(h) A registered appraisal management company that requires a real estate appraiser to submit to a criminal background check as a condition of employment, contractual relationship, or access to an appraisal portal shall accept a criminal background check that has been performed within the preceding 12 months and that substantially conforms to the criminal history record check required under G.S. 93E-1-6(c1).

QUESTIONS AND ANSWERS REGARDING CONFIDENTIALITY

Over the years Board staff has answered several questions from appraisers regarding the Confidentiality section of the ETHICS RULE of USPAP. Below are a few of them. If you have questions regarding these scenarios, please contact Board staff.

Question: An appraiser has received a subpoena to turn over all appraisals and work files for all appraisals he has ever done on a specific type of property (e.g., land being taken for federal government use). He believes this violates client confidentiality for those clients not involved with the current litigation.

Answer: It would be difficult to argue that a properly executed subpoena would not constitute “due process of law,” without a court ruling or case law that states the contrary. Therefore, the appraiser should seek counsel that could successfully argue his position before the court.

Question: Appraiser A is doing an appraisal in a county where he is not a member of the local MLS. He goes to Appraiser B, who is a member, and asks Appraiser B for sales in the subject subdivision. Appraiser B agrees to help him and gives him several MLS sheets of data. Appraiser A takes that information back to his office and completes the appraisal.

1. Must Appraiser A be a member of that local MLS in order to be considered geographically competent in that area?

2. If the local MLS does not allow its members to give any data to others, is Appraiser A in violation of the Ethics Rule?

3. If the local MLS does not allow its members to give any data to others, is Appraiser B in violation of the Ethics Rule?

4. Certification #12 of the URAR states that the appraiser is aware of and has access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located. If Appraiser A reports his appraisal on a URAR form, has he violated the Ethics Rule?

Answer: In response to the specific questions regarding your scenario:

1. No, USPAP does not specifically require a subscription to MLS in order to be geographically competent.

2. Appraiser A may or may not have violated something related to the specific MLS service by obtaining data without a subscription, but that would be an issue between Appraiser A and the MLS. From an ETHICS RULE standpoint, an enforcement entity may wish to consider Appraiser A’s actions under the following general obligation:

An appraiser must promote and preserve the public trust inherent in appraisal practice by observing the highest standards of professional ethics.

3. Similar to #2 above, Appraiser B may have violated something related to the specific MLS service by providing data to another who does not have a subscription, but that would be an issue between Appraiser B and the MLS.

4. If Appraiser A signs a certification with false information, that certainly might be considered a misleading appraisal report and it’s possible the action results in a violation of the ETHICS RULE. However, failing to have a subscription to MLS does not automatically mean Appraiser A has failed to possess the required geographic competence. The standard of geographic competency goes beyond a simple subscription to MLS (or any other data service).

Question: A property owner applied for a refinance and an appraiser was engaged by the lender to do the appraisal. During the inspection, the appraiser noted that there was an illegal addition on the house. The appraiser went back to his office and discussed the appraisal with members of his company, which he does on a routine basis, and the issue of the illegal addition came up. Another appraiser in the company then contacted the property tax office to tell them of the illegal addition. As a result, the property owner is facing a fine and may be required to remove the addition.

Did the appraiser engaged by the lender violate confidentiality by discussing assignment results with his colleagues? Or is there some sort of implied confidentiality in discussing the assignment with others in the office since these appraisers work together in a firm? Did the appraiser who reported the results of the property inspection violate confidentiality by reporting this issue to the tax office?

Answer: Within USPAP, the requirements apply to the appraiser, not an appraisal firm. Therefore, technically speaking, unless the appraiser obtained permission from the client to communicate assignment results or confidential information (both, as defined in USPAP) to other members of the appraiser’s firm, he is in violation of USPAP. It is possible that some firms have engagement letters that acknowledge the appraiser may share information with

others in a firm, and if agreed to by the client, would allow such communication. There is no “implied confidentiality” just because an appraiser is part of the same firm.

Regarding the appraiser who reported the information to the tax office, since he did not have an appraiser-client relationship with the client, he is not bound by the requirements in the Confidentiality section of the ETHICS RULE. It is possible, however, that the appraiser is in violation of other ethical obligations.

NOTE: The 2016-2017 edition of USPAP will contain changes to the Confidentiality section to address this issue. The changes state: “An appraiser must take reasonable steps to safeguard access to confidential information and assignment results by unauthorized individuals, whether such information or results are in physical or electronic form. An appraiser must ensure that employees, co-workers, sub-contractors, or others who may have access to confidential information or assignment results, are aware of the prohibitions on disclosure of such information or results.”

Question: An appraiser was contacted by an AMC to complete a 1004D Final inspection for a FHA appraisal. However, the appraisal was completed for a different client. Is it a violation of USPAP to complete the 1004D as it would release information about the original appraisal to someone who was not the original client?

Answer: A “final inspection” is a new assignment, not an extension or continuation of the original assignment. As such, it can be performed by any appraiser, for any client. However, just as with all assignments, an appraiser cannot communicate assignment results or confidential information (both, as defined in USPAP) to anyone other than the client and parties specifically authorized by the client. Therefore, if a different client requests the final inspection assignment, the appraiser cannot disclose the aforementioned items without permission from his or her original client.

Question: An appraiser did an appraisal for a VA loan. On the report, he stated the client was “Dept of VA/ US Bank”. US Bank was the lender. Now, the borrower has gone to another bank. The VA wants him to make changes to the report to comply with the other bank’s lending requirements, and to change the name of the client to “Dept of VA/Other

bank”. The changes include expanding the scope of the original assignment. May the appraiser do this?

Answer: No, an appraiser cannot add, remove, or change a client in a completed appraisal. To facilitate this request, the appraiser would have to treat it as a new assignment.

Question: We have received an email from a company that does data entry for form reporting. If someone used this service, would it be a violation of the Confidentiality Section?

Answer: There are two primary issues: 1) confidentiality and 2) significant assistance. The confidentiality aspect is fairly straightforward; USPAP prohibits the appraiser from communicating assignment results or confidential information (both, as defined in USPAP) to anyone other than the client and parties specifically authorized by the client. The significant real property appraisal assistance issue gets a little murkier. If the service is simply entering data provided by the appraiser (or a service the appraiser uses) *without* applying any judgment, a strong argument could be made that it is simply a clerical function not requiring assistance. However, if the service applies any of its own judgment, or analyses, opinions, and conclusions, the person doing so would need to be disclosed in the certification, and the duties they performed identified within the appraisal report.

Question: An appraiser performs an assignment to appraise a single family residence (Property A) for mortgage purposes related to a purchase. He measures the home in accordance with his Scope of Work and assignment conditions, and determines the home is actually 250 square feet larger than that reported in MLS. The appraiser discloses that information to client/intended user within the subject report and proceeds with the appraisal.

1. Would the appraiser’s determination of the actual square footage of the subject property be considered an assignment result or confidential information?

2. The same appraiser is given another assignment to appraise a similar property (Property B) in which the prior subject property (Property A) would be considered a reasonable comparable sale. Can the appraiser use his square footage calculated in the prior assignment (Property A) in the appraisal of Property B or would this potentially be a violation of the Confidentiality Rule?

3. If the appraiser did not utilize the accurate square footage and only utilized the incorrect information in the MLS, contrary to what he knew was true, would it constitute a misleading report?

4. Can the appraiser provide measurements to other parties such as the MLS in order to ensure that this information is accurate without violating Confidentiality? Would the appraiser need to contact the client and get a release that would allow him to report the actual square footage to the MLS?

Answer: There are differing viewpoints on this, but dimensions, or by extension GLA, are not opinions; therefore, GLA is not an assignment result. And unless the accurate square footage is identified as confidential by the client and is not available through another source, it is not confidential information.

Question: An AMC wants the appraiser to run his appraisal through a private appraisal review software program before sending it to them. The AMC says it has permission from all of its clients to do this. Is this allowed?

Answer: It would appear the appraiser would be in violation of the Confidentiality section of the ETHICS RULE by communicating *assignment results* (and possibly *confidential information*) to this entity without permission of the client. It's not reasonable to think that the AMC has secured "blanket" permission from their lender clients for appraisers to communicate this information.

A REMINDER...

All appraisers must maintain a log of **all** appraisal assignments, regardless of whether the appraiser plans to upgrade. Board rule 57A.0405 states that the log must contain the appraiser's license or certificate number, the street address of the subject property, the date the report was signed, the name of anyone assisting in the preparation of the report, and the name of the client. These logs must be updated at least every 30 days.

The Board does not have a form for this log. If your software can generate this log upon request from the Board, that is sufficient.

Note for AMCs:

As noted in another article, N.C.G.S. §93E-2-4 was amended to limit an AMC from requesting a background check from an appraiser more than once a year. Part of that new law refers to the criminal history record check required under G.S. 93E-1-6(c1).

The requirements for the Board's background check are found in 21 NCAC 57A .0202 (Fitness for Registration, Licensure, or Certification). They are:

- (1) a state court felony and misdemeanor criminal records search for each state lived in for at least the last seven years;
- (2) a state probation and incarceration check for each state lived in for at least the last seven years;
- (3) a federal court felony and misdemeanor criminal records check;
- (4) a state sex offender search for each state lived in for at least the last seven years;
- (5) a federal sex offender search; and
- (6) an address trace on the applicant's Social Security number.

The Appraisal Board plans to adopt rules regarding this new statute. When rulemaking is commenced, it will be noted on the Board's website and AMCs will be notified. Please contact the Board staff if you have any comments regarding the proposed rules.

Scope of Work

Each appraisal and appraisal review assignment requires that the appraiser (1) identify the problem to be solved; (2) determine and perform the Scope of Work necessary to develop credible assignment results; and (3) disclose the Scope of Work in the report. The Scope of Work Rule in USPAP states that the Scope of Work includes, but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is inspected;
- the type and extent of data researched; and
- the type and extent of analyses applied to arrive at opinions or conclusions.

Selecting the proper scope of work is a function of the property type and intended use of the appraisal assignment. A complex property or assignment would most often have a more expansive scope of work than one story ranch style dwelling in a suburban subdivision. An assignment to appraise that same ranch for litigation purposes, however, could require far more research and analysis than that required for a small retail store.

Note: the appraisal analysis is not driven by the form on which the appraisal will be reported. If a form does not contain all the information necessary to properly report the appraisal, the form must be supplemented with addenda in order to comply with Standard 2 of USPAP.

What is the “problem to be solved”?

When determining the problem to be solved, the appraiser considers the following factors:

- The client and intended users
- Intended use
- Type and definition of value
- Effective date
- Subject property and its characteristics
- Assignment conditions.

For example, for many mortgage transactions, the “problem” is reporting fair market value of a residential property on a specific date for use by the lender who is making a decision on a loan or cash-out refinance. Other assignments could be to determine the prospective value upon stabilization of the property, insurable value, a retrospective value of a specific date, such as the day before

a fire, or the “as is” market value of an income producing property. As the intended use changes, or as the type of subject property changes, the scope of work changes as well.

What factors are involved in determining the Scope of Work?

Once the appraisal problem has been determined, the appraiser must determine the type and amount of research and analysis that must be performed in order to produce a credible appraisal.

Some factors are:

- The type of property (residential, income-producing, vacant land, entire subdivision, etc.)
- Level of inspection of the subject (full interior, exterior only, no inspection, etc.)
- The intended use (mortgage financing, litigation, condemnation, etc.)
- Highest and best use of the subject (as is, as improved, interim, other)
- The approaches to value necessary to produce credible assignment results

Who Determines the Scope of Work?

The appraiser determines the scope of work. A client might indicate that they want a limited scope of work, but it is up to the appraiser to determine if such a limit on the scope would lead to credible assignment results. Some appraisal forms have a scope of work section preprinted on the form. The appraiser must determine if the pre-printed scope is appropriate for the assignment. FAQ 151 in USPAP states that “the scope of work specified by the client is acceptable only if it allows the appraiser to develop credible assignment results.” If it does not, the appraiser must either change the scope of work or withdraw from the assignment.

Examples of Scope of Work

1. *The assignment is to appraise a single family residence in a suburban subdivision for a lender who will be making a decision whether or not to fund the mortgage. The subject property is 20 years old and is not rented, nor is it in an area of rental houses. The appraiser performs a full interior inspection and utilizes only the sales comparison approach. Is this okay?*

Yes. It appears that this Scope of Work would lead to credible assignment results.

2. *A client has sent you an assignment in which you are to do only the sales comparison approach. You do not need to inspect the subject or drive by the comps as someone else will take exterior photographs of the subject property, and you can use MLS photographs for your comparable sales. The form on which you are to report your appraisal contains many assumptions, extraordinary assumptions, and limiting conditions. There is also a general text addendum you can fill out to report any other necessary comments. Can I accept this assignment?*

Yes. As long as use of only the sales comparison approach will lead to credible assignment results, and you supplement to form to comply with Standard 2 of USPAP, this Scope of Work is acceptable.

3. *My client has asked me to appraise an older home in an area where many of the homes are rented. In fact, the subject itself is rented. The income approach is obviously necessary for credible assignment results, but my client only wants the sales comparison approach. I believe that the client is saying this because my fee is higher if I have to complete the income approach as well as the sales comparison approach. What do I do?*

If you do not believe the sales comparison approach will lead to credible assignment results and the client will accept only that approach, you should decline the assignment. If the client does not care if you do the income approach but will not pay you a higher fee, it is a business decision whether to complete both approaches for the same fee.

4. *Same fact situation as paragraph 3. What if the client says they have a jurisdictional exception that requires that I only do the cost approach?*

If your client tells you that, you must follow the steps in the JURISDICTIONAL EXCEPTION RULE. You must identify the law or regulation that precludes compliance with USPAP, comply with that law, clearly and conspicuously disclose in the report the part of USPAP that is voided by the law, and cite the law in your appraisal report. If the client cannot give you a legal citation for the law or regulation, you cannot invoke the JURISDICTIONAL EXCEPTION RULE. Check with Board staff if you have questions about this.

5. *The subject property is a 40 year old strip shopping center. The appraisal is being done for litigation purposes, and my client wants me to only perform the cost approach. There is adequate data for me to perform both the sales comparison and income approaches. May I take this assignment? By the way, I am to determine market value of the subject.*

The cost approach does not appear to be applicable or necessary to lead to credible assignment results. Obviously, the income approach is the most applicable method, and to exclude it would violate the Scope of Work Rule. You should explain this to your client. If the client will not allow you to perform the income approach, you should decline the assignment.

In closing:

1. The Appraisal Board does not approve forms.
2. Any form may be supplemented to allow it to conform to USPAP.
3. It is up to you, the appraiser, to determine the appropriate Scope of Work for an assignment. If your client will not accept your determination, you should decline the assignment.

NEW EDITION OF USPAP EFFECTIVE JANUARY 1, 2016

The 2016-2017 edition of USPAP has been adopted by the Appraisal Standards Board and will be valid for two years, effective January 1, 2016 through December 31, 2017. As with the current edition of USPAP, the new edition will include guidance from the ASB in the form of the USPAP Advisory Opinions and the USPAP Frequently Asked Questions (FAQs).

As a reminder, appraisers must take the 2016-2017 7 hour USPAP by May 31, 2016 in order to renew in 2016.

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.

In many cases appraisers are required to complete additional education as part of a consent order. Please check with the Board office if you have questions regarding an individual's current license status.

Alton R. Green A4423 (Garner)

By consent, the Board suspended Mr. Green's residential certification for a period of three months. The first month of the suspension is active and the remainder is stayed until March 1, 2016. If the Respondent completes the 15 hour National USPAP class and a class in appraising complex properties, and successfully passes the certified residential examination by that date, remainder of the suspension will be inactive. Mr. Green appraised a property located in Henderson, North Carolina in May 2014, finding a value of \$464,000. The subject is a one-and-one-half-story detached home containing 4,392 square feet situated on a 15.09 acre lot. The subject property was extremely atypical for its market area due to the size of the dwelling and its improvements. The engagement for the assignment required Mr. Green to use original photos in the appraisal report, but he used MLS photos and internet photos. This conflicted with his certification on the report. In addition, he did not view the comparable sales. Although the subject property has 15.09 acres, Mr. Green misread the county tax information and reported the subject to contain nearly double the actual acreage. This mistake significantly affected his opinion of value. Mr. Green issued several revisions of his original report, but he failed to maintain copies of all of them in his work file.

Christopher P. Johnston A5536 (Wilmington)

By consent, the Board suspended Mr.

Johnston's residential certification for a period of one year. The first three months of the suspension are active and the remainder is stayed until December 31, 2015. If Mr. Johnston completes the 15 hour National USPAP course and a course in appraiser liability and takes and passes the state certified residential real estate appraiser examination before that date, the remainder of the suspension shall be inactive. If he fails to complete both courses or pass the examination by that date, the full suspension will be activated. Mr. Johnston also agreed that he will not have trainees for a period of five years. After five years from the effective date of this Order, Mr. Johnston may petition the Board to allow him to engage trainees. Mr. Johnston has been the supervisor for a trainee since August 2010. He signed certifications on many appraisal reports from 2010 until 2013 indicating that he had inspected the interior and exterior of the subject properties when in fact the trainee had performed the inspections on his own, which was in conflict to his signed certification and did not agree with the scope of work stated on the appraisal report. Once he discovered that he was employing a flawed trainee supervision process, he admitted to his mistake and immediately corrected his process.

Michael D. Powell, II A779 (Ocean Isle Beach)

By consent, the Board issued a reprimand to Mr. Powell. Mr. Powell also agrees to complete a class in appraisal report writing and the 15 hour National USPAP class, with

examination, by September 1, 2015. If he fails to complete both courses by that date, the reprimand will be withdrawn and a one month active suspension imposed on that date. Mr. Powell appraised a property located in Sunset Beach, North Carolina in February 2014, finding a value of \$570,000.

The subject property is a two story residential house that was constructed around 1983 and contains around 2350 square feet. It fronts along a creek that accesses the intra-coastal waterway.

The appraisal was reported in a letter format in which Mr. Powell stated was a "restricted use appraisal." However, the letter did not meet the requirements for a restricted appraisal report as described in Standards Rule 2-2(b) of USPAP. It did not have a prominent use restriction that limits use of the report to the client and warns that the rationale for how the appraiser arrived at the opinions and conclusions set forth in the report may not be understood properly without additional information in the appraiser's workfile. There was no signed certification that complied with Standards Rule 2-3 of USPAP.

Daniel B. Smith A6430 (Greensboro)

By consent, the Board suspended Mr. Smith's residential certification for a period of one year. The first three months of the suspension are active and the remainder is stayed until December 31, 2015. If Mr. Smith completes the 15 hour National USPAP course and a course in appraiser liability and takes and passes the state certified residential

real estate appraiser examination before that date, the remainder of the suspension shall be inactive. If he fails to complete both courses or pass the examination by that date, the full suspension will be activated. Mr. Smith also agreed that he will not have trainees for a period of five years. After five years from the effective date of this Order, Mr. Smith may petition the Board to allow him to engage trainees. Mr. Smith has been the supervisor for a trainee since March 2011. He signed certifications on numerous appraisal reports indicating that he had inspected the interior and exterior of the subject properties when in fact the trainee had performed the inspections on his own. Mr. Smith signed the appraisal reports as the appraiser for that client, whether or not he viewed the interiors, which was in conflict to his signed certification and did not agree with the scope of work stated on the appraisal report. He had taken the Board's Supervisor class in April 2011.

**Thomas M. Stainback A3048
(Greensboro)**

By consent, the Board issued a reprimand to Mr. Stainback. Mr. Stainback also agrees to complete a class in the income approach and a class in Appraisal Board Rules by December 1, 2015. If he does not complete both classes by that time, the reprimand will be vacated and a one month suspension will be imposed on that date. Mr. Stainback appraised a property located in Graham, North Carolina at \$65,000 effective May 4, 2014. The subject is an off-frame modular, built in 2008 that contains 1,268 square feet. It is located on a .84 acre lot. The subject property is rented. Mr. Stainback reported that it rents for \$750 a month, when it actually rents for \$775 a month. During the investigation, Mr. Stainback offered rental comparables to support the GRM of 100. However, there was no support for the GRM and no

reference to rental comparables in the report or the work file. Mr. Stainback maintains an appraisal log within his appraisal software program. However, he did not provide a portion of his appraiser log when asked by the Board staff during the investigation.

**R. L. Franklin Sutton A5815
(Goldsboro)**

By consent, the Board issued a reprimand to Mr. Sutton. Mr. Sutton also agrees to complete a class in Fannie Mae guidelines and the 15 hour National USPAP class, with examination, by September 1, 2015. If he fails to complete both courses by that date, the reprimand will be withdrawn and a one month active suspension imposed on that date. Mr. Sutton prepared an appraisal of a property located in Albertson, North Carolina in July 2014, finding a value of \$94,000. The subject is a one-story aluminum sided dwelling with 1269 square feet, situated on 21 acres of land. Although the subject site consists of 21 acres, Mr. Sutton valued the subject with only 10 acres, which violates Fannie Mae guidelines. He failed to identify by boundaries, dimensions, or location the 10 acre portion of the larger tract he was appraising. The interior pictures included in the report indicate that renovations were underway in one bathroom, the kitchen, and the living room as of the appraisal date. No mention was made in the report of these updates. He did the appraisal "subject to completion," but he did not state that on the report.

**J. Thomas Tolley, III A4661
(Durham)**

By consent, the Board suspended Mr. Tolley's general certification for a period of one month. The suspension is stayed until December 1, 2015. Mr. Tolley agrees to complete the 15 hour National USPAP class, a class in the income approach and a class in sales

comparison by December 1, 2015, the suspension will be inactive. If he fails to complete the classes by December 1, 2015, the rest of the suspension will become active on that date. Mr. Tolley performed an appraisal of a one story triplex containing a total of 2953 square feet, 15 rooms, 9 bedrooms, and 3 baths located in Chapel Hill, North Carolina effective November 4, 2013, valuing the property at \$775,000. He revised that report, keeping the same effective date and same value.

He made a location adjustment to each comparable sale for proximity to campus and to a bus route. He made adjustments for the number of living units, and for the number of bedrooms. There was no support for these adjustments in his work file. In his revised report, Mr. Tolley used different comparable sales and added two listings, both located in Chapel Hill. He made a positive adjustment for location to all of his comparable sales, for which there was no support in the workfile. The subject is a rental property, and the income approach is the most applicable approach to the determination of its value. Mr. Tolley, however, gave primary weight to the Sales Comparison Approach, which was incorrect. The engagement order for the subject required him to take original photographs of the subject property and use them in the report. Mr. Tolley, however, used MLS or Internet photos for his closed sales. He did use his own photographs for the listings. Mr. Tolley did not keep an adequate work file for this assignment.

**Scott W. Whittington A5403
(Salisbury)**

By consent, the Board suspended Mr. Whittington's residential license for a period of six months. The first month of the suspension is active and the remainder is stayed until December 1, 2015. If Mr. Whittington completes the 15 hour National USPAP course

and a course in appraiser liability before that date, the remainder of the suspension shall be inactive. If he fails to complete both courses by that date, the full suspension will be activated. Mr. Whittington issued an appraisal report on a property located in Salisbury, North Carolina effective

January 12, 2015. In the report, he signed the report as the appraiser on the left side of the form, and his certification stated that he inspected the interior and exterior of the subject. In fact, he did not perform either an interior or exterior inspection of the subject. Another

appraiser in his office and a trainee did the inspection of the subject property. There is no mention in the report that the other appraiser and the trainee provided significant assistance on the assignment.

Mission Statement

The mission of the North Carolina Appraisal Board is to protect consumers of real estate services provided by its licensees by assuring that these licensees are sufficiently trained and tested to assure competency and independent judgment. In addition, the Board will protect the public interest by enforcing state law and Appraisal Board rules to assure that its licensees act in accordance with professional standards and ethics.

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