2012 PROPOSED RULE CHANGES

The North Carolina Appraisal Board has commenced rulemaking for 2012. A public hearing on the proposed changes will be held at 9:00 am on July 17, 2012 at the Board’s offices in Raleigh. Written comments will be accepted until the public hearing date. Comments may be directed to the Board’s legal counsel, Roberta Ouellette (Roberta@ncab.org), may be faxed to 919-870-4859 or may be sent to 5830 Six Forks Road, Raleigh, NC 27609.

The rules are available on the Board’s website at www.ncappraisalboard.org. Here are a few highlights from the proposed rules:

Trainees:

- Removes the state trainee examination.
- Deletes the reference to trainees residing in another state being able to renew with a letter of good standing.
- Deletes reference to obtaining a trainee registration or appraiser license through a credential held in another state.
- Allows trainee applicants to take either the residential or general market analysis and highest and best use course to become a trainee.
- Removes the ability of a licensed appraiser to supervise a trainee.
- Requires the supervisor to have been certified for at least 3 years.
- Removes the requirement that all appraisers signing the report must have declared the trainee, and adds a requirement that the appraiser with the highest level of licensure must have declared the trainee.

Certified appraisers:

- Amends the 5 year rule for qualifying education and experience for certified appraisers.
- Allows applicants who are residents in North Carolina to be certified through a credential held in another state.

General:

- Deletes the requirement that an applicant must wait six months if an application is withdrawn, cancelled or denied to reapply.

Education:

- Adds the requirement of a 7 hour update to be taken as part of the 28 hour requirement.
- Allows some qualifying education to be used as continuing education.
- Clarifies that no CE credit will be given for courses taken before someone is registered, licensed or certified.

Continued on page 2
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.

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APPRAISER COUNT

(As of February 29, 2012)
Trainees 410
Licensed Residential 132
Certified Residential 2111
Certified General 1238
Total Number 3981

APPRASER EXAMINATION RESULTS

July 1, 2011 – February 29, 2012

<table>
<thead>
<tr>
<th>Examination</th>
<th>Total</th>
<th>Passed</th>
<th>Failed</th>
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<tbody>
<tr>
<td>Trainee</td>
<td>61</td>
<td>45</td>
<td>16</td>
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<tr>
<td>Certified Residential</td>
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<td>16</td>
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</tr>
<tr>
<td>Certified General</td>
<td>14</td>
<td>12</td>
<td>2</td>
</tr>
</tbody>
</table>

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

Renewal:

- Requires appraisers residing in another state to show proof they have taken the most recent version of USPAP.

Sponsors and instructors:

- Deletes the requirement of sponsors providing evaluation forms and adds a requirement of informing students of contact information for the Board.
- Changes the approval and renewal cycles for the seven hour USPAP course to run from October 1 in an odd numbered year for the even-numbered edition of USPAP; the approval will expire on the next December 31 of the even-numbered year. The renewal will expire on September 30 of the next odd-numbered year.
- Establishes the approval for update instructors to expire June 30 of an odd-numbered year.

Appraisal management companies

- Adds a requirement that an applicant must respond to information within 90 days or the application is cancelled.
- Removes the requirement to send a notice of removal to the address in the Appraisal Board’s records, and allows the notice to be sent by any means that shows proof of delivery.
- Adds a provision that allows an AMC to remove an appraiser for business reasons unrelated to conduct of the appraiser.

A REMINDER:

APPRASERS MUST TAKE THE 2012-2013 7 HOUR USPAP UPDATE BY MAY 31, 2012 IN ORDER TO RENEW IN 2012

The 2012-2013 edition of USPAP is now in effect. Appraisal Board rules now require that trainees and appraisers must take the 2012 version of the 7 hour USPAP update by May 31, 2012 in order to renew your credential. If you fail to take the course by that date, you will not be allowed to renew until you take the course, and not until after July 1, 2012 (which will result in a late fee).

NATIONAL REGISTRY FEE INCREASE

The National Registry fee has increased from $25.00 to $40.00 effective January 1, 2012. The Appraisal Board charges an administrative fee of $20 to process the paperwork to put appraisers on the National Registry, so this means that you will pay $60.00 instead of $45.00 to be on the Registry.

When you renew in 2012, you will pay $260 instead of $245 for your renewal fee if you want to be on the National Registry.
2012 RENEWAL INFORMATION

All registrations, licenses and certificates expire on June 30th and must be renewed before this date to maintain your current status. Renewal notice forms will be mailed in early May. Please access your record through the licensee login on our website and make sure we have your correct mailing address so the renewal notice will reach you. You may update your contact information through the licensee login section. You will only receive one renewal notice. If you do not renew by June 30th, your registration, license or certificate will expire. Any person who acts as a trainee, licensed or certified real estate appraiser while expired shall be subject to disciplinary action and penalties as prescribed by the Appraiser’s Act. You are required to have the 2012-2013 7-Hour National USPAP Update course completed by May 31, 2012 in order to renew on time. The remaining 21 hours of continuing education is due by May 31, 2013 to renew next year. It is strongly suggested that you not wait until the last minute to obtain your required continuing education.

The renewal fee is $200.00 and if you want to be on the National Registry, there is an additional fee of $60.00. You must be on the National Registry to prepare appraisals related to federally related transactions. Registered trainees are not permitted to be on the Registry, but are allowed to work on any assignments their supervising appraiser is allowed to prepare. If you allow your license to lapse, you may late renew with late penalty fees for the first 12 month period and may reinstate in the second 12 month period by making a full application. After 24 months, you must start over and meet all the current education and experience requirements plus pass the exam.

Appraisers are not home inspectors!

The North Carolina Home Inspector Licensure Act requires that anyone who performs a home inspection for compensation must be licensed by the North Carolina Home Inspector Licensure Board. Under the Act, a home inspection is defined as a “written evaluation of two or more of the following components of a residential building: heating, cooling, plumbing, electrical, structural, foundation, roof, masonry, exterior, interior, or any other related housing components.” N.C. General Statute 143-151.45.

Most clients ask the appraiser to describe the interior and exterior of a subject property. Clients may also ask an appraiser to comment on the condition of the property, including needed repairs, and whether there are any physical deficiencies or adverse conditions that affect the livability, soundness of structural integrity of the property. Appraisers and clients refer to the appraiser's visit to the subject property as an inspection. These factors sometimes lead to confusion on the part of consumers, who assume the appraiser has performed a home inspection.

As an appraiser, it is your responsibility to be the “eyes and ears” of your client. Your inspection consists only of a visual observation of the exterior and interior accessible areas and unobstructed, exposed surfaces of the living area without the removal of personal possessions.

You are not performing a home inspection, and you should be careful when commenting on the condition of the property. When doing an inspection, if you observe issues with any of the above components of a property, you should simply note what you see. Clients, for example, may ask you to comment in the appraisal report whether the plumbing is functional. As an appraiser, you can state that you turned on a faucet and water came out. Only a home inspector or a plumber can state that the entire plumbing system in the home is functional. You may see a crack in the foundation of a subject property. If so, you should take a photo and include the photo in the appraisal. You should then note the issue in the report, with a comment that the property should be inspected by a licensed professional.

It is recommended that you comment in your appraisal reports that you are not a home inspector, and that you cannot evaluate any of the components of the property.
If you have been appraising for years, chances are good that someone will someday file a complaint against you. Here are a few tips to help you avoid a complaint.

1. **Consider whether you should accept the assignment.**

   If this is a routine residential mortgage transaction, things may go fairly smoothly. If the assignment is for appraising a property in a divorce, estate, tax appeal, or anything that might end up in litigation, you should meet with your client to assess whether there could be trouble ahead. You should also consider whether you are comfortable with the assignment conditions before accepting this type of assignment. The client might expect a certain outcome from your appraisal to support their position, and if the client seems emotional about the outcome, you may want to consider whether you want to take the assignment.

   Another time to be careful about accepting an assignment is if the client needs the report in a hurry, especially over a weekend. The client may tell you that another appraiser backed out and that they will pay you a rush fee. If you accept an assignment on this basis, make sure that you have adequate time and opportunity to verify the information you plan to use in your analysis.

   Think about the assignment – are you competent to take it? If not, decline it, or figure out how you will attain competency. If the subject property is outside your usual market area, consider whether you are geographically competent to accept it. Ask yourself why a local appraiser has not taken the assignment. There may be something going on in this market area that local appraisers are fully aware of but that you won’t know about. Be sure to consult with local appraisers or real estate agents to talk about the subject so that you don’t miss anything.

   If you have an uneasy feeling about the client or the assignment, it is better to walk away than to risk having a dissatisfied client.

2. **Make sure you and your client understand the terms of the assignment.**

   Clients want quick turnaround times. Give yourself enough time to do the assignment. Have a clear agreement (preferably in writing) with your client as to when the appraisal will be sent. If you cannot meet this deadline, let your client know as soon as possible. When you agree on a later date, confirm it in writing.

   You should also make sure that you understand your client’s guidelines and that your client understands your scope of work. For example, do you only need to use 3 comps? Or does your client expect 6 comps and 3 listings that are gridded? Interior photos? How many? May a trainee assist you on the assignment? What reporting format will you use? If you don’t have these types of issues clarified before you begin the assignment, you may find yourself being asked for additional information or told to revise the report. If you refuse to do this work, a complaint may be filed.

3. **Double check your measurements.**

   The Board often gets complaints from property owners and buyers stating that the sketch in the report and the square footage of the dwelling are incorrect. In some circumstances staff finds that the field measurement was correct, but numbers were transposed or inaccurately recorded. When doing your sketch, you could, for example, end up with a sketch for a dwelling that looks square, while the property is clearly rectangular. Since this is one area of the report that gets a great deal of scrutiny, make sure your measurements are as accurate as possible.

4. **Verify the information about your comparable sales.**

   Appraisers obtain comparable sales information from listing services, tax records, real estate agents and others in performing appraisals. For the most part, that information is correct and reliable. Sometimes, however, the information is incorrect and relying upon it will result in a misleading appraisal. USPAP requires you to obtain, verify and analyze such information. For example, if you obtain comparable sales information from 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, especially from a home owner. Your data source and verification source need to be noted in your report. Many times property owners are quite familiar with a home that has sold in their area, and, for example, are quick to point out the property does not have a pool or is in run-down condition.

*Continued on page 5*
5. **Make sure the information in your report is consistent.**

Staff often sees simple mistakes in entering information in a report. Often this happens as a “cloning error” when you use an earlier report as a template. For example, you might state on the first page of the URAR that the property has a two car garage, but in the sales comparison grid, you state that the subject has a one car garage and make adjustments accordingly. In a narrative report, you might have basic information about one county in a report when the subject is in another county. These types of mistakes make your report look careless and less than credible, even if your value is supported by the market. Careful proofreading should catch most of these errors.

6. **Support your adjustments.**

Your adjustments should be explained in the report. If the comparable sale is in an inferior neighborhood and a location adjustment is warranted, it should not be made in the site adjustment area. Readers of the report will assume that no adjustment was made for location, and will complain that the appraiser did not recognize the location difference. If you decide to combine adjustments, explain in an addendum what you did. Also, make sure to make your adjustments in the right direction (positive or negative).

Before sending your report in, take another look at your photos for your subject and comparable sales. Sometimes there are clear and obvious differences between the subject and the comparable sales. If a reader of the report would expect an adjustment and one is not there, this could generate a complaint.

7. **Accurately report sales history.**

USPAP requires you to provide a complete sales history on the subject for 3 years. This means every transfer for the subject, not just those in MLS. Foreclosures must be reported. Some tax offices only report that last sale of a property, not all sales. If only the land sold, that sale must be reported and explained. Fannie Mae requires that appraisers report the 12 month sales history of comparable sales. Remember, the 12 months goes back from the date of the sale of the comparable sale, not the date of appraisal. Make sure that you perform an adequate search for the sales history.

8. **Verify information or make your appraisal based on an extraordinary assumption.**

Is the electricity off in the home? Say so in the report, and make your appraisal based on the extraordinary assumption that the utilities work. Using an extraordinary assumption informs your client that you don’t know if the utilities work, but you will prepare the appraisal as though they do. This issue could also arise when an addition has been made to a property and you are not sure if proper permits have been obtained, or if the addition was performed in compliance with local building codes. If you don’t know and can’t find out, and the information could have some influence on your appraisal, consider an extraordinary assumption to alert your client to the issue.

9. **Note any significant real property appraisal experience by others.**

Property owners, real estate agents and others remember who came out to inspect a property or who called them for information. If your trainee does the inspection, but only you sign the report, the reader will have serious questions about the credibility of the appraisal. Property owners will pour over the details of their property looking for items that were missed in the inspection and that could change the value. If your client says that you have to perform the inspection, do it or decline the assignment. Signing a certification that you inspected the property when you did not is a violation of USPAP and the Appraiser’s Act, and is taken very seriously by the Board.

10. **Keep a complete work file.**

This won’t necessarily help you avoid a complaint, but will help you deal with it should one come along. USPAP’s Record Keeping Rule requires you to maintain a copy of the work file for every appraisal assignment for at least five years after preparation or two years after court testimony, whichever period expires last, thus it is important to keep copies of all information and verification in the file. You should have enough data, information and documentation in your file to support your opinions and conclusions, and to produce a summary report from it. USPAP does allow you to have a reference in the file as to where the information may be obtained, so some appraisers don’t keep a copy of MLS.
sheets, tax cards and other data. The problem arises when an MLS system purges its system, or a new tax valuation occurs. The old information is no longer available, the appraiser cannot retrieve that information, and the work file is incomplete. A work file may be kept in an electronic format, and scanning in a tax card or MLS sheet does not take very long.

Interior photographs, even if not required by your client, could be very useful if a complaint is filed. If a property goes into foreclosure at some point after your appraisal, the lender often orders a retrospective review. In many cases the property has deteriorated since the effective date of your appraisal, which may influence the reviewer’s opinion of value. Your photographs of the condition of the subject property at the time of your inspection could save you from disciplinary action.

Often appraisers are asked to make revisions or corrections to their reports. You must keep a copy of every version of the report that you send to a client, not just the last one. Staff often receives complaints that contain an original version of a report; being able to follow your work file through the revisions made after the original appraisal was sent will make the investigative process easier on you.

**Conclusion**

Above all else, **be professional** when dealing with property owners, clients, appraisal management companies and others. Dress appropriately, don’t use profanity, and be polite. Your attitude and demeanor could make the difference if someone is on the fence about filing a complaint.

Even if you scrupulously follow every tip given here, chances are you may still have a complaint filed against you. If that happens, you may want to refer to the September 2011 edition of the *Appraisereport* for tips on how to handle that process.

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**Applicants must provide Actual Hours on Experience Log**

In January 2011 the Board switched from the point system for reporting appraisal experience to an hour system that matches the Appraiser Qualification Criteria as well as the North Carolina General Statutes.

Applicants were instructed to convert experience earned before December 31, 2010 to hours by multiplying the number of points by 8.3 hours.

Assignments completed on or after January 1, 2011 should show the **actual** number of hours necessary to complete the assignment. **Although the application booklet provides a chart showing anticipated hours for certain types of properties, applicants are required to claim the actual hours spent on the assignment whether it is more or less than the chart.** The work file should have documentation to adequately support the hours spent on the assignment. Failure to properly document the hours could result in the denial or reduction of hours for that particular assignment.

Although this article, which was published in the September 2011 *Appraisereport*, and the log sheet itself state that an applicant must log the actual hours spent on an assignment, we have had to return many applications for using the anticipated hours on the chart. The information booklet will be edited to remove the anticipated hours and to just provide examples of property types.
NOTES FOR APPRAISAL
MANAGEMENT COMPANIES

Fees to Appraisers
North Carolina law requires that AMCs must make payment to appraisers within 30 days of the date the appraisal is transmitted to the AMC. This means 30 days of the original transmission from the appraiser to the AMC, NOT 30 days from when the assignment is “complete”. Registered appraisal management companies shall pay fees to an appraiser within 30 days of the date the appraisal is transmitted by the real estate appraiser to the registrant, except in cases of noncompliance with the conditions of the engagement. In such cases, the registrant shall notify the real estate appraiser in writing that the fees will not be paid.

Indemnity Clauses
AMCs must be careful to make sure that the indemnity clauses in their appraiser agreements are not in conflict with state law. N.C.G.S. § 93E-2-7 (a) contains the information on indemnity agreements:

(a) No employee, director, officer, or agent of a registered appraisal management company or any other third party acting as joint venture partner or independent contractor shall influence or attempt to influence the development, reporting, result, or review of a real estate appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or in any other manner, including:

(13) Requiring an appraiser to indemnify an appraisal management company or hold an appraisal management company harmless for any liability, damage, losses, or claims arising out of the services performed by the appraisal management company, and not the services performed by the appraiser.

Some of the clauses sent by appraisers to the Board are too vague and are in conflict with this law. If you are in concerned if your indemnity clause comports with state law, you should consult with your legal counsel.

AMC Renewals
All Appraisal Management Company registrations expire June 30, 2012, and must be renewed before this date to maintain its current status. The renewal fee is $2,000. The renewal application will be available on our website under the forms section later this month. All registrations reinstated after the expiration date are subject to a late filing fee of $20.00 for each month or part thereof that the registration is lapsed, not to exceed one $120.00. In the event a registrant fails to reactivate the registration within six months after the expiration date, the registration shall expire and the registrant shall be required to file a new application for registration.

Reinstatement of a registration shall not be retroactive.

2012 Board Meeting
Dates

May 15
July 17
September 19
November 13

All meetings are conducted at the North Carolina Appraisal Board building located at 5830 Six Forks Road, Raleigh.

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.
UPCOMING CHANGES TO REAL PROPERTY APPRAISER QUALIFICATIONS

On December 9, 2011, the Appraiser Qualifications Board of The Appraisal Foundation adopted changes to the Real Property Appraiser Qualification Criteria that will become effective January 1, 2015. These changes represent minimum national requirements that each state must implement by January 1, 2015.

OVERVIEW OF CHANGES

<table>
<thead>
<tr>
<th>National Uniform Licensing and Certification Examinations</th>
<th>Education and experience must be completed prior to taking the AQB-approved National Uniform Licensing and Certification Examination.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background Checks</td>
<td>All candidates for a real property appraiser credential must undergo background screening. State appraiser regulatory agencies are strongly encouraged to perform background checks on existing credential holders as well.</td>
</tr>
<tr>
<td>College Degree Acceptance and Core Curriculum Requirements</td>
<td>Credit towards qualifying education requirements may be obtained via the completion of a degree program in Real Estate from an accredited degree-granting college or university provided the college or university has had its curriculum reviewed and approved by the AQB.</td>
</tr>
<tr>
<td>Deletion of the Segmented Approach to Criteria Implementation</td>
<td>States had the option to implement the 2008 Real Property Appraiser Qualification Criteria via the “segmented approach.” This implementation option will no longer be valid effective January 1, 2015.</td>
</tr>
<tr>
<td>Restriction on Continuing Education Course Offerings</td>
<td>Aside from complying with the requirements to complete the 7-Hour National USPAP Update Course (or its AQB-approved equivalent), appraisers may not receive credit for completion of the same continuing education course offering within an appraiser’s continuing education cycle.</td>
</tr>
<tr>
<td>Distance Education Requirements</td>
<td>A written, proctored examination is required for all qualifying education distance course offerings. The term written refers to an examination that might be written on paper or administered electronically on a computer workstation or other device.</td>
</tr>
<tr>
<td>Revisions to Subtopics in Guide Note 1 (GN-1) and Continuing Education Topics</td>
<td>Added topics on green building (qualifying and continuing education), seller concessions (qualifying and continuing education) and developing opinions of real property value in appraisals that also include personal property and/or business value (continuing education only).</td>
</tr>
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# College Level Education Requirement Changes

<table>
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<tr>
<th>Classification</th>
<th>Current Requirements</th>
<th>1/1/15 Requirements</th>
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<tbody>
<tr>
<td>Trainee Appraiser</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Licensed Residential Appraiser</td>
<td>None</td>
<td>30 semester credit hours of college level education from an accredited college, junior college, community college, or university OR an Associate’s degree or higher (in any field).</td>
</tr>
<tr>
<td>Certified Residential Appraiser</td>
<td>21 semester credit hours in specified collegiate subject matter courses from an accredited college or university OR an Associate’s degree or higher.</td>
<td>Bachelor’s degree or higher (in any field) from an accredited college or university.</td>
</tr>
<tr>
<td>Certified General Appraiser</td>
<td>30 semester credit hours in specific collegiate subject matter courses from an accredited college or university OR a Bachelor’s degree or higher.</td>
<td>Bachelor’s degree or higher (in any field) from an accredited college or university.</td>
</tr>
</tbody>
</table>

*These requirements are effective for individuals seeking a real property appraiser credential after January 1, 2015. However, in some cases, the requirements may also apply to existing real property appraisers (for example, a state may require a credentialed appraiser to meet the new Criteria if he or she moves from a state that does not have reciprocity with that state. Or some states may require appraisers seeking to change their credential level to meet all of the 2015 Criteria prior to obtaining the new credential). Credentialed appraisers are urged to contact the applicable state appraiser regulatory agencies if they are contemplating relocation or changing credential levels.

## Supervisory Appraiser and Trainee Appraiser Requirement Changes

### Supervisory Appraiser
- State-certified Supervisory Appraiser shall be in good standing with the training jurisdiction and not subject to any disciplinary action within the last three (3) years that affects the Supervisory Appraiser’s legal ability to engage in appraisal practice. Shall have been state certified for a minimum of three (3) years prior to being eligible to become a Supervisory Appraiser.
- A Supervisory Appraiser may not supervise more than three Trainee Appraisers at one time, unless a state program in the licensing jurisdiction provides to progress monitoring, supervising certified appraiser qualifications, and supervision oversight requirements for Supervisory Appraisers.
- Shared responsibility to ensure the appraisal experience log for the Trainee Appraiser is accurate, current, and complies with the requirements of the Trainee Appraiser’s credentialing jurisdiction.
- Both the Trainee Appraiser and Supervisory Appraiser shall be required to complete a course that, at a minimum, complies with the specifications for course content established by the AQB. The course will be oriented toward the requirements and responsibilities of Supervisory Appraisers and expectations for Trainee Appraisers. The course must be completed by the Trainee Appraiser prior to obtaining a Trainee Appraiser credential, and completed by the Supervisory Appraiser prior to supervising a Trainee Appraiser.

### Trainee Appraiser
- All qualifying education must be completed within the five (5) year period prior to the date of submission of an application for a Trainee Appraiser credential.
- A Trainee Appraiser is permitted to have more than one Supervisory Appraiser.
The Appraisal Standards Board (ASB) of The Appraisal Foundation develops, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP) on behalf of appraisers and users of appraisal services. The USPAP Q&A is a form of guidance issued by the ASB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of USPAP in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems. The USPAP Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. USPAP Q&A does not establish new standards or interpret existing standards. USPAP Q&A is not part of USPAP and is approved by the ASB without public exposure and comment.

2012-01: APPRAISAL DEVELOPMENT – SCOPE OF WORK ISSUES
Marketing Time on Appraisal Forms

**Question:** I am completing a market value appraisal. I use standard pre-printed residential report forms that ask for a neighborhood marketing time. Does marketing time on these forms mean the same thing as exposure time as it is used in USPAP?

**Response:** No. Although the two may be the same length of time, the meanings are different. The exposure time opinion required by USPAP is specific to the subject property and represents the length of time the subject would likely have been listed for sale prior to a hypothetical sale of the subject property on the effective date of the appraisal. Marketing time, in this context, is the typical length of time the properties in that neighborhood would be expected to be on the market prior to a sales agreement.

As explained in STATEMENT ON APPRAISAL STANDARDS NO. 6 (SMT-6), exposure time is dependent on the characteristics of the subject property and the market conditions as of the effective date.

Most residential appraisal report forms have a field in which the appraiser must enter an opinion of the neighborhood marketing time. However, most residential appraisal report forms do not have a field for which the appraiser must report the reasonable exposure time. The Comment to Standards Rule 1-2(c)(iv) requires the appraiser to develop an opinion of reasonable exposure time whenever developing an opinion of value where exposure time is a component of the definition for the value opinion being developed. The Comments to Standards Rules 2-2(a)(v), (b)(v), and (c)(v) require the appraiser to communicate the opinion of reasonable exposure time in the appraisal report.

2012-02: ETHICS RULE – CONDUCT
“Acting as an Appraiser”

**Question:** I know that appraisers are prohibited from accepting appraisal assignments in which the fee is contingent upon the attainment of a stipulated result, such as a reduction in property taxes. However, I’ve heard of some appraisers who believe that they are able to accept such assignments, claiming that they are not “acting as an appraiser.” Are these appraisers correct?

**Response:** USPAP only applies to individuals when they are performing as an appraiser. If an individual is providing this service in some other role, the individual’s USPAP obligation would be to not misrepresent his or her role. If an individual performs a valuation service which is outside of appraisal practice, he or she may be able to perform such a service without complying with USPAP, subject to applicable laws and regulations. It is extremely important, however, for all state licensed or certified appraisers to fully understand the laws and regulations related to their state appraiser credentials; most states require their credentialed appraisers to comply with USPAP when engaged in appraisal practice, which would prohibit the appraiser from accepting assignments where the fee is contingent upon attainment of a stipulated result.

2012-03: DEFINITIONS
Personal Property Appraisal Consulting

**Question:** I am an appraiser who has been asked to perform a consulting service on when and where best to sell some machinery and equipment. I am aware that STANDARDS 4 and 5 relate only to real property appraisal consulting. I have determined that this assignment will require me to estimate probable value ranges in different markets. What are my USPAP obligations?

**Response:** Because this assignment will require you to “estimate probable value ranges,” you will be developing appraisals as part of this assignment. These appraisals must be developed in compliance with STANDARD 7 and reported in compliance with STANDARD 8.

There are no development or reporting Standards for personal property appraisal consulting. However, the ETHICS RULE, COMPETENCY RULE and JURISDICTIONAL EXCEPTION RULE apply to all appraisal practice. In addition, the RECORD KEEPING RULE and the SCOPE OF WORK RULE both apply to all appraisal, appraisal review and appraisal consulting assignments. Therefore, all of these Rules apply to personal property appraisal consulting assignments.
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.

Stuart Adams A5562 (Garner)
By consent, the Board accepted the surrender of Mr. Adams’ right to renew his residential certification.

Todd Averett A5973 (Zebulon)
By consent, the Board suspended Mr. Averett’s residential certification for a period of six months. The suspension is stayed until June 1, 2012. If Mr. Averett completes a class in sales comparison and the 15 hour National USPAP class (including passing the class examination) by that date, the suspension will be inactive. Mr. Averett appraised a property located in Cary, North Carolina in October 2010, finding a value of $195,000. The subject was described as a 1646 square foot split level home located on a .66 acre corner lot. Mr. Averett used four sales and four listings in his sales comparison analysis. At least one comparable sale was located in an inferior neighborhood, and a location adjustment should have been made. Although his certification stated that he inspected the comparable sales from the street, he did not do so. Had he viewed the sales from the street, it is likely that he would have realized the superior nature of the subject’s neighborhood to one of the sales.

William G. Brown A333 (Charlotte)
By consent, the Board voted to suspend Mr. Brown’s residential certification a period of six months. The suspension is stayed until June 1, 2012. If Mr. Brown completes a class in sales comparison and a class in the residential cost approach by that date, the suspension will be inactive. Mr. Brown appraised a property located in Charlotte, North Carolina in September 2010. He issued two reports on the property: one valued it at $258,000, and the other valued it at $282,000. The subject is a 2 story brick and vinyl dwelling with 2706 square feet, located in a neighborhood of similar properties with several amenities. In the first appraisal, Mr. Brown selected three neighborhood sales that ranged in sales price from $261,000 to $285,000. These appeared to be short sales. The second report was a revision of the first with a new signature date, but the same effective date. In that report, Mr. Brown selected three different sales, including two neighborhood sales that sold for $278,000 to $310,000. These sales were more appropriate and should have been used in the first appraisal. In the first report, the Cost Approach indicated a value of $263,136 for the subject, utilizing a square foot price of $76.65. In the second report, the Cost Approach indicated a value of $288,275 for the subject, utilizing a square foot price of $86.65 for the subject. The Cost Approach appears to have been increased by approximately 10% to support the indicated value by the Sales Comparison Approach, without any support in the work file. A third revision was made on October 22, 2010 to fulfill the lender’s request for an additional comparable to support the value of $282,000.

Richard Chapman A1604 (Emerald Isle)
By consent, the Board suspended Mr. Chapman’s residential certification for a period of three years. The first six months of the suspension are active. If Mr. Chapman completes the precertification course Residential Sales Comparison and Income Approach and takes and passes the certified residential state examination by the end of the first six months, the remainder of the suspension will be inactive. If he fails to take the course or pass the examination by the end of the six months, the remaining suspension will be active. In addition, Mr. Chapman agrees that he will no longer supervise any trainees. Mr. Chapman prepared several appraisal reports of a property located in Emerald Isle, North Carolina from August 2007 until May 2008, all finding a value of $2,360,000. He prepared the appraisal reports as the property was constructed. The subject property is a 4,157 square foot three story beach home located on a .232 acre lot. It is in a second row location facing the ocean. Mr. Chapman relied on the sales comparison approach for his final value. He used seven sales that were located on the beach that ranged in sales price from $2,000,000 to $3,000,000. He used three sales located off the beach ranged in sales price from $1,175,000 to $1,500,000. After adjustments for location, size, and
condition, his ocean front sales ranged in adjusted price from $2,245,700 to $2,823,300. His off the beach sales ranged in adjusted price from $1,522,100 to $1,618,900. Mr. Chapman adjusted each beachfront property by a negative $200,000 to mitigate the subject property’s second row location. This location adjustment was far too low. Had he used an appropriate adjustment, his value opinion would have been considerably lower. Mr. Chapman has previously been disciplined by the Appraisal Board.

**William R. Dellinger A3166 (Statesville)**

By consent, the Board suspended Mr. Dellinger’s general certification for a period of six months. The first month of the suspension is active and the remainder is stayed until June 1, 2012. If Mr. Dellinger completes the 15 hour National USPAP class, including passing the examination, and a class in valuing vacant land by that date, the remainder of the suspension will be inactive. Mr. Dellinger also agrees that he will no longer perform any condemnation appraisals. He further agrees that he will not serve as a consultant on any condemnation appraisal assignment, and he will not appear as an expert witness for court or administrative agency testimony related to a condemnation of real estate. Mr. Dellinger provided three appraisals regarding the subject property, which was the subject of a condemnation action. The subject is a partially developed 400 acre residential subdivision located in Statesville, North Carolina. The city had installed power lines without benefit of an easement, and Mr. Dellinger was initially engaged to value the damages resulting from the taking of 2.896 acres of land, which represented a strip of land along the road. His value for the right of way was $103,400. In his sales comparison approach, he used eight single family lot sales and selected a value of $35,750 to determine the per acre value of the 2.896 acres. However, the subject land was limited in use and could not be developed into single family residences due to its very narrow width. He made no adjustments for this fact. After he completed this report, a hearing was held regarding the extent of the taking. The judge determined that the entire golf course development was damaged by the city power line installation, and that the power line area actually taken was 1.199 acres. Mr. Dellinger provided a second appraisal in which he used five residential building lot sales that were smaller than those used in his first report and determined that the 1.199 acres were worth $67,215 per acre. He then developed a before and after value for the entire subdivision. He noted that twenty one lots in the subject development sold at an average price of $59,386 per lot before the taking, and fifty five lots sold after the taking for an average price of $45,113 per lot. He added the total value of the taking of 1.199 acres to the total difference in value of 55 lots sold after the taking and to the loss on value of 81 lots platted and currently for sale, for a total estimated value of damages of $991,172. All of the lots he used in his after analysis were bulk sales (five sales of 10 lots and one sale of 5 lots). He did not make any adjustment or allowance for this factor in his analysis. After this report was submitted, Mr. Dellinger was informed that there was a contract for the sale of over 200 lots in the subdivision that was entered into prior to the effective date of the valuation. That contract indicated an initial sales price of $43,600 per lot. He revised his appraisal and the results were presented verbally to the attorney. The new value showed damages of $279,396.

**Thomas Dotson A1492 (Plymouth)**

By consent, the Board suspended Mr. Dotson’s residential certification for a period of twelve months. The first three months of the suspension are active and the remainder is stayed until July 1, 2012. If Mr. Dotson completes the Appraisal Board’s trainee supervision course and the 15 hour National USPAP class by that date, the remainder of the suspension shall be inactive. Mr. Dotson will no longer be allowed to have any trainees working under his supervision once his current trainee has upgraded. Mr. Dotson appraised a property located in Bath, North Carolina in January 2011, finding a value of $220,000. A trainee working under the supervision of Mr. Dotson was the only one who inspected the subject property. Mr. Dotson did not perform either an interior or exterior inspection. He signed the appraisal report, and he noted in the report that the trainee contributed to the research and development of the report. No mention was made that the trainee inspected the subject property. Mr. Dotson indicated that this was done because the client specified that only the assigned appraiser must complete all aspects of the appraisal. Although the certification in the appraisal report stated that Mr. Dotson personally inspected the interior and exterior of the subject property, he did not do so.

**Jeannette Ford A3602 (Benson)**

By consent, the Board issued a reprimand to Ms. Ford. She also agrees to complete the precertification class in Residential Sales Comparison and Income Approaches, including passing the
class examination. Ms. Ford prepared an appraisal report of a property located in Fayetteville, North Carolina in July 2010, finding a value of $225,000. The subject property consists of a 0.46 acre site improved with a 1-story house containing approximately 2,446 sq. ft. with a finished basement containing 1,344 sq. ft. Ms. Ford included the basement rooms in her total room count above grade, stating that there were 11 rooms above grade when there were only seven above grade. She reported that the living area above grade was 2243 square feet, but it actually contained 2446 square feet. It appeared from the hand written sketch in the work file that she measured the subject correctly, but the sketch in the report did not match her notes. The subject property had a pool that was in disrepair on the effective date of the appraisal. Ms. Ford made a $45,000 across the board adjustment for the repair/removal of the swimming pool and detached building, but there was no support for this adjustment. The subject had an unusual floor plan and similar comparable sales were not available. The appraisal did not address the functional obsolescence of the subject.

**Tracey Galmon A5350 (Charlotte)**

By consent, the Board accepted the surrender of Ms. Galmon’s right to renew her residential certification.

**William M. Hall A4306 (Gastonia)**

By consent, the Board accepted the surrender of Mr. Hall’s right to renew his residential certification.

**Nathan Hopper A5643 (Monroe)**

By consent, the Board suspended Mr. Hopper’s general certification for a period of three months. The suspension is stayed until January 1, 2012. If Mr. Hopper completes the Residential Sales Comparison and Income Approach class by that date, the suspension shall be inactive. Mr. Hopper prepared an appraisal report of a property located in Waxhaw, North Carolina in September 2010, finding a value of $432,000. The subject is a 3780 square feet 2-story detached single family home located on a 1.77 acre lot in a residential subdivision. The subject was under contract for $390,000 on the effective date of the report. There had been only three sales in the subject development. Mr. Hopper used one sale from the subdivision in his report that had 3697 square feet and sold for $323,000, but considered the other two to be too small in living areas. He chose his five other sales from subdivisions that were superior in location to the subject, but he failed to make appropriate adjustments for location. The subject had an unusual floor plan and similar comparable sales were not available. The appraisal did not address the functional obsolescence of the subject.

**Robert Hullett A4733 (Hickory)**

By consent, the Board suspended Mr. Hullett’s residential certification for a period of six months. The suspension is stayed until March 1, 2012. If Mr. Hullett completes a class in valuing vacant land and the 15 hour National USPAP class by that date, the suspension shall be inactive. There were two cases against Mr. Hullett. In one case, Mr. Hullett appraised two lots, one consisting of 2.26 acres and the other consisting of 1.64 acres, located in a proposed subdivision at Lake Lure. He appraised the two lots together effective January 7, 2005, finding a value of $210,000. In the other case, Mr. Hullett appraised a vacant lot consisting of 2.38 acres also located in a proposed subdivision at Lake Lure. He appraised the subject effective January 19, 2006, finding a value of $207,000. The subject development contained 4000 acres of land that was to be developed into an exclusive residential subdivision adjacent to Lake Lure. The parent tract of the development was purchased in 2003 and individual lots began selling in the spring of 2005. Mr. Hullett prepared about 20 appraisals from 20 reports from January 2005 until December 2006. In all of these appraisals, Mr. Hullett’s methodology was reasonable and his values supported. None of the reports indicated that Mr. Hullett utilized an extraordinary assumption that the appraisals were done subject to completion of the development and its amenities, although it is obvious that he did so. His appraisal reports did not contain sufficient information.

**Deborah Lozano A7062 (Charlotte)**

By consent, the Board suspended Ms. Lozano’s residential certification for a period of three months. The suspension is stayed until February 1, 2012. If Ms. Lozano completes two classes: the 15 hour USPAP class, including passing the examination, and a class that covers residential square footage, and she takes and passes the state certified residential examination by that date, the suspension will be inactive. Ms. Lozano performed an appraisal of a property located in Cornelius, NC in February 2010, finding a value of $420,000. The subject property contains approximately 3300 square feet and is located in a residential subdivision. Ms. Lozano stated that the subject contained 3456 square feet, which is incorrect, as she mistakenly included 146 square feet (or 4% of the total square footage).
office in New York. The Board provided to him at his current location in New York. The Board staff provided Mr. Lynn with the complaint and requested that he provide to the Board a copy of the subject report and work file within 30 days of receipt of the letter. This correspondence was sent via certified mail. This letter was received and signed for by Mr. Lynn on April 4, 2011. Mr. Lynn never filed a response to the complaint, nor had he asked for more time to do so.

Richard Murray A5981 (Wilmington)

By consent, the Board suspended Mr. Murray’s residential certification for a period of three years. The first six months of the suspension are active. If Mr. Murray completes the 15 hour National USPAP course and a course in appraiser liability by the end of the first six months, the remainder of the suspension will be inactive. Mr. Murray and another appraiser appraised a property located in Wrightsville Beach, North Carolina in August 2007, finding a value of $1,575,000. The subject was a 33 year old one story dwelling on piers. The property was undergoing renovations and was appraised subject to completion. The renovations included an additional story of living area. After the renovations were complete, the subject was to have 9 rooms, including 6 bedrooms, 4 full baths and 2 half baths, with 3038 square feet of gross living area above grade. The report was signed by both appraisers, with the other appraiser signing as a supervisory appraiser and indicating that he did inspect the subject property. They appraised the subject again in October 2007; that report had the same effective date as the report in August, but had a new signature date. In May 2008, the appraisers signed a final inspection report stating that the improvements had been completed in accordance with the requirements and conditions stated in the original appraisal. In this report, the other appraiser indicated that he did not inspect the property. The photographs taken by Mr. Murray for the final inspection failed to portray the subject property as a one story dwelling above a foundation with two sliding glass doors, and a rear access two car garage. There was an additional level. The Certification of Completion stated that the improvements had been completed in accordance with the requirements and conditions stated in the original appraisal report, which was incorrect.

Aaron Ollis A1519 (Skyland)

By consent, the Board accepted the surrender of Mr. Ollis’ right to renew his residential certification.

Gregory Stemmerich A5844 (Du Bois, PA)

By consent, the Board accepted the surrender of Mr. Stemmerich’s right to renew his residential certification.

John Todd A5816 (Sneads Ferry)

By consent, the Board accepted the surrender of Mr. Todd’s right to renew his residential certification.

Kenneth Williams A5887 (Charlotte)

Mr. Williams’ residential license is currently lapsed. By consent, Mr. Williams agreed that he may not renew his license until March 1, 2012. Before he can do so, he must take all continuing education he would otherwise need to renew his license, and must also take a class in sales comparison and the 15 hour National USPAP course. The hours from these two courses may not be used for Mr. Williams’ continuing education requirement. If Mr. Williams does not complete the two

Alton R. Lynn A4261 (Painted Post, NY)

Following a hearing, the Board revoked Mr. Lynn’s right to renew his residential certification. The Board found that in April 2010, a complaint was filed against Mr. Lynn regarding an appraisal of a property located in Raleigh, North Carolina. Board staff sent Mr. Lynn a letter dated April 8, 2010, asking him to respond to the complaint. The letter was sent to Mr. Lynn’s address of record with the Appraisal Board. When he failed to respond to that letter, staff sent him a letter by certified mail on July 13, 2010 again notifying him of the complaint. Staff did not receive notification that he received that letter. In October 2010, Mr. Lynn was contacted by email by Thomas Lewis, the Deputy Director of the Appraisal Board. Mr. Lynn indicated that he was unaware of the complaint and asked that it be sent to him. He also indicated that he was temporarily residing out of state. When Mr. Lynn still did not send in a response to the complaint, Mr. Lewis contacted him again in March 2011 to request a response. Mr. Lynn told Mr. Lewis at that time that he was still out of state and asked that the complaint be provided to him at his current location in New York. The Board staff provided Mr. Lynn with the complaint and requested that he provide to the Board a copy of the subject report and work file within 30 days of receipt of the letter. This correspondence was sent via certified mail. This letter was received and signed for by Mr. Lynn on April 4, 2011. Mr. Lynn never filed a response to the complaint, nor had he asked for more time to do so.

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Richard Murray A5981 (Wilmington)

By consent, the Board suspended Mr. Murray’s residential certification for a period of three years. The first six months of the suspension are active. If Mr. Murray completes the 15 hour National USPAP course and a course in appraiser liability by the end of the first six months, the remainder of the suspension will be inactive. Mr. Murray and another appraiser appraised a property located in Wrightsville Beach, North Carolina in August 2007, finding a value of $1,575,000. The subject was a 33 year old one story dwelling on piers. The property was undergoing renovations and was appraised subject to completion. The renovations included an additional story of living area. After the renovations were complete, the subject was to have 9 rooms, including 6 bedrooms, 4 full baths and 2 half baths, with 3038 square feet of gross living area above grade. The report was signed by both appraisers, with the other appraiser signing as a supervisory appraiser and indicating that he did inspect the subject property. They appraised the subject again in October 2007; that report had the same effective date as the report in August, but had a new signature date. In May 2008, the appraisers signed a final inspection report stating that the improvements had been completed in accordance with the requirements and conditions stated in the original appraisal. In this report, the other appraiser indicated that he did not inspect the property. The photographs taken by Mr. Murray for the final inspection portrayed the subject property as a one story dwelling above a foundation with two sliding glass doors, and a rear access two car garage. There was an additional level. The Certification of Completion stated that the improvements had been completed in accordance with the requirements and conditions stated in the original appraisal report, which was incorrect.

Aaron Ollis A1519 (Skyland)

By consent, the Board accepted the surrender of Mr. Ollis’ right to renew his residential certification.

Gregory Stemmerich A5844 (Du Bois, PA)

By consent, the Board accepted the surrender of Mr. Stemmerich’s right to renew his residential certification.

John Todd A5816 (Sneads Ferry)

By consent, the Board accepted the surrender of Mr. Todd’s right to renew his residential certification.

Kenneth Williams A5887 (Charlotte)

Mr. Williams’ residential license is currently lapsed. By consent, Mr. Williams agreed that he may not renew his license until March 1, 2012. Before he can do so, he must take all continuing education he would otherwise need to renew his license, and must also take a class in sales comparison and the 15 hour National USPAP course. The hours from these two courses may not be used for Mr. Williams’ continuing education requirement. If Mr. Williams does not complete the two
classes by March 1, he cannot renew his license until they are taken. Mr. Williams appraised a property located in Charlotte, North Carolina in June 2010, valuing the property at $239,000. The subject property is a one and a half story brick and frame dwelling located in a residential subdivision. Mr. Williams stated that the property contained 2245 square feet, when in fact it contained approximately 2750 square feet. He chose sales for his sales comparison approach that ranged in size from 2100 to 2400 square feet. As a result of incorrectly measuring the dwelling, he made adjustments to his comparable sales that were incorrect, resulting in a low value. Mr. Williams provided a revised report to his client almost a month later and noted a new square footage of 2,704 square feet. In this revised report, he used the same sales, but made positive adjustments for size. The sketch located within the addenda was also corrected as part of this report. Given the significant size difference, these sales were no longer the most comparable to the subject and should not have been used. The later report offered a revised opinion of value of $257,000. There were other properties available for comparison that represented far better physical substitutes than those properties selected by Mr. Williams for the revised report that would have led to a higher value for the subject. Mr. Williams was asked to send a copy of his work file for this assignment, but he was unable to produce it.

Charles Zearfoss A2915 (Wilmington)

By consent, the Board suspended Mr. Zearfoss’ general certification for a period of three years. The first six months of the suspension are active. If Mr. Zearfoss completes the 15 hour National USPAP course and a course in appraiser liability by the end of the first six months, the remainder of the suspension will be inactive. Mr. Zearfoss and another appraiser appraised a property located in Wrightsville Beach, North Carolina in August 2007, finding a value of $1,575,000. The subject was a 33 year old one story dwelling on piers. The property was undergoing renovations and was appraised subject to completion. The renovations included an additional story of living area. After the renovations were complete, the subject was to have 9 rooms, including 6 bedrooms, 4 full baths and 2 half baths, with 3038 square feet of gross living area above grade. The report was signed by both appraisers, with Mr. Zearfoss signing as a supervisory appraiser and indicating that he did inspect the subject property. They appraised the subject again in October 2007; that report had the same effective date as the report in August, but had a new signature date. In May 2008, the appraisers signed a final inspection report stating that the improvements had been completed in accordance with the requirements and conditions stated in the original appraisal. In this report, Mr. Zearfoss indicated that he did not inspect the property. The photographs taken by the other appraiser for the final inspection portray the subject property as a one story dwelling above a foundation with two sliding glass doors, and a rear access two car garage. There was no additional level. The Certification of Completion stated that the improvements had been completed in accordance with the requirements and conditions stated in the original appraisal report, which was incorrect.