



APPRAISER REPORT

2016 RULE CHANGES

The North Carolina Appraisal Board has voted to amend some rules and adopt others. These rules will be presented to the Rule Review Commission on May 19, and should become effective on July 1, 2016. Please check the Board's website after that date for a full copy of the new rules.

Appraiser rule changes:

57A .0211 Applicants Certified in Another State

Removes the requirement that an applicant use a specific reporting service.

57A .0501 Appraisal Standards

Removes the Statements on Appraisal Standards from the reference to USPAP as the Statements have been removed from USPAP effective January 1, 2016.

Adds a new Section 57A.0600 to address experience credit for upgrade, based on the information currently in the Information Instructions.

57B .0303 Course Completion Standards

Sets forth requirements for a proctor for the final examination.

57B .0304 Course Scheduling

Removes the limit of 30 classroom hours in a seven day period for qualifying courses.

57B .0614 Instructors for the Trainee/Supervisor Course Required By G.S. § 93e 1 6.1

Corrects an incorrect reference to another rule.

AMC rule changes:

57D .0309 Complaints Against Appraisers

Adds a requirement to add to the complaint the name and contact information of the person at the AMC who has knowledge of the basis of the complaint.

57D .0403 Criminal Background Checks

Sets forth requirements for background checks pursuant to SL. 2015-200.

APPRAISERREPORT

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

NORTH CAROLINA APPRAISAL BOARD

5830 Six Forks Road
Raleigh, North Carolina 27609
Phone: 919/870-4854
Fax: 919/870-4859

Website:

www.ncappraisalboard.org

Email Address:

ncab@ncab.org

Pat McCrory, Governor

APPRAISAL BOARD MEMBERS

Charles L. McGill	Raleigh
Chairman	
Fern H. Shubert	Marshville
Vice-Chairman	
Samuel Cory Gore	Wilmington
Hector R.M. Ingram	Wilmington
David E. Reitzel	Conover
Maggie Sandrock	Lillington
Christie L. Standish	Murphy
Timothy N. Tallent	Concord
Dwight C. Vinson	Franklin

STAFF

Donald T. Rodgers, *Executive Director*
Roberta A. Ouellette, *Legal Counsel*
Thomas W. Lewis, III, *Deputy Director*
Jeffrey H. Davison, *Investigator*
Terri S. Haywood, *Investigator*
H. Eugene Jordan, *Investigator*
Jacqueline Kelty, *Administrative Assistant*
Deborah C. Liggins, *Administrative Assistant*
Pam A. Privette, *Administrative Assistant*
Mindy M. Sealy, *Executive Assistant*

APPRAISER COUNT

(As of April 30, 2016)

Trainees	348
Licensed Residential	88
Certified Residential	1991
Certified General	1318
Total Number	3745

APPRAISER

EXAMINATION RESULTS

November 1, 2015 – April 30, 2016

Examination	Total	Passed	Failed
Certified Residential	12	8	4
Certified General	5	4	1

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>

REMINDER:

APPRAISERS MUST TAKE THE 2016-2017 7 HOUR USPAP UPDATE BY MAY 31, 2016 IN ORDER TO RENEW IN 2016.

The 2016-2017 edition of USPAP is now in effect. Appraisal Board rules require that trainees and appraisers must take the 2016 version of the 7 hour USPAP update by May 31, 2016 in order to renew your credential.

2016 APPRAISER RENEWAL INFORMATION

All registrations, licenses and certificates expire on June 30th and must be renewed before this date to maintain your current status. 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 2016-2017 7-Hour National USPAP Update course completed by May 31, 2016 in order to renew on time.** The remaining 21 hours of continuing education is due by May 31, 2017 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. 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.

To view a current list of continuing education courses approved by the Board, please visit our website at http://www.ncappraisalboard.org/education/contin_edu.htm

WHAT IS THE APPROPRIATE ACTION OF AN APPRAISER WHEN AN ERROR IS DISCOVERED IN HIS OR HER APPRAISAL REPORT?

Many of the complaints received by the Appraisal Board are the result of typographical and clerical errors in appraisal reports. A majority of errors occur simply because reports are not being proofread before they are transmitted to the client. Often an appraiser will write over an old report, forgetting to make changes as necessary. The result may be a misleading report that confuses the intended users and other readers of the report.

This issue is addressed in USPAP. The Conduct Section of the ETHICS RULE states that an appraiser must not use or communicate a report that is known by the appraiser to be misleading, and must not knowingly permit an employee or other person to communicate a misleading or fraudulent report. Standards Rule 1-1(c) states that “An appraiser must not render appraisal services in a careless or negligent manner, such as by making a series of errors that, although individually might not significantly affect the results of an appraisal, in the aggregate affects the credibility of those results.” In addition, Standards Rule 2-1 requires that an appraisal report must “clearly and accurately set forth the appraisal in a manner that is not misleading.”

Appraisers should carefully proofread their reports before sending them to clients. If a mistake is discovered in a report after it has been transmitted, the appraisers should let the client know about the error. The appraiser should then make the appropriate corrections and issue a new report with a new signature date. The second report should clearly state that it is a revision of a report signed on an earlier date, and that the prior report should be discarded. Copies of both the original report and the revised report must be kept in the work file. If the client does not want the revised report, the appraiser should keep a copy of the email or prepare a detailed note about the conversation. The email or note should be retained with the corrected copy in the work file.

AMC Renewals

All Appraisal Management Company registrations expire June 30, 2016, and must be renewed before this date to maintain its current status. The renewal fee is \$2,000. Each renewal shall post with the Board a surety bond in the amount of \$25,000. The bond must not expire before June 30, 2017. A rider to a current bond is acceptable. The renewal application and bond forms are available on our website under the forms section. 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 \$120.00. In the event a registrant fails to reinstate 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.

2016 Board Meeting Dates

June 21	November 9
August 9	December 13

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

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.

An appraisal inspection is done for the benefit of the lender. A home inspection is done for the benefit of the homeowner. An appraiser observes the apparent condition of the subject property while a home inspector will look at areas not readily observable. 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.

If an appraiser sees problems with the condition of the property, the appraiser should recommend an inspection by a qualified individual. Some of these conditions include:

- standing water against the foundation and/or excessively damp basements;
- hazardous materials on the site or within the improvements;
- inoperable mechanical systems (electrical, plumbing or heating/cooling);
- evidence of possible structural failure (e.g., settlement or bulging foundation wall, unsupported floor joists, cracked masonry walls or foundation);
- evidence of rotting wood or possible pest infestation;
- leaking or worn-out roofs; or
- any other condition that in the professional judgment of the appraiser warrants inspection.

An FHA appraisal is usually more detailed than that performed for a conventional mortgage, but it does not rise to the level of a home inspection. FHA guidelines state that the appraiser must observe, analyze and report defective conditions and must also provide photographic documentation of those conditions in the appraisal report.

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 and advise your client that a licensed professional should be consulted.

It is recommended that you make a comment in your appraisal reports that you are not a home inspector, and that you cannot evaluate any of the components of the property.

Equivalent Approval for Continuing Education Courses

Most North Carolina Appraisers take courses that have been previously approved by the Appraisal Board in order to meet their continuing education requirement. There is a list of approved courses on the Board's website along with the number of hours approved for each course. Sometimes appraisers may take a course out of state from a course provider that did not seek approval in North Carolina, or they take a course marketed to a different profession that they feel is applicable to real property valuation. Others may wish to receive credit for appraisal courses they taught or authored. There is a way to apply for such credit.

Rule 21 NCAC 57A.0204 (g) says:

(g) A current or former trainee, licensee, or certificate holder may request that the Board grant continuing education credit for a course taken by the trainee, licensee, or certificate holder that is not approved by the Board, or for appraisal education activity equivalent to a Board-approved course, by making such request and submitting a non-refundable fee of fifty dollars (\$50.00) as set out in G.S. 93E-1-8(d) for each course or type of appraisal education activity to be evaluated. Continuing education credit for a non-approved course shall be granted only if the trainee, licensee, or certificate holder provides satisfactory proof of course completion and the Board finds that the course satisfies the requirements for approval of appraisal continuing education courses with regard to subject matter, course length, instructor qualifications, and student attendance. Appraisal education activities for which credit may be awarded include teaching appraisal courses, authorship of appraisal textbooks, and development of instructional materials on appraisal subjects. Up to 14 hours of continuing education credit may be granted in each continuing education cycle for participation in appraisal education activities. Trainees or licensed or certified appraisers who have taught an appraisal course or courses approved by the Board for continuing education credit are deemed to have taken an equivalent course and are not subject to the fee prescribed in G.S. 93E-1-8 (d), provided they submit verification satisfactory to the Board of having taught the course(s). A trainee, licensee, or certificate holder who teaches a Board-approved continuing education course may not receive continuing education credit for the same course more than once every two years, regardless of how often he or she teaches the course. Requests for equivalent approval for continuing education credit must be received before June 15 of an odd-numbered year to be credited towards the continuing education requirement for that odd-numbered year. Equivalent approval shall be granted only for courses that are 7 hours or longer, and shall only be granted for a minimum of 7 hours.

In order to receive credit an appraiser should go to the NC Appraisal Board website and look for the Form "Equivalent Approval for Continuing Education". Here is a link: [form](#). Fill out the form and submit with a \$50 fee, a course completion certificate, timed course outline, and any other course materials that might support the request for approval. At a minimum, you must include verification that you completed the course and provide documentation for the number of hours. Credit for teaching or authoring a course does not require the \$50 fee if the course has been approved or is being submitted for approval to the NC Appraisal Board for continuing education. There does, however, need to be documentation from the course sponsor confirming the date and location the instructor taught the course.

Courses submitted for equivalency must have been taken prior to May 31st as is the case with all continuing education courses for the appraiser to be able to renew on time. Equivalency for the 7-Hour USPAP course must have been taught by AQB Certified USPAP instructor who is also a current Certified Appraiser. Anyone with questions about the process for Equivalent Continuing Education should email the Board office ncab@ncab.org or call 919-870-4854.

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.

Appraisers:

Joseph P. Bruneau A6736 (Wilmington)

By consent, the Board issued a reprimand to Mr. Bruneau. Mr. Bruneau agrees to complete a class in appraisal report writing and a class in appraisal review by June 30, 2016. If the classes are not completed by that date, the reprimand will be vacated and a one month suspension activated on that date. Mr. Bruneau performed a review of a property located in Southport, North Carolina, and also appraised that subject effective July 28, 2014, finding a value of \$176,000. The subject property is a single family residence that contains approximately 1700 square feet. Mr. Bruneau reported his review in a narrative format. He did not identify the appraiser nor was there a statement that the client had requested that he not be identified. There was no effective date for the appraisal review, no scope of work, and no certification in this review. On the appraisal report, there was a preprinted certification that a visual inspection of the exterior and interior was made. Mr. Bruneau did see the interior of the subject, but on a date before the effective date of the report. He stated in his report that the sketch and photos used in the report were from a recent appraisal report.

Austin A. Everett T5505 (Waxhaw)

By consent, the Board issued a reprimand to Mr. Everett. Mr. Everett also agrees to complete the 15 hour USPAP class and a class in Appraisal Board rules before he may renew his

registration. Mr. Everett prepared an appraisal of a property located in Charlotte, North Carolina in August 2014, finding a value of \$1,225,000. The subject property is a one story commercial building consisting of approximately 25,000 square feet. Mr. Everett was supervised on this report, but his supervisor did not sign the report because he was under the mistaken belief that an evaluation was not an appraisal. Mr. Everett should have known this report was an appraisal and that he needed to comply with applicable laws, rules, and USPAP. He performed 70 other assignments similar to this one.

J. Lynn Horan A6962 (Raleigh)

By consent, the Board suspended Ms. Horan's residential certification for a period of two months. The suspension is stayed until June 30, 2016. If Ms. Horan completes a class in sales comparison before that date, the suspension shall be inactive. If she fails to complete the class by that date, the suspension will be activated. Ms. Horan appraised two properties located in Durham, North Carolina. The first property is a two story home located in Durham, North Carolina. She appraised this property at \$275,000 effective September 12, 2013. The second property is a two story home. She appraised this property at \$230,000 effective February 18, 2013. In both reports, she used only one sale from the subject subdivision. Her other sales were from outside the subdivision. There were other sales from the subdivision that would have led to a

different value for the subject. The two comparables that were used from outside the subject's subdivision did not share similarities to the subject in style, location, age, neighborhood, site size, or quality of construction. Ms. Horan did not make sufficient comments in the reports to explain why she did not select nearby sales and why she selected sales further from the subject.

Arthur W. McElhannon, Jr. A3855 (Charlotte)

By consent, the Board suspended Mr. McElhannon's general certification for a period of six months. The suspension is stayed until March 1, 2016. If Mr. McElhannon completes a class in Appraisal Board rules and the 15 hour National USPAP class by that date, the suspension shall be inactive. Mr. McElhannon agrees that he will have no trainees for a period of one year. After that time he may petition the Board to allow him to have trainees in accordance with 21 NCAC 57A .0407. Mr. McElhannon A trainee working under Mr. McElhannon's supervision prepared an appraisal of a property located in Charlotte, North Carolina in August 2014, finding a value of \$1,225,000. The subject property is a one story commercial building consisting of approximately 25,000 square feet. Mr. McElhannon supervised the trainee on this report, but he did not sign the report because he was under the mistaken belief that an evaluation was not an appraisal. He should have known this report was an appraisal and that he needed to comply with

applicable laws, rules, and USPAP. The trainee performed 70 other assignments similar to this one.

**Amanda G. Rivera A4533
(Zebulon)**

By consent, the Board suspended Ms. Rivera's residential certification for a period of one year. The first three months of the suspension are active. If Ms. Rivera completes the 15 hour National USPAP course, a class in sales comparison, and a class in appraiser liability before December 31, 2016, and passes the state certified residential examination before that date, the remainder of the suspension shall be inactive. If she fails to complete all three courses and pass the examination by that date, the remainder of the suspension will be activated. There were two cases against Ms. Rivera. In the first case, she appraised five properties. The first and second properties were condominiums located in the same project in Cary, North Carolina. Ms. Rivera valued both properties at \$122,000 in February 2013. The third property is a townhome located in Raleigh, North Carolina. Ms. Rivera appraised the property in February 2013, finding a value of \$190,000. The fifth property is a two story detached home located in Morrisville, North Carolina. Ms. Rivera valued the subject at \$390,000 in December 2013. In all of these appraisals, she used sales from outside the subject subdivision without explanation when there were sales in the area that were available at the time of the appraisals. Had comparables been used from the subject area, the value would have been lower. The fourth property was a single family dwelling located in Wake Forest, North Carolina. Ms. Rivera valued the subject at \$275,000 effective July 7, 2012. She selected one sale from the subject subdivision, and made an unsupported upward adjustment for condition. Although some of the sales did reside in a different county or city, it was

reasonable to compare them with the subject as their immediate neighborhood did extend into multiple jurisdictions. In three of these five assignments, Ms. Rivera's trainee inspected the properties on her own. Ms. Rivera signed the reports as the appraiser on the left side of the form, and her certifications stated that she inspected the interior and exterior of the subjects. In fact, she did not perform either an interior or exterior inspection on the subject properties. In the second case, Ms. Rivera appraised a two story home located in Durham, North Carolina. She appraised this property at \$275,000 effective September 12, 2013. She used only one sale from the subject subdivision. Her other sales were from outside the subdivision. There were sales in the subject's subdivision that shared the same location, appeal, and quality of construction as the subject property and should have been used in the report. Had these sales been used, the value would have been lower.

**Anthony Zientek A7378
(Huntersville)**

By consent, the Board suspended Mr. Zientek's general certification for a period of three months. The suspension is stayed until June 30, 2016. If Mr. Zientek completes the 15 hour National USPAP class, a class in appraiser liability, and a class in Appraisal Board rules before that date, the suspension will be inactive. Mr. Zientek notified the Appraisal Board that he had entered into a Consent Order with the Division of Licensing Services in the state of New York in October 2014. The consent order specified that Mr. Zientek "... adjusted no less than 2 appraisals submitted by an independent contractor under his employ without knowledge or consent of the original appraiser and without identifying the adjustments or his involvement in said appraisals in violation of NY Executive Law

160u(1)(g).” In that order, Mr. Zientek's certification was suspended on December 7, 2014 for a period of 6 months. The Appraiser's Act states that the Appraisal Board may suspend or revoke any registration, license or certificate or reprimand any registered trainee, license or certificate holder if the trainee, licensee, or certificate holder has had a real estate trainee registration or its equivalent, real estate appraiser license, or real estate appraiser certification suspended, revoked, or denied by a real estate licensing board in another state. N.C.G.S. 93E-1-12(b)(4).

**Mark C. Zofrea A7724
(Knightdale)**

By consent, the Board issued a reprimand to Mr. Zofrea. He agrees to complete a class in sales comparison by June 30, 2016. If the class is not completed by that date, the reprimand will be vacated and a one month suspension activated on that date. Mr. Zofrea appraised a property located in Wake Forest, North Carolina effective March 13, 2015, finding a value of \$665,000. The subject property is a frame-sided 3671 square foot dwelling with a 75% finished basement that contains 1511 square feet. Mr. Zofrea's comparable sales were superior in quality and appeal and were located in superior areas where sales prices were significantly higher than those in subject's immediate market area. There were other sales that could have been used in the appraisal that were more similar in location and quality to the subject dwelling that would have led to a lower opinion of value.

Appraisal Management Companies:

Appraisal Nation, LLC NC1002 (Cary, North Carolina)

By consent, the Board voted to suspend Appraisal Nation's AMC registration for a period of one month. The suspension is stayed until June 30, 2016. They are also ordered to pay a civil penalty of \$10,000 by June 30, 2016. In addition they are ordered to, in the future, pay fees to an appraiser within 30 days of the date the appraisal is first transmitted by the appraiser to the Respondent as follows:

- (a) If payment is made by electronic means, the funds for the fee shall be deposited into the appraiser's account so that they are available to the appraiser on the 31st day following the date the appraisal is first transmitted to the company.
- (b) If payment is made by check, the check shall be postmarked no later than the 30th day following the date the appraisal is first transmitted to the company.

On December 21, 2014, the Board received a complaint against Appraisal Nation alleging that they failed to pay appraisal fees for five invoices. Appraisal Nation admitted that these invoices were not paid on time. The Complainant has been paid

in full for those invoices. Board staff requested and received a spreadsheet from the company for payment activity in 2014. Out of approximately 1,847 appraisal assignments, the company provided payment within the 30 day required payment period 708 times. The average payment time was 38 days. Board staff also requested and received a spreadsheet for activity for a few months in 2015. That information indicated that 42% of the invoices were paid after 30 days.

Information received later in 2015 indicated that assignments have been paid well within 30 days. The company has obtained a line of credit so that there will be no issues in the future with late payment. This was the first complaint against Appraisal Nation. All invoices to date have been paid in full.

Independent Settlement Services NC1086 (Pittsburgh, Pennsylvania)

By consent, the Board ordered Independent Settlement Services to pay a civil penalty of \$5000 by December 1, 2015. In addition, the company must pay fees to an appraiser within 30 days of the date the appraisal is first transmitted by the appraiser to the company. If the company fails to comply, with Paragraph 2 above, they understand that they may be subject to a civil

penalty of up to \$25,000 for each violation. On March 16, 2015, the Board received a complaint against the company filed by an appraiser. The appraiser alleged that the company failed to pay her for an invoice that was submitted to them on December 23, 2014. The company had sent a check to the appraiser on January 19, 2015 which the appraiser did not receive. The appraiser sent an email to the company in February asking about the check, but she sent it to the wrong address so the company was unaware that she had not been paid. Upon receipt of this complaint, the appraiser was paid in full for this invoice. Board staff requested a spreadsheet of all appraisal orders processed by the company in North Carolina for calendar years 2014 and 2015. An examination of the 2014 records indicated that out of approximately 579 appraisal assignments, the company paid within 30 days only 75 times. Most of those were paid within 40 days. The 2015 records indicate that all appraisers were paid within 30 days. The company admits that there were vendors who were paid outside of the 30 day requirement in 2014. They understand that they were not in full compliance in meeting the 30 day time frame and they completely accept responsibility.

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.

NORTH CAROLINA APPRAISAL BOARD
5830 Six Forks Road
Raleigh, NC 27609
(919) 870-4854