AQB and ASB Suggest Changes - Invite Comments

The Appraisal Foundation recently released two exposure drafts that suggest changes that will effect current and future appraisers. More importantly the Foundation is providing all interested parties a chance to make comments. The two drafts are:
• The Appraiser Qualification Board’s Exposure Draft on revising the Real Property Appraiser Qualifications Criteria
• The Appraisal Standards Board’s Exposure Draft on proposed revisions to the 2002 Edition of USPAP

The AQB proposes significant changes to the requirements to become licensed or certified as an appraiser. Some of the AQB’s many proposals include:
• Increasing the number of hours of appraisal education required for each level of licensure–140 hours for licensed, 200 hours for certified residential, and 315 for certified general.
• Requiring a four-year bachelors degree (or other specific education) for the certified general level.
• Requiring a two-year associated degree (or other specific education) for the certified residential level.

The ASB proposed many changes to USPAP; some of them include revisions or additions related to:
• Property sales history
• Updating an appraisal
• Jurisdictional exceptions

Appraisal Board Amends Rules

The North Carolina Appraisal Board has amended its rules effective August 1, 2002. Some of the rules implement the changes in the Appraisers Act that were effective in October 2001. Others deal with prelicensing and continuing education and trainee supervision.

New Trainee Rules

The rules regarding trainees have significantly changed. New rule 21 NCAC 57A.0407 will require that the supervisor:
1. Has been licensed or certified for at least two years.
2. Has no more than 2 trainees working under his or her supervision at any one time, either as employees or subcontractors.
3. Must inform the Board before a trainee begins working under his or her supervision.
4. Must accompany the trainee on inspections of the subject property for the first 50 inspections the trainee performs on or after August 1, 2002, and any inspections performed by the trainee on a subject property that is located more than 50 miles from the supervisor’s primary business address.
5. Review all appraisal reports and supporting data used in connection with appraisals in which the services of a trainee is utilized.
6. Must make available to the trainee a copy of every appraisal report where the trainee performs more that 75% of the work on the appraisal.
7. Prepares and furnishes to a trainee whose services were utilized in connection with the appraisal a Verification of Supervised Appraisal Experience Form. A copy of the Verification Form must also be placed in the appraisal work file.
8. Has not received any disciplinary action regarding his or her appraisal license or certificate from the State of North Carolina or any other within the previous (2) years. For the purposes of this section, disciplinary action means only an active suspension or a revocation.

In addition, the Board may require that any license or certificate holder who wishes to supervise a trainee must attend an education program regarding the role of a supervisor before such supervision may begin.

The trainee will be required to maintain a log that includes, but is not limited to, each appraisal performed by the trainee, the name of the supervisor for that appraisal, the supervisor’s license or certificate number and whether the supervisor accompanied the trainee on the inspection of the subject property. The Board office will soon have a supply of this new log form for trainees. Trainees are prohibited from using a seal on their appraisal reports.

Examinations

Anyone applying for registration, licensure or certification, including trainees seeking to upgrade, must take the examination within one year of date of issuance of the exam ticket. The applicant is limited to three attempts at the examination within that one-year period, and must wait 30 days between attempts at the exam.

Continuing Education

Significant changes have also been made to continuing education effective August 1, 2002.

Continued on page 2
From the Board Room

USPAP Instructor Certification Course Comes to Raleigh

Beginning in 2003, only AQB Certified USPAP Instructors will be permitted to teach The Appraisal Foundation’s National USPAP Courses. Successful completion of this instructor certification course and the examination are REQUIRED to qualify to instruct these courses.

The Appraisal Foundation is offering this course nationwide. When the Board learned that the closest course for North Carolina instructors to attend would be in Atlanta, the Board worked with The Foundation to bring the course to North Carolina. The North Carolina Appraisal Board realizes the importance of this course and is looking forward to sponsoring the course in Raleigh on August 23-25, 2002.

The Instructor Certification Course is a challenging program covering the history, framework and concepts of the Uniform Standards of Professional Appraisal Practice (USPAP). The course consists of 2 days of instruction with a comprehensive exam on the third day. The course is scheduled to be taught by the current members of the Appraisal Standards Board (ASB). The registration fee for the 2-1/2 day Instructor Certification Course is $425.

Enrollment forms were mailed to all North Carolina instructors earlier in the year. Enrollment is limited to 40 students. Please contact the Board for application and enrollment steps or visit The Appraisal Foundation’s web site at www.appraisalfoundation.org under Qualifications Program to Improve USPAP Education for complete information regarding this program.

AQB and ASB Suggest Chantes – Invite Comments

Continued from page 1

- Appraising properties impacted by environmental contamination
- Revisions to STANDARD 3
- Segmentation of USPAP by discipline
- Certifications for multi-discipline reports

The exposure drafts can be viewed and comments can be submitted via the Foundation’s website at www.appraisalfoundation.org. You can also obtain a copy of the draft by calling the Foundation at (202) 347-7722.

Comments on the ASB’s exposure draft must be received by the Foundation by April 1, 2002. Comments on the AQB’s exposure draft must be received by the Foundation by April 30, 2002.

The Board encourages appraisers individually and collectively through the various trade organizations to respond to these exposure drafts.

Appraisal Board Amends Rules

Continued from page 1

1. Licensees will be able to use any prelicensing course for continuing education purposes, although these courses cannot be used both for continuing education and for upgrading a license or certificate.

2. Continuing education credits may not carry over into the next licensing cycle.

3. Course sponsors will be required to submit course rosters; licensee will not have to send the original course completion certificate to the Board.

4. Beginning in 2003, the continuing education cycle will go to 2 years instead of one, requiring 28 hours of continuing education for the 2 years instead of 14 for one year.

5. In addition, there will be a requirement that licensees take, as part of the 28 hours, the 7 hour National USPAP update course, as required by the Appraiser Qualification Board of the Appraisal Foundation, every two years.

Many other important changes have been made to the rules in the area of education. All appraisers are encouraged to become familiar with the new rules before they go into effect. Contact the Board’s office to request a copy.
Approved Continuing Education Courses  
(As of February 27, 2002)

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

<table>
<thead>
<tr>
<th>ALAMANCE COMMUNITY COLLEGE</th>
<th>P.O. Box 8000</th>
<th>Graham, NC 27253</th>
<th>(336)578-2002</th>
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</thead>
<tbody>
<tr>
<td>Appraising Small Residential Income Properties (10/10)</td>
<td>Construction Methods I: Print Reading (5/5)</td>
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<td>Intro to Commercial Real Estate (4/4)</td>
<td>New Exxst Residential Codes Affecting RE Appr (10/10)</td>
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<td>Real Estate Finance (4/4)</td>
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<tr>
<th>ALLSTATE HOME INSPECTION TRAINING INSTITUTE</th>
<th>Route 1, Box 130</th>
<th>Randolph Center, VT 05061</th>
<th>(800)245-9932</th>
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<tr>
<td>Environmental Awareness Seminar (8/8)</td>
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<td>Introduction to Home Inspection (8/8)</td>
<td>USPAP Refresher (8/8)</td>
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<tr>
<th>AM SOC FARM MANGRS &amp; RURAL APPR</th>
<th>950 S. Cherry Street, Suite 508</th>
<th>Denver, CO 80222</th>
<th>(303)758-3513</th>
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<tr>
<td>A-12 (II) National USPAP (15/15)</td>
<td>A-12 Part 1 ASFMRA Code of Ethics (7/7)</td>
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<td>Advanced Appraisal Review A-25 (49/30)</td>
<td>Appraising Rural Residential Property (16/14.5)</td>
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<td>Conservation Easement (16/16)</td>
<td>Eminent Domain (19/19)</td>
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<td>Fed Land Exchang &amp; Acqsn: App (18.5/18.5)</td>
<td>Fractional Interests (16/16)</td>
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<td>Highest &amp; Best Use A-9 (15/15)</td>
<td>Residential Building Code Changes in NC (5/5)</td>
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<td>Basic Construction Technology (6/6)</td>
<td>Uniform Agricultural Appraisal Report (15/15)</td>
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<tr>
<th>AMERICAN SOCIETY OF APPR (THE)</th>
<th>535 Herndon Parkway, Suite 150</th>
<th>Herndon, VA 22070</th>
<th>(703)478-2228</th>
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<td>SE100: National USPAP (15/14)</td>
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<tr>
<th>AM SOCIETY OF APPRAISERS NC CHAPTER</th>
<th>605 NC Highway 54 West</th>
<th>Chapel Hill, NC 27516</th>
<th>(919)967-3338</th>
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<tr>
<th>AMERICAN SCHOOL OF RE APPR</th>
<th>P.O. Box 275</th>
<th>Cherryville, NC 28021</th>
<th>(704)435-1111</th>
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<tr>
<td>Current Issues &amp; Problem Solving (14/14)</td>
<td>Today’s Analysis of Residential Appr (10/10)</td>
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<td>USPAP (15/15)</td>
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<tr>
<th>APPRAISAL ACADEMY (THE)</th>
<th>1522 North University Street</th>
<th>Peoria, IL 61614</th>
<th>(309)681-8100</th>
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<td>Onsite Observation &amp; Reporting Requirements F (4/4)</td>
<td>Tough Residential Assignments (4/4)</td>
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<tr>
<th>APPRAISAL FOUNDATION/ASB</th>
<th>1059 Vermont Avenue NW, Suite 900</th>
<th>Washington, DC 20005</th>
<th>(202)347-7722</th>
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<td>2002 USPAP Update/Instructors &amp; R (7/7)</td>
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<th>APPRAISAL INSTITUTE</th>
<th>c/o AMA, 950 S. Cherry Street, Suite 508</th>
<th>Denver, CO 80246</th>
<th>(303)758-3513</th>
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<td>320 General Applications (39/30)</td>
<td>410 National USPAP (16/16)</td>
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<td>420 SPPR (7/7)</td>
<td>430C Standards of Professional Practice - Part C (15/15)</td>
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<tr>
<td>500 Adv Residential Form &amp; Narrative Writing (40/30)</td>
<td>520 Highest &amp; Best Use &amp; Market Analysis (40/30)</td>
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<td>530 Advanced Sales Comparison &amp; Cost Approach (40/30)</td>
<td>600 In-Vaulation of Small Mixed-Use Properties (15/15)</td>
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<td>620 Sales Comparison Val Small Mixed-Use Prop (15/15)</td>
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<td>705 Litigation Appr: Specialized Topics (16/10)</td>
<td>710 Condemnation Appr: Basic Principles &amp; Apps (15/15)</td>
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<td>720 Condemnation Appr: Adv Topics &amp; Apps (15/15)</td>
<td>Fundamentals of Relocation Appraising (7/7)</td>
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<tr>
<td>Analyzing Com Lease Clauses (7/7)</td>
<td>Gen Demo Appraisal Rpt Writing Seminar (14/14)</td>
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| Residential Demo Appraisal Report Writing Seminar (14/14) | [Continued on page 4]
Approved Continuing Education Courses

Continued from page 3

SOUTHEASTERN CC
P.O. Box 151
Whiteville, NC 28472
(910)642-7141

Applied Sales Comparison Approach (10/10)
Mathematics of Finance (14/14)

Rural Valuation Seminar (10/5/10.5)

STACEY P. ANFINDSEN
1145-E Executive Circle
Cary, NC 27511
(919)460-7993

Appraisal Process and Val of Residential Prop (4/4)

SURRY CC
P.O. Box 304
Dobson, NC 27017
(910)386-8121

Appraisal Using HP12-C (15/15)
Reviewing a Residential Appraisal (8/8)
Testing Highest & Best Use (8/8)
USPAP 2000 (15/15)

TRIANGLE APPRAISAL & RE SCHOOL
4525 Falls of Neuse Road
Raleigh, NC 27609
(919)876-9596

Know the Facts (14/14)
Overview of FNMA (14/14)

TRI-COUNTY CC
2300 Highway 64 E
Murphysboro, IL 62966
(820)876-8814

The ABC’s of Construction (14/14)

WAKE TECH CC
9101 Fayetteville Road
Raleigh, NC 27603-5696
(919)772-0551

Appraising Mobile, Modular, & Mobile Part A (7/7)
Appraising Mobile, Modular, & Mobile Part B (7/7)
Challenging the Appraisal (4/4)
Manufactured, Modular, & Mobile (4/4)
Maximizing Value (4/4)
Prepricing Complex Properties (4/4)

WENDELL HAHN & ASSOCIATES
P.O. Box 5311
Columbia, SC 29250
(803)779-4721

Appraisal Update 2001 (7/7)
Computers 2001 (7/7)
FHA Guidelines 2001 (7/7)
The Modern Appraisal Office - Part I (7/7)
The Modern Appraisal Office - Part II (7/7)
USPAP 2001 (14/14)

WESTERN PIEDMONT COMMUNITY COLLEGE
1001 Burkeum Avenue
Morganton, NC 28655
(828)778-1234

Appraising Mobile, Modular, & Mobile (14/14)
Manufactured, Modular & Mobile (4/4)
Maximizing Value (4/4)
Prepricing Complex Properties (4/4)
USPAP & NC Rules and Regulations for App (15/15)

WILLIAMS APPRAISERS ED CENTER
P.O. Box 3737
Raleigh, NC 27636
(919)424-1900

Appraising Mobile, Modular, & Mobile (4/4)
Appraising Mobile, Modular, & Mobile Part A (7/7)
Appraising Mobile, Modular, & Mobile Part B (7/7)
Challenging the Appraisal (4/4)
Manufactured, Modular, & Mobile (4/4)
Maximizing Value (4/4)
Prepricing Complex Properties (4/4)

YVONNE C. SHARP & ASSOCIATES
66 River Oak Court
Yonkers, NY 10707
(914)682-3051

Appraising Mobile, Modular, & Mobile (4/4)
Appraising Mobile, Modular, & Mobile Part A (7/7)
Appraising Mobile, Modular, & Mobile Part B (7/7)
Challenging the Appraisal (4/4)
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Appraising Mobile, Modular, & Mobile (4/4)
Appraising Mobile, Modular, & Mobile Part A (7/7)
Appraising Mobile, Modular, & Mobile Part B (7/7)
Challenging the Appraisal (4/4)
Manufactured, Modular, & Mobile (4/4)
Maximizing Value (4/4)
Prepricing Complex Properties (4/4)

ZEBULON, NC 27597
P.O. Box 35511
Zebulon, NC 27597
(919)343-3051

Appraisal 2001 (7/7)
USPAP 2001 (7/7)

ZEBULON, NC 27597
P.O. Box 35511
Zebulon, NC 27597
(919)343-3051

Appraisal 2001 (7/7)
USPAP 2001 (7/7)

M CURTIS WEST
P.O. Box 947
Zebulon, NC 27597
(919)217-8040

Income Cap Approach - Past, Present, Future (10.5/10.5)
Property Tax Values & Appeals (6/6)

MCKISSOCK DATA SYSTEMS
P.O. Box 1673
Warren, PA 16365
(814)723-6979

Appraising Liability (7/7)
Appraising the Oddball (7/7)
Real Estate Fraud & Appraiser’s Role (7/7)
The Appraiser as Expert Witness (7/7)
Vacant Land Appraisal (7/7)

MINNEAPOLIS SCHOOL OF REAL ESTATE
P.O. Box 35511
Charlotte, NC 28235
(704)372-2984

Commercial Real Estate Development (10/10)
Is This A Commercial Appraisal? (4/4)
NC RE Appr Act & Appraisal Board Rules (4/4)
NC RE Appraiser Act & Appraisal Board Rules (10/10)
Role of the Supervisory Appraiser (4/4)

NAIFA
7501 Murdoch Avenue
St. Louis, MO 63119
(314)781-6688

1031 Like Kind Exchange (4/4)
11.8 Calculating Gross Living Area Using (7/7)
2.0 Financial Analysis Inc Property (15/15)
4.0 Marshall & Swift Valuation Guides (15/15)
4.1 Marshall & Swift Residential Cost M (8/8)
5.0 Professional Standards of Practice (15/15)
5.0A Standards Review (8/8)
Blue Print Reading Seminar (4/4)
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.

Minor Adams (Gastonia) - By consent, the Board reprimanded Mr. Adams and ordered him to take a course on site inspection by June 30, 2002. If he fails to take the course as agreed, a one-month suspension will be activated on that date. The Board found that Mr. Adams appraised a tract of land located in Cherryville, NC in May 2000, finding an appraised value of $75,500. The subject property is located adjacent to an active railroad track, but Mr. Adams did not mention this fact in the appraisal report. Mr. Adams stated the subject was on a public road with curb and gutter, when it actually was on a one lane private road with no curb and gutter.

Jonathan Brinsfield (Greensboro) - By consent, Mr. Brinsfield voluntarily surrendered his right to renew his trainee registration. The Board dismissed the charges against him.

Thomas F. Cavenaugh, Jr. (Wilmington) - By consent, the Board suspended Mr. Cavenaugh’s residential certification for a period of three months. The suspension is stayed until July 1, 2002. If Mr. Cavenaugh successfully completes both standards (USPAP) course consisting of at least 14 hours as well as a sales comparison course before July 1, 2002, the suspension will be inactive. If he fails to take the courses by that date, the suspension will become active on July 1, 2002. The Board found that Mr. Cavenaugh appraised a property located in Wilmington, NC in August 2001, finding an appraised value of $208,000. The subject property is located in a subdivision known as the Commons. Mr. Cavenaugh used comparable sales from an adjoining subdivision. There were several recent sales in the subject subdivision that ranged in price from $120,000 to $190,000, with an average sales price of $143,000. Of the seven sales, there were two sales on the subject street that were very similar to the subject in design, square footage and age. Mr. Cavenaugh did not explain in the report why he excluded these sales in his appraisal.

Christopher Cochran (Spartanburg, South Carolina) - By consent, the Board suspended the residential license of Mr. Cochran for a period of three months. The suspension is stayed until October 1, 2002. If Mr. Cochran successfully completes a course in North Carolina Board Rules and a separate course in standards (USPAP) before October 1, 2002, the suspension will become inactive. If the courses are not completed by that date, the suspension will become active on October 1, 2002. Mr. Cochran is licensed as an appraiser in North Carolina and South Carolina. The Board found that in April 2000, a trainee working under the supervision of Mr. Cochran appraised a property located in Spindale, North Carolina, finding an appraised value of $77,000. The trainee was licensed in South Carolina but was not licensed in North Carolina, and had not received a temporary practice permit to appraise this property. The appraisal report stated that the subject had forced warm air gas heat, yet it actually had electric baseboard heat with a gas wall unit in the hallway. The subject also contained a large fire alarm that appears to be for use in commercial properties, yet this fact was not mentioned in the report. Mr. Cochran used comparable sales from superior locations and made no adjustments for this fact. Finally, Mr. Cochran did not affix his seal to the appraisal report.

Steven Evangelist (Charlotte) - By consent, the Board suspended Mr. Evangelist’s residential license for a period of two years. Before his license may be reinstated, Mr. Evangelist must complete a 15-hour USPAP course and a course in real estate fraud and the appraiser’s role. There were three cases against Mr. Evangelist. In the first case, Mr. Evangelist appraised a property located in Huntersville, NC, in March 1999, finding an appraised value of $156,000. Mr. Evangelist used comparable sales located at least two miles from the subject property, with sales prices of $152,000 to $193,500. In the 15 months prior to the appraisal, there were 21 sales in the subject subdivision that were similar to the subject property, ranging in price from $101,900 to $137,000. Mr. Evangelist did not explain in the report why he excluded these sales in his appraisal. In the second case, Mr. Evangelist appraised a property located in Charlotte, NC with an effective date of June 13, 1999, finding an appraised value of $107,000. The subject property had transferred to First United Group on June 11, 1999 for $79,000 but this fact was not mentioned or discussed in the appraisal report even though it had been recorded at the deed registry on June 11, 1999. The subject property again sold on June 17, 1999 for $118,000. Of the comparable sales used in the appraisal report was 5 miles from the subject although the report indicated 2 miles more or less. That sale had a two-car garage, and an inground swimming pool for which there were no adjustments. The property was 1 year old, yet it was adjusted only $500 against the 17-year-old subject. The adjusted sales price for this sale was $107,040. In the reconciliation, Mr. Evangelist states that an equal amount of weight is placed on all three sales, yet the adjusted values of the sales were $88,620, $92,624 and $107,040. In the third case, Mr. Evangelist appraised a property located in Charlotte, NC in March 1999, finding an appraised value of $195,000. The appraisal shows the subject as a 2-story house with 1614 square feet on each level for a total of 3229 square feet, when the subject actually is approximately 1485 square feet with a full-unfinished basement. The appraisal says the subject has forced warm air heat, when in fact the owners installed forced warm air after the appraisal was done. The report states that the subject is on an asphalt road with adequate curb and gutter when it is on a gravel road with no curb and gutter. The comparables had 3100, 3351 and 2750 heated square feet respectively. The subject has a one-car garage while all three comparables have 2 car garages. Mr. Evangelist made a positive adjustment to only one of the sales for the garage, when he should have made a negative adjustment to all three comparable sales. In the cost approach, the entire 3229 square feet was figured at $65.00 per foot.

William R. Mitchell (Lawrenceville, VA) - Following a hearing, the Board suspended Mr. Mitchell’s general certification for a period of five years. The Board found that in 1999 Mr. Mitchell performed an appraisal of a property located in Greensboro, North Carolina. The subject property consists of approximately 48 acres of vacant, unimproved land that the Piedmont Triad Airport had taken for future expansion through a condemnation...
Disciplinary Actions
Continued from page 5

action. Mr. Mitchell was contracted by the landowner’s attorney to determine the market value of the site as of the date of the taking, which was September 10, 1998. His appraised value was $7,300,000. In the appraisal process, Mr. Mitchell took into account the proposed project (a Federal Express hub) when he did the report, which was a violation of G.S. 840A-65. Mr. Mitchell made a positive adjustment of 25% to all of his comparables for superior access of the subject to a parkway when in fact the subject does not have access to that road. Mr. Mitchell also made a positive adjustment of 75% to all of his comparable sales based on the lack of proximity to the airport, when in fact the subject property does not have access to the airport and is not an airport site. According to the appraisal report, Mr. Mitchell based that adjustment on land values extracted from secondary market information obtained from the Boise, Idaho, yet he failed to show any correlation between properties in Boise, Idaho and properties in North Carolina. Approximately 30% of the subject property consisted of wetlands, yet Mr. Mitchell considered the entire tract as usable land and made no adjustment for that fact. Mr. Mitchell’s comparable sales had unadjusted sales prices of $48,445 to $135,616 per acre, and he valued the subject at $151,800 per acre. These factors led to an inflated value for the subject property.

Michael Riggs (Greensboro) - By consent, the Board suspended Mr. Riggs’ residential certification for one year. The first month of the suspension shall be active, and the remainder stayed until June 30, 2002. If Mr. Riggs successfully completes a course in standards (USPAP) of at least 14 hours and a course in real estate fraud and the appraiser’s role by June 30, 2002, the remainder of the suspension shall be inactive. If he fails to take the courses, the remainder of suspension will become active on July 1, 2002. The Board found that Mr. Riggs performed two appraisals of a property located in High Point, NC, both with effective dates of August 1999, and both finding an appraised value of $53,000. The first appraisal was performed for the purchaser of the property at the time of the appraisal. The current owner was correctly listed on the report.

The second appraisal was performed for a mortgage company. The owner shown on the second report was the person listed as the purchaser on the first report. On the effective date of both appraisals, the same person was the owner of the property. In the first report, Mr. Riggs stated that the sales price was unknown, and in the second report, he stated that the sales price is the appraised value of $53,000. The property was purchased by the borrower listed in the first report on September 23, 1999 for $27,500. He then sold it to the borrower listed on the second report for $53,000. Mr. Riggs made several errors in the appraisal report, such as stating that the property was under renovation, when it was not. He stated that the heating system was forced warm air when there was no furnace or other form of centralized or ducted heat within the property, and he stated that the foundation of the subject was brick when it was concrete block, which affected the value of the subject. Mr. Riggs used comparable sales that were located some distance from the subject property, although there were other proximate sales more comparable to the subject property that ranged from $39,000 to $55,000.

KEY FEATURES OF THE 2002 UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE (USPAP)

The 2002 edition of USPAP is the result of exposure drafts that occurred on February 21 and May 1, 2001. On the basis of written responses, substantial public testimony at Appraisal Standards Board (ASB) public hearings and extensive deliberation by the Board, the ASB formally adopted the 2002 USPAP on June 12, 2001. The effective date of the 2002 USPAP is January 1, 2002 for the majority of the adopted material. However, due to new federal privacy regulations that take effect on July 1, 2001, changes to the definition of Confidential Information, the Confidentiality section of the ETHICS RULE and the retirement of STATEMENT 5 are all effective July 1, 2001.

Key Features of the 2002 USPAP

DEFINITIONS: The definition of Confidential Information was changed at lines 72-75 to indicate that confidential information can be information that is either: identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or information classified as confidential or private by applicable law or regulation.

A notice was also added at lines 76-82 to alert appraisers to the passage of the Gramm-Leach-Bliley Act in November 1999 and the resultant adoption of privacy regulations that affect appraisers. A definition of Jurisdictional Exception was added at lines 109-111. This definition was added to complement the definition of Supplemental Standards and more clearly draw the distinction between Jurisdictional Exception and Supplemental Standards.

The definition of Supplemental Standards was significantly modified at lines 173-180 to establish that Supplemental Standards are requirements issued by government agencies, government sponsored enterprises, or other entities that establish public policy which add to the purpose, intent and content of the requirements in USPAP, and that have a material effect on the development and reporting of assignment results. A Comment was also added to further distinguish Supplemental Standards from contract agreements that are unique to individual clients.

ETHICS RULE: The Confidentiality section of the ETHICS RULE was modified at lines 305-319 as a result of the passage of privacy legislation that made this section of the ETHICS RULE inadequate. At lines 309-310 the sentence: An appraiser must be aware of, and comply with all confidentiality and privacy laws and regulations applicable in an assignment was added. Additionally, at lines 313-315 text was added to clarify that confidential information may be provided to a peer review committee, except when such disclosure to a committee would violate applicable law or regulation. A notice was also added at lines 320-325 to alert appraisers to the passage of the Gramm-Leach-Bliley Act in November 1999 and the resultant adoption of privacy regulations that affect appraisers.

SUPPLEMENTAL STANDARDS RULE: The SUPPLEMENTAL STANDARDS RULE was modified to indicate that Supplemental Standards can be issued by government agencies, government sponsored enterprises, or other entities that establish public policy.

STANDARD 6: This STANDARD has been updated in an effort to address contemporary theory and practice. STANDARD 6 was last updated in 1991.
This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. The ASB USPAP Q&A is issued to inform appraisers, regulators, and users of appraisal services of the ASB responses to questions raised by regulators and individuals; to illustrate the applicability of the Uniform Standards of Professional Appraisal Practice (USPAP) in specific situations; and to offer advice from the ASB for the resolution of appraisal issues and problems.

Question #1:
Does USPAP require appraisers to take continuing education courses?

Response:
Not directly. However, the COMPETENCY RULE mandates that prior to accepting an assignment an appraiser must have the requisite knowledge and experience to complete the assignment, or: 1. disclose the lack of knowledge and/or experience to the client before accepting the assignment; 2. take all steps necessary or appropriate to complete the assignment competently; and 3. describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report. Although the phrase “continuing education” is not used, clearly it could be one means to satisfy this rule. Additionally, Standards Rule 1-1(a), a binding requirement, states:

In developing a real property appraisal, an appraiser must: (a) be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal;

Comment: This rule recognizes that the principle of change continues to affect the manner in which appraisers perform appraisal services. Changes and developments in the real estate field have a substantial impact on the appraisal profession. Important changes in the cost and manner of constructing and marketing commercial, industrial, and residential real estate as well as changes in the legal framework in which real property rights and interests are created, conveyed, and mortgaged have resulted in corresponding changes in appraisal theory and practice. Social change has also had an effect on appraisal theory and practice. To keep abreast of these changes and developments, the appraisal profession is constantly reviewing and revising appraisal methods and techniques and devising new methods and techniques to meet new circumstances. For this reason, it is not sufficient for appraisers to simply maintain the skills and the knowledge they possess when they become appraisers. Each appraiser must continuously improve his or her skills to remain proficient in real property appraisal.

The last sentence of the Comment to SR 1-1(a) clearly indicates that in order to “be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal” appraisers must maintain and continuously improve their knowledge and skills. Thus some form of continuing education is required, although not explicitly by the USPAP document.

Question #2:
An appraiser was recently asked to review another appraiser’s appraisal review. Must the appraiser comply with STANDARD 3 in completing this assignment?

Response:
Yes, the appraiser must comply with STANDARD 3 in this assignment. STANDARD 3 states,

In performing an appraisal review assignment involving a real property or personal property appraisal, an appraiser acting as a reviewer must develop and report a credible opinion as to the quality of another appraiser’s work and must clearly disclose the scope of work performed in the assignment.

The Comment to this statement goes on to state, in part,

Appraisal review is the act or process of developing and communicating an opinion about the quality of all or part of a completed work or service performed by another appraiser in a real property or personal property appraisal assignment.

Simply stated, “appraisal review” encompasses more than just the review of another appraiser’s appraisal. It is the act or process of developing and communicating an opinion about another appraiser’s work. (See definition of Appraisal Review).

Question #3:
Can a business entity, such as a corpo-

Continued on page 8
USPAP Q & A
Continued from page 7

ration, sign an appraisal report?

Response:
Yes. There is no prohibition against an
entity signing a transmittal letter or the
final page of a report. However, USPAP
does require that an individual apprais-
er(s) sign a certification. While USPAP
does not directly state this requirement,
Standards Rules 2-3, 3-2(f), 5-3, 6-8, 8-3,
and 10-3 (all binding requirements) stipu-
late that,

Each written appraisal (real property,
personal property, mass, or business val-
uation) report must contain a signed cer-
tification that is similar in content to the
following form:...(See Standards Rule 2-
3, 3-2(f), 5-3, 6-8, 8-3, and 10-3 for the
complete text)

The Comment(s) to these Standards
Rules refer to an appraiser(s), a signing
appraiser(s), and any appraiser(s).
Clearly, this language refers to an individ-
ual or individuals, not a corporate or busi-

Question #4:
Does USPAP require appraisers to
develop an “as vacant” highest and best
use for an improved subject property?

Response:
No. Standards Rule 1-3(b), a specific
requirement, requires an appraiser to:
develop an opinion of the highest and best
use of the real estate.
The Comment goes on to state, in part,
The appraiser must recognize that land

is appraised as though vacant and avail-
able for development to its highest and
best use, and that the appraisal of
improvements is based on their actual
contribution to the site.
Therefore, USPAP requires that an
apraiser develop an opinion of the high-
est and best use of an improved property,
only as it is improved.
It should be noted that appraisers must
also be aware of supplemental standards
relating to this issue.

Question #5:
I was recently asked by a client to
appraise a residential property that is
located on a 40 site. The client also pro-
vided instructions to appraise the
dwelling and only 5 acres of the parcel.
They are unable to provide a survey
delineating the 5 acres. The intended use
of the appraisal is for mortgage lending
purposes. Can I perform this assignment
in conformance with USPAP?

Response:
Yes, USPAP allows an appraisal of a
physical segment of a property to be
developed under certain conditions.
Standards Rule 1-2(e)(v), a binding
requirement, states:
In developing a real property
appraisal, an appraiser must: ...identify
the characteristics of the property that are
relevant to the purpose and intended use
of the appraisal, including: ... whether the
subject property is a fractional interest,
physical segment, or partial holding
The Comment to this Standards Rule
goes on to say;

Comment on (i)-(v): If the necessary
subject property information is not avail-
able because of assignment conditions
that limit research opportunity (such as
conditions that preclude an onsite inspec-
tion or the gathering of information from
reliable third-party sources), an apprais-
er must:
☐ obtain the necessary information
before proceeding, or
☐ where possible, in compliance with
Standards Rule 1-2(g), use an extraor-
dinary assumption about such informa-

An appraiser may use any combina-
tion of a property inspection and docu-
ments, such as a physical legal descrip-
tion, address, map reference, copy of a
survey or map, property sketch, or pho-
tographs, to identify the relevant charac-

The Comment goes on to state, in part,

4.000 copies of this document were printed at a cost of $0.324 per copy.