RECIROCITY

CHANGES -
California is in;
Virginia and
Tennessee are out

North Carolina has established formal reciprocity agreements with California. This agreement allows licensed and certified appraisers who reside in either North Carolina or California to enjoy a streamlined application process when seeking licensure in the other state. Most notably, applicants under the agreement will not be required to show verification of qualifying education, submit an experience log or reports to prove appraisal experience, or pass an examination. Also, appraisers will be able to renew their license or certificate in the reciprocal state by showing proof that they have renewed in their home state.

The reciprocal agreement with Virginia, entered into in 1998, was terminated effective April 11, 2000, by North Carolina because Virginia was imposing an additional, burdensome continuing education requirement on North Carolina licensees. The reciprocal agreement with Tennessee, entered into in 1992, will be terminated effective July 1, 2000, by North Carolina because Tennessee was requiring North Carolina applicants for licensure and certification to complete an experience log and submit it with their applications.

Currently, North Carolina now has a reciprocal agreement with the following jurisdictions:
- Alabama
- California
- Georgia
- Louisiana
- New Hampshire
- Oregon
- South Carolina
- Washington
- West Virginia

COMPLIANCE WITH RULE 1-5: A Binding Requirement of USPAP

The Appraisal Board has recently received several complaints involving the failure of appraisers to analyze the listing price, contract for sale, or sales history of a subject property. One common explanation for this lack of analysis is that the appraiser did not want knowledge of the sales history, or any listing or sales agreement for the subject property to influence, or appear to influence, their opinion of value of the subject. Another explanation given is that the appraiser claims to have no access to a multiple listing service. Whatever excuse an appraiser gives to justify the omission of addressing a listing price, contract for sale, or sales history of a subject property, the appraiser will be in violation of USPAP Rule 1-5 if these items are not properly addressed in the appraisal report.

USPAP Rule 1-5 clearly states that appraisers “must analyze any current Agreement of Sale, option, or listing of the property, if said information is available in their normal course of business”. The rule goes on to say appraisers must conduct this analysis over a minimum time frame of within one year for residential properties and a minimum of within three years for all other property types. The requirements of USPAP Rule 1-5 are binding; no departure is allowed.

USPAP Rule 1-5 says that the appraiser is obligated to attempt to attain any listing or sales data, and to address the results of the attempt. Appraisers are not required to subscribe to a multiple listing service to attain listing or sales data, and appraisers should not use a lack of multiple listing service subscription as an excuse to forgo attempts to attain this data. If you have no access to multiple listing data, then a call to a real estate sales office may reveal if a property is, or has been listed for sale. The local county tax office can also be a good source for sales data, although some counties may have a time lag between the date a property sells and when that sales data is input into the public database.

In consideration of sales history for a property, appraisers should keep in mind that the one and three year time frames to analyze the data are minimums. Sometimes a significant difference between a prior sales price and your appraised value may reveal an aspect of the property that might otherwise be overlooked. For example, 8 months ago the subject property sold for $70,000, but your appraised value is $90,000. Upon further research, you discover that the property was remodeled and updated, which accounts for the value difference. Reporting this chain of events in the report is mandatory.

Although not a USPAP requirement, it is wise to check the listing history of the subject property because you may discover that the property had been listed and taken off the market several times, which may give some indication of market reaction to the property.

The reasoning behind USPAP Rule 1-5 is fundamental to the appraisal process. Listings, sales contracts, and prior sales data all constitute factors of value from the subject market. Differences between prior listings or sales of the subject property may reflect utility, supply and demand, or factors of determination in highest and best use of the property.

Consult with Advisory Opinion One for more information on compliance with Rule 1-5. It contains comments and sample sales histories that you may find useful.
Chairman’s Comments

Property Flipping and Appraisal Fraud

Property flipping and appraisal fraud is becoming the focus of appraisal regulatory bodies nationwide. Not all real estate transactions where a real estate investor makes a profit are flips. A flip is a fraudulent real estate transaction where a property is bought and then resold at an exaggerated price.

The Appraiser Qualifications Board (AQB) of The Appraisal Foundation in Washington has recently sent a memo to all state appraisal boards. The AQB reports that property flipping and appraisal fraud is a growing trend and that The Appraisal Foundation has been contacted by numerous sources to report flipping activities. The AQB has requested that state appraisal boards complete and submit to The Appraisal Foundation a three-page form detailing information on the appraiser, the property, and the charges brought against the appraiser.

As an appraiser, you should know that any willing participation in flipping and appraisal fraud will not only put your appraisal license in jeopardy, but it could cause criminal charges to be brought against you. Also, there have been some reports of appraisers having their names, signatures, and seals (where applicable) used without their knowledge. In these cases, individuals have forged reports using appraisal software to make a very credible-looking report.

Finally, some appraisers are duped into participating in these schemes. The appraiser who cuts corners, ignores parts of USPAP, or tries to give the client a break is the one most likely to get stung. Appraisers are often duped when they accept appraisal assignments in a geographic area where they have not done the work necessary to become competent and knowledgeable in that region. Also, it is very important that an appraiser follow USPAP’s requirements to analyze the sales history of a property and any pending sales contract. Please see the article about these items on page one of this newsletter.

Correction:

In the last edition of the Appraisereport, the Continuing Education Reminder for Trainees should have read as follows:

Approved Continuing Education Courses
(As of May 24, 2000)

Listed below are the courses approved for appraiser continuing education credit as of date shown above. Course sponsors are listed alphabetically with their approved courses. Shown parenthetically beside each course title are sets of numbers [for example: (15/10)]. The first number indicates the number of actual classroom hours and the second number indicates the number of laboratory hours. The number of classroom hours also includes any time spent on examinations. The sponsor is responsible for providing a statement of the amount of time actually spent in any classroom session. No more than 15 hours may be calculated as part of a laboratory component. All courses expire June 30. Most sponsors will renew their course(s); some will not. Please call the Board office to verify approval for the 2000-2001 renewal year.

**NOTE:** All courses expire June 30. Most sponsors will renew their course(s); some will not. Please call the Board office to verify approval for the 2000-2001 renewal year.

ALAMANCE CC
P. O. Box 8000
Graham, NC 27253
(336)578-2002

Appraising Sm Res Income Prop (10/10)
New Extg Res Cds Afting RE Appr (10/10)
Costctn Methods I: Print Rdng (5/5)
Costctn Methods II: Forms & Mesry (5/5)
Ethical Principles of Appraisal I (4/4)
Real Estate Finance (4/4)
Intro to Commercial Real Estate (4/4)

ALABAMA APPR & RE ACAD
605 E. Main St.
Elizabeth City, NC 27909
(919)335-5030

How to Read an Appraisal (4/4)
USPAP (10/10)

ALLSTATE HOME INSPECTION TRAINING INSTITUTE
Rt. 1, Box 130
Rochford Center, VT 05661
(800)245-9932

FHA Test Preparation (8/8)
Introduction to Home Inspection (8/8)

AM SOC FARM MGRS & RURAL APPR
950 S. Cherry St., Ste. 508
Denver, CO 80222
(303)758-1513

Uniform Agriculture App Report (15/15)
Adv Appraisal Review A-35 (40/50)
Advanced Resource Appraisal A-34 (30/30)
Highest & Best Use A-29 (15/15)
A-12 Part 1 ASFMRA Code of Ethics (7/7)
Appraising Rural Res Prop (16/14.5)
Rural Business Valuation Sem (16/16)
Partial Interests (16/16)
Timber & Timberland Value (12/12)
Appraising Rural Res Prop (8/8)
A-12 (II) Nat USPAP (15/15)
Fed Lud Exchng & Acqnts: App (18.5/18.5)

AM SOC OF APPR (THE)
3150 Freedom Parkway, Suite 150
Hendersonville, NC 28793
(828)254-1921

USPAP (10/10)
PDH RE - Basic Surveying (5/5)
Res Bldg Code Changes in NC (5/5)
The UDO: Rtg RE Use & Dev (4/4)
USPAP 2000 (15/15)

BRUSSELS CC
P. O. Box 30
Supply, NC 28462
(910)754-6090

USPAP 1999 (7/7)
The Tough Ones - Complex Res Properties (7/7)
Appraiser 2000 (14/14)

CAROLINA MOUNTAIN LAND CONSERVACY
P. O. Box 2822
Hendersonville, NC 28793
(828)697-5777

Conservation Easements (6.25/6.25)

CENTRAL PIEDMONT COMMUNITY COLLEGE
P. O. Box 35009
Charlotte, NC 28235
(704)330-6493

Challenging the Appraisal (4/4)
Maximizing Value (4/4)

CLARK REALTY EDUCATION SRVCs
P. O. Box 61083
Virginia Beach, VA 23462
(888)316-7182

Res Prop Analysis, Inspection & Reporting (14/14)

COLLEGE OF THE ALBEMARLE
P. O. Box 3237
Elizabeth City, NC 27906-2327
(252)335-0821

The Tough Ones: Complex Residential Prop (14/14)
The Uniform Standards Today (14/14)

COMMERCIAL INVESTMENT RE INST
158 Mine Lake Court
Raleigh, NC 27615
(919)676-7888

Common Problems with Houses (4/4)
A Closer Look at Mfg Housing (4/4)
Market Extractions (4/4)
Valuing This Old Hil House (4/4)
Dev & Rtg the FHA Appraisal (14/14)
USPAP 99 (14/14)
Back to Basics I (4/4)
Basic to Basics II (4/4)
USPAP 2000 (14/14)

CONTINUING EDUCATION INSTITUTE
710 Condemnation Appr: Basic Prin & Apps (15/15)
710 Condemnation Appr: Adv Topics & Apps (15/15)
Appraisal of Non-Res Conforming Uses (7/7)
Partial Interest Valuation-Divided (7/7)
Appraising Manufactured Housing (7/7)
Gen Demo Appr Rpt Writing Sem (14/14)
Res Demo Appr Rpt Writing Sem (14/14)
Rto & Role of the RE Prop (7/7)
Rptwnty Ants for Appr: Concepts & Apps (7/7)
Case Studies in Com Hghst & Bst use (7/7)
Case Studies in Res Hghst & Bst Use (7/7)
Partial Interests (16/16)
The FHA and the Appraisal Process (7/7)
Val of Determinental Conditions in RE (7/7)

DUKE UNIVERSITY
A108B LSRC Box 90328
Durham, NC 27708
(919)684-2135

Forest Appraisal (36/30)

EAST CAROLINA UNIVERSITY
Sch of Bus 1200 Gen Clsrm
Greensboro, NC 27458-4353
(252)328-6377

Appraiser 2000 (14/14)
USPAP 99 (14/14)

EDGECOMBE CC
225 Tarboro St.
Rocky Mount, NC 27801
(252)446-0436

Narrative Appr Report Writing (14/14)
Standards of Professional Practice (15/15)
Res Appr Val 2-4 Units Prop (14/14)
Single Fam Res Appr (14/14)
RE Finance for Appraisers (14/14)
Rural Valuation Seminar (14/14)
Appr Mfg, Mod & Mobile (A) (7/7)
Appr Mfg, Mod & Mobile (B) (7/7)
Mtg, Mod & Mobile (4/4)

ELLIOTT & CO APPRAISERS
7-C Oak Branch Drive
Cary, NC 27519
(919)967-3338

Residential Consulting (7/7)
Small Hotel/Motel/Motel valuation (7/7)
Residential Consulting (7/7)

ERICK LITTLE & CO.
P.O. Box 4267
Greensboro, NC 27408
(336)854-3075

Appr The Tough Ones (14/14)

FREDIE F. STELLI APPR SCHOOL
2121 Guess Rd, Suite 240
Durham, NC 27705
(919)416-1117

Res/Investmnt/Com/Indstrl Forms (10.5/10.5)
The Site Inspection (7.5/7.5)
Fannie Mae Underwriting Guidelines (7/7)
FMA Gnlsns Rural/Com Lndng/USPAP (7/7)
FHA Guidelines (7/7)

HALL INSTITUTE
PO Box 52214
Raleigh, NC 27612-0214
(919)481-2080

Researching and Buying Raw Land (4/4)

HISTORIC PRESERVATION CONSULTING
40 Clarendon Avenue
Avondale Estates, GA 30002
(404)297-1850

Marketing & Appraising Historic Property (14/14)

IAAO
Continued on page 4
**USPAP Q & A**

**Question #1:**

A lender has requested an appraisal for a home that is being purchased. Then, after the purchase, the lender said it will need an “updated” appraisal to reflect a refinance situation. Can I accept an “update” appraisal assignment of this nature? If so, what advice can you provide about what I need to do in the update process?

**Answer:**

USPAP allows appraisers to update previous appraisals of the same property. Advisory Opinion AO-3 specifically addresses updates. In this AO, it is recommended that the following conditions be met before accepting an update assignment:

1. The original appraiser/firm and client are involved.
2. The real estate has undergone no significant change since the original appraisal.
3. The time period between the effective date of the original appraisal (or most recent update) and the effective date of the pending update is not unreasonably long for the type of real estate involved.

In the situation you describe, it would appear that the above conditions would be met. In addition, you should be very clear about your role and your assignment. AO-3 recommends that you also specifically reference your original report, being careful to point out the date of that report and the effective date of that appraisal. This is to avoid a reader becoming confused when reading both reports. Further, you should take care to indicate any changes to the property or in the market that have occurred since the time of the original work, as recommended in AO-3.

USPAP does not, and cannot, address what would be an appropriate amount of time between the closing of a loan and the closing of a refinance of such loan. As long as the appraiser is not participating in what they know to be fraud or other illegal activity, he or she may take an assignment of this type.

**Question #2:**

Were there many changes in the new 2000 edition of USPAP? I’m a reviewer – has Standard 3 been revised?

**Answer:**

A number of revisions have been made in the USPAP 2000, including the ETHICS and COMPETENCY RULES, new definitions, STANDARDS 1, 2, 3, 7, 8, 9 and 10, several Statements, and the guidance provided in several Advisory Opinions. Every appraiser should take steps to learn about these as they may have an impact on his or her appraisal activities.

Several changes have been made to STANDARD 3, which addresses appraisal reviews. Some of these are briefly summarized as follows:

- Statement 1 has been retired, with the pertinent information incorporated into STANDARD 3.
- This standard now applies to personal property appraisal reviews, as well as real property appraisal reviews.
- The term “Review Appraiser” has been replaced with “Reviewer”, and “Review Appraisal” with “Appraisal Review”. These new terms should help avoid confusing implications, such as that an appraisal is always part of a review assignment.
- An appraisal review assignment can now include all, or part of, the work of another appraiser.
- The definition of “Review” in USPAP has been replaced with “Appraisal Review: “the act or process of developing and communicating an opinion about the quality of another appraiser’s work”.”
- The activities of the appraisal review function have been more clearly delineated between the reviewer providing an appraisal review opinion, alone, and providing that opinion plus his or her own opinion of value (i.e., an appraisal) when that is a second purpose within the same assignment.
- In order to satisfy the requirements of STANDARD 1 or 7 when a reviewer’s opinion of value is required, a reviewer may extend into his or her own development process those portions of the original appraisal concluded to be credible and in compliance with STANDARD 1, based on an extraordinary assumption. Those items not deemed to be credible or in compliance must be replaced with information or analysis by the reviewer, developed in conformance with STANDARD 1 or 7, as applicable, to produce a credible value opinion.
- The reviewer’s scope of work can be different from the scope of the original work under review.
- The reviewer may include his or her own value opinion within the appraisal review report itself without preparing a separate appraisal report. However, changes to the report content by the reviewer to support a separate value conclusion must match, at a minimum, the reporting requirements (Self-Contained, Summary or Restricted Use Appraisal Report) of the report under review.

The above summary is meant to highlight the changes and should not substitute for a thorough reading of STANDARD 3 itself. In addition, the ASB is currently preparing to expose for public comment a draft of a new Advisory Opinion to provide guidance on how a reviewer’s opinion of value within an appraisal review assignment affects the scope of work in such an assignment.

**Question #3:**

I am appraising an apartment complex which includes some personal property such as refrigerators, a lawn mower and several other pieces of maintenance equipment. If the complex sold, these items would sell with it, and all my comparable sales also include similar personal property and equipment. What do I have to do in order to comply with USPAP?

**Answer:**

“An appraiser must analyze the effect on value of any personal property, trade fixtures, or intangible items that are not real property but are included in the...”

Continued on page 6
Question #4:
I am a review appraiser for a national mortgage company. I recently received a residential appraisal reported on a commonly used form that has two signatures on the appraiser line (left hand side of the form). Both appraisers also signed the certification as “the appraiser”. Does this violate Uniform Standards of Professional Appraisal Practice (USPAP)?

Answer:
USPAP defines a signature (lines 479-480) as, “personalized evidence indicating authentication of the work performed by the appraiser and acceptance of the responsibility for content, analyses, and the conclusions in the report.” Therefore, both appraisers would have complete responsibility for the appraisal in its entirety. It is important to note that a dual signature implies that both appraisers participated in every portion of the development of and reporting of that appraisal.

Question #5:
I am a fee appraiser currently seeking to get on the approved list for a local mortgage company. In order to be considered for approval, this lender requires appraisers to provide sample appraisals performed within the past year. Is there a way that I can accomplish this without violating Uniform Standards of Professional Practice (USPAP)?

Answer:
In order to provide this information an appraiser must satisfy the Confidentiality Section of the Ethics Rule. This section states:

An appraiser must protect the confidential nature of the appraiser-client relationship. An appraiser must act in good faith with regard to the interests of the client in the use of confidential information and in the communication of assignment results.

An appraiser must not disclose confidential information or assignment results prepared for a client to anyone other than: 1) the client and person specifically authorized by the client; 2) state enforcement agencies and such third parties as may be authorized by due process of law; and 3) a duly authorized professional peer review committee. It is unethical for a member of a duly authorized professional peer review committee to disclose confidential information presented to the committee."

The comment further explains that if all essential elements of confidential information are removed through redaction or the process of aggregation, client authorization is not required for the disclosure of the remaining information, as modified.

The appraiser in this case has three options:
1. Turn down the request to provide the information.
2. Secure a release from the client of each sample appraisal.
3. Provide sample reports, but redact all confidential information. Statement No. 5 in USPAP addresses the Confidentiality Section of USPAP. It stresses that all opinions and conclusions, developed specific to an assignment, are confidential. Assignment results are an appraiser’s:
   - opinions or conclusions developed in an appraisal assignment, such as value;
   - opinions of adequacy, relevancy or reasonableness developed in an appraisal review assignment; or
   - opinions, conclusions or recommendations developed in a consulting assignment.

Question #6:
Why did the Appraisal Standards Board add Standards Rule 3-3 to 2000 USPAP?

Answer:
Standards Rule 3-3, which reads, “An oral appraisal review report must address the substantive matters set forth in Standards Rule 3-2”, was added for two main reasons: First, it was the Board’s opinion, following public input, that Standard 3 should mirror Standard 2 as closely as possible. Secondly, until now Standard 3 did not address the fact that appraisal review reports are frequently given orally, particularly in court testimony settings. □
DISCIPLINARY ACTIONS

Lawrence Bullard (Wilmington) - Following a hearing, the Board authorized the Board’s legal counsel to enter into a consent agreement with Mr. Bullard that provides that Mr. Bullard may not supervise any trainees. The Board found that in November 1998, a trainee appraised a commercial vacant lot located in Wilmington, NC, finding an appraisal value of $164,000. The report did not state what type of reporting option was utilized, as required by USPAP Rule 2-2. The subject property had sold in January 1996 for $50,000. The trainee did not consider and analyze the prior sale of the subject property, as required by USPAP Rule 1-5. The appraisal report did not contain sufficient information to indicate compliance with the sales history provision of USPAP. The comparable sales chosen by the trainee for the sales comparison approach were not comparable to the subject property due to their location and higher demand. There were other sales available that were subject to the same neighborhood influences as the subject property that would have indicated a much lower opinion of value. Respondent signed the appraisal report as supervising appraiser, but failed to appropriately supervise the trainee.

Brian Cahill (Garner) - By consent, the Board suspended Mr. Cahill’s trainee registration for one month. The suspension is stayed until June 1, 2000. If Mr. Cahill successfully completes a sales comparison course by that date, the suspension will be inactive. The Board found, under the supervision of a state-certified residential appraiser, Mr. Cahill appraised a home located in Raleigh, NC in April 1997. The subject property is a single family house that has a two car attached garage, with a living space located on the second floor over the garage. Mr. Cahill did not include the garage in the Cost Approach section of the appraisal report. The second floor sketch in the appraisal report indicates that there is finished living area over the entire area of the garage, when it actually is over only a part of the garage. In addition, the report does not state the type of appraisal reporting format utilized.

Steven Gardner (Salisbury) - By consent, the Board reprimanded Mr. Gardner and ordered him to take a course in standards (USPAP) by July 1, 2000. If Mr. Gardner successfully completes a restricted use format for the report.

H. Lee Hultlett, Jr. (Hickory) - By consent, the Board suspended Mr. Hultlett’s residential certification for three months. The suspension is stayed until June 30, 2000. If before that date Mr. Hultlett successfully completes a standards (USPAP) course and a sales comparison course, the suspension will be inactive. The Board found that Mr. Hultlett appraised a home located in Mooresville, NC in March 1999, finding an appraisal value of $170,300. The subject property was a stick built, all brick single family home with a lake view. Two of the properties chosen by Mr. Hultlett as comparable sales were manufactured homes, although that fact was not noted on the appraisal report nor was it adjusted for in the sales comparison approach. One comparable sale did not have a lake view, but this fact was not mentioned in the appraisal report nor was it adjusted for in the sales comparison approach. There were comparable sales available which would have indicated a much higher estimate of value for the subject property.

Cathie Ingram (Zebulon) - By consent, the Board suspended Ms. Ingram’s residential certification for six months. The suspension is stayed until June 1, 2000. If before that date Ms. Ingram successfully completes a sales comparison course and a standards (USPAP) course, the suspension shall be inactive. The Board found that in June 1999, Ms. Ingram appraised a single family home located in Holly Springs, NC, finding an appraisal value of $280,000. The subject property contained a finished area over the garage that had 275 square feet, yet Respondent did not include this area in the square footage of the subject property in her appraisal. The subject property was a stucco home. Although it is general knowledge that stucco homes may have water damage and may have a negative market perception, Ms. Ingram did not address this fact in her appraisal report. The Multiple Listing Service sheet stated that the home had a stucco problem. Ms. Ingram used comparable sales of brick construction and made no adjustment for the difference in construction. She took no depreciation in the cost approach for the stucco construction. The property had transferred within one year of the date of the appraisal and Ms. Ingram did not address this fact in the appraisal report.

Danforth Leitner (Hendersonville) - By consent, the Board suspended Mr. Leitner’s general certification for six months. The suspension is stayed until June 1, 2000. If Mr. Leitner successfully completes a course in standards (USPAP) and NC Appraisal Board Rules by that date, the suspension will be inactive. The Board found that in 1997, Mr. Leitner was employed by an attorney to estimate the loss in market value to a property located in Brevard, NC. The results of the assignment were reported in a letter format, with Assumptions and Limiting Conditions and a Certification attached to the letter. Mr. Leitner stated in the letter that it was a Limited Analysis reported as a Summary Report. The letter did not contain a highest and best use analysis, did not adequately address the purpose of the assignment, and did not identify the effective date of the appraisal. The letter did not address which approaches to value were used and how they were analyzed, although Mr. Leitner’s file contained the appropriate information. Mr. Leitner should have utilized a restricted use format for the report.

Pia Lewis (Raleigh) - By consent, the Board reprimanded Ms. Lewis and ordered her to take a course in standards (USPAP) by July 1, 2000. The Board found that Ms. Lewis appraised a property located in Timberlake, NC in October 1999, finding an appraisal value of $112,000. The subject property was a manufactured house. In the sales comparison approach, Ms. Lewis used comparable sales that were land/home package sales, not market transactions. In addition, Ms. Lewis did not mention the current agreement of sale of the subject property in the appraisal report.

Katherine London (Murphy) - By consent, the Board suspended Ms. London’s residential license for six months. The suspension is stayed until July 1, 2000. If Ms. London successfully completes an easement or condemnation course as agreed to by Board counsel by that date, the suspension will be inactive. The Board found that Ms. London and a state-licensed residential appraiser performed two appraisals on a property located in Robbinsville, NC in October 1998. A right of way road on the subject property had been relocated by the owner of the easement, which caused damage to the subject property. Ms. London appraised the property before and after the damage. The first appraisal estimated a final “after” value of $169,000 and the second appraisal indicated a final “after” value of $119,000. Both appraisals were completed “as is” and had the same effective date and signed date. Ms. London and the state-licensed residential appraiser did not address this fact in the appraisal report. The Multiple Listing Service sheet stated that the home had a stucco problem. Ms. London used comparable sales of brick construction and made no adjustment for the difference in construction. She took no depreciation in the cost approach for the stucco construction.

Continued on page 8
Disciplinary Actions

Continued from page 7

complete the Income Approach and did not discuss the omission in the report. The subject property sold on March 20, 1998 for $154,000, yet this fact was not discussed in either report.

David Merkle (Wilmington) - After a hearing, the Board suspended Mr. Merkle’s trainee registration for six months. The Board found that in December 1998, Mr. Merkle, under the supervision of a state-certified general real estate appraiser, appraised a commercial vacant lot located in Wilmington, NC, finding an appraised value of $164,000. The subject property is located in an area of Wilmington that is undergoing some revitalization, and which is in moderate demand. The comparable sales chosen by Mr. Merkle in the Sales Comparison approach were located in areas that have undergone more active revitalization and that are in greater demand, and were not comparable to the subject property due to their location and higher demand. There were other sales available that were subject to the same neighborhood influences as the subject property, which indicated a much lower opinion of value than the sales chosen by Mr. Merkle. The Board found that Mr. Merkle chose sales of a higher value which inflated the appraised value of the subject property. In addition, the report did not state what type of reporting option was utilized. The subject property had sold in January 1996 for $50,000, and was listed for sale at the time of the appraisal report, yet Mr. Merkle did not address these facts in the appraisal report. The subject property sold for $38,000 in June 1999.

Faye Overly (Greensboro) - By consent, the Board suspended Ms. Overly’s residential certification for six months. The suspension is stayed until June 30, 2000. If she successfully completes a standards (USPAP) course and a complex properties course by that date, the suspension will be inactive. The Board found that Ms. Overly appraised a property located in Winston-Salem, NC in October 1999, finding an appraised value of $200,000. She used two sales from a superior neighborhood and made no location or lot value adjustment. Her photo of the first comparable sale was incorrect. In addition, she incorrectly included the finished living area of the basement in the total gross living area of the sale. She incorrectly marked the third comparable sale on the location map and incorrectly stated the proximity of that sale to the subject.

Susan W. Piscitelli (Charlotte) - By consent, the Board suspended Ms. Piscitelli’s residential certification for six months. The suspension is stayed until June 30, 2000. If she successfully completes a standards (USPAP) course and a complex properties course by that date, the suspension will be inactive. The Board found that Ms. Piscitelli appraised a home located in Kannapolis, NC in April 1999, finding an appraised value of $72,000. The subject property was a two story structure. The first floor was used for a commercial auto repair business, and the second floor contained a living area. There was also a 480 square foot addition that contains a bedroom and a bathroom. At the time of inspection of the subject property, the addition was not complete, yet Ms. Piscitelli included this addition in the total living area and did not describe the incomplete condition of this square footage in the appraisal report. The zoning was residential, and Ms. Piscitelli did not address the fact that the subject property appeared to be out of compliance with the zoning for the area. She also did not address environmental concerns that might be raised given the type of business being operated on the subject property. There was no functional obsolescence consideration given in the cost approach for the commercial use of the subject property, or for the fact that the rear addition is separate from the main building. There was no functional utility adjustment for the fact that the subject is comprised of two separate buildings, or for the fact that an auto garage occupies the lower level of the main structure.

John Ramsey (Mt. Ulla) - By consent, the Board reprimanded Mr. Ramsey and ordered him to take a course in standards (USPAP) and a manufactured housing course by July 1, 2000. The Board found that, under the supervision of a state-certified residential appraiser, Mr. Ramsey appraised a property located in Salisbury, NC in August 1999, finding a value of $111,500. The subject property was a triplewide manufactured house. In the sales comparison approach, Mr. Ramsey used comparable sales that were land/home package sales, not market transactions.

Jack Ramsey Jr. (Mt. Ulla) - By consent, the Board reprimanded Mr. Ramsey and ordered him to take a course in standards (USPAP) and a manufactured housing course by July 1, 2000. The Board found that a trainee under Mr. Ramsey’s supervision appraised a property located in Salisbury, NC in August 1999, finding a value of $111,500. The subject property was a triplewide-manufactured house. In the sales comparison approach, Mr. Ramsey used comparable sales that were land/home package sales, not market transactions.

J. P. Walters, III (Greenville) - By consent, the Board issued a reprimand to Mr. Walters and ordered him to take a course in pricing small income properties by May 1, 2000. The Board found that Mr. Walters appraised two properties located in Kinston, NC. The properties were identical duplex buildings, located on the same tract of land. Each duplex was appraised separately, and each report stated the appraisals were done “as is”, then later in the reports Mr. Walters stated the reports were done subject to dividing the lot in half. Mr. Walters also failed to adequately proofread his appraisal reports before transmitting them to his client.

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NORTH CAROLINA
APPRaisal BOARD
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As We Go To Press . . .
Governor Hunt has reappointed Bruce W. DesChamps and Jack O. Horton to the Appraisal Board for additional 3-year terms ending June 30, 2003.