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MBREA has an excellent Open Forum for Appraisers

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The Massachusetts Board of Real Estate Appraisers has an excellent Open Forum for Appraisers in the member section of their web site. Members can post questions about appraisal issues and get responses from their fellow appraiser's. The questions may relate to current appraisal issues, how to handle a particular appraisal problem or a request for data. It is for appraisers and the questions posted are answered by appraisers. Access to this site justifies the cost of membership.

One recent posting caught my interest because it represents a very typical issue that faces appraisers on a regular basis.

An appraiser asked what you should do if the occupant of what is identified by the lender as an owner occupied refinance is not the borrower.

The appraiser has been hired to form an opinion of the value of this particular property as of the effective date of value. Who the occupant is does not impact the value so does it matter if the borrower's name is shown as the occupant as the client indicated?

The appraiser can contact the client. The client could instruct the appraiser to show the borrower as the occupant. The report should then discuss that the borrower was not the occupant on the inspection date and that they are identified as such per the client's request which should be in writing.

We have an obligation to disclose what you see and what we know about a property. Doing anything else would result in a misleading appraisal report favoring the cause of the client which is a violation of USPAP. An appraiser could also be exposing themselves to liability. If at some point it was discovered that it was discovered that the borrower had never actually been an owner occupant and the appraiser did not disclose a fact that should have been obvious the lender could be damaged. There are different loan programs for owner occupied and investor properties and the borrower may not have qualified for an investor loan. If the loan is sold the lender may have to repurchase or reimburse the buyer of the mortgage for any losses they suffered from an improperly documented loan resulting in part from a misleading appraisal. The appraiser could end up with monetary claims from the lender and potential licensing issues. Even if disclosure of the occupant meant losing a client it is better to give up the client than violate USPAP.

The following examples also raise the issue of how much information to provide. The answer is that more is always better than less.

A property may back to the rear of a commercial property. The appraiser feels that there is no adverse impact. It must still be mentioned and support for the opinion provided. The best support is the use of sales with a similar characteristic.

Another situation could be a prior sale of the subject that involved a house and an extra lot. Simply disclosing that there was a prior sale is not adequate. The appraiser must discuss the issues of the prior sale and how the property has changed as well as what impact this could have on the present

value.

The very best way to avoid future problems is disclose, disclose, disclose and discuss the impact of the disclosure. Appraisals last as long as the written word and you never know how many years after the appraisal was completed it will be reviewed or who will review it.

A reader only knows what they read in the appraisal so make it accurate and clear and if you have question they can be posted on the Open Forum.

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