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A problem faced by appraisers: Requesting a "comp" check

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A continuing problem faced by appraisers is the call from the client requesting some sort of a "comp" check. The first issue is to clarify what they mean. If all they are asking for is for the appraiser to send them sales sheets on properties with similar characteristics there is no problem. The appraiser can send the data or provide the information to them orally. This is not an appraisal and there are no compliance issues for the appraiser.

In the majority of the cases the caller is looking for the appraiser to tell them if the property is likely to appraiser for a specified amount. There is no offer of payment for this information. Rather, they imply that the appraiser will get the assignment if they can indicate that the comparables support the value needed to put the deal together. Often they indicate that even more work will follow. If the appraiser indicates that they cannot provide this service the caller simply indicates that others will be happy to get the work thus putting pressure on the appraiser at a time when the volume of work is slowing.

There is no problem with an appraiser accepting an assignment to complete a "comp" check. However, any time an appraiser forms an opinion that a property is worth more than, less, than, between, or comes to a point value, it is an appraisal.

According to the Management section of the ETHICS RULE, which states, in part:

It is unethical for an appraiser to accept an assignment, or to have a compensation arrangement for an assignment, that is contingent on any of the following:

1. The reporting of a predetermined result (e.g., opinion of value);
2. A direction in assignment results that favors the cause of the client;
3. The amount of value opinion;
4. The attainment of a stipulated result; or
5. The occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.

Additional information can be found in the USPAP's Advisory Opinion 19 Unacceptable Assignment Conditions in Real Property Appraisal Assignments.

Appraisers can only accept the assignment to complete a "comp" check if you recognize what they are being asking for. They are asking for a value estimate before they give you the assignment. We must develop the appraisal in compliance with Uniform Standards of Professional Appraisal Practice before we will know the results (i.e. will it appraise for the amount need).

We will be providing an oral appraisal report. Uniform Standards of Professional Appraisal Practice

require that each oral report must be communicated to "the extent that it is both possible and appropriate, ...it must address the substantive matters set forth in Standards Rule 2-2(b)."

Not only must we communicate the reasoning behind your opinion to the client substantively as a summary report but, since this is an appraisal assignment, we must create a work file. The work file must include a summary of the oral report and data sufficient to produce a Summary Appraisal Report. The comparables that we used or at least a reference, such as the MLS reference number, should be in the file. The file must also contain a written and signed certification.

These days, appraisers do not want to lose potential work. Completing a "comp" check may be one way to maintain a steady supply of work. There is nothing wrong with this as long as we are aware of what we are doing and as long as we comply with the requirements of the Uniform Standards of Professional Appraisal Practice.

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