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Experts breakfast: Residential appraisal for lenders

April 09, 2015 - Appraisal & Consulting

On March 10 at the Four Points Sheraton in Norwood the MBREA hosted a Breakfast with the Experts. This offering was organized by Richard Goulet, MRA, president of the Appraisers Group in Belmont speaking with him were Dorianne Alexandropoulos, chief reviewer for Leader Bank and Theresa Kelly chief appraiser for North Atlantic Appraisal Company. Steve Sousa gave an excellent update on the Collateral Underwriter. Forty-five individuals attended the offering; approximately half of the attendees were single practitioners, 6 worked for AMCs exclusively and the remainder either worked for larger appraisal companies or for banks. The discussion centered on the things that appear in appraisal reports that most often cause reports to be scrutinized more extensively. This article is not intended to be a restatement of what was discussed at this session; rather it is intended to touch on the some of the highlights. These offerings by the MBREA serve several purposes. The primary purpose is to educate, inform and update, but there are other benefits that exceed the basic premise of education and that is the ability to talk with other appraisers, network, and meet individuals from other aspects of our profession. Often the benefit of the latter exceeds what is gained from the former, but both are invaluable. Sitting in the class getting a sense from the individuals assembled of the concerns encountered by working in this profession is enlightening. It is impossible to convey all of this in an article.

Data and its consistency are becoming more important as data collection and the comparison of data collected on individual properties becomes more common. Gross living area is being scrutinized more consistently and appraisers need to become more aware of inconsistencies that appear on property record cards supplied by assessing offices. Many times online reporting of GLA from assessing offices includes finished basement area. Sketches need to be consulted to insure that the most accurate GLA is reported in appraisal reports. Condos must be measured and checked against the sketches that appear as a part of the master deed. Master deeds report the area that is used as a basis for common area expenses and frequently do not reflect accurate gross living areas, for example often including garages, porches, wood decks and unfinished attic areas. Inconsistencies from report to report on the same comparables regarding the reporting of condition, room counts, bathroom counts, to name a few elements of comparison is becoming a big red flag. If the condition, room count, bathroom count of the sale of a property at 45 Walnut St. varies from one report to another report by the same appraiser, it will probably be questioned.

Some of the things that trigger closer scrutiny of appraisals:

- *Incorrect reporting of sales prices and closing dates
- * Wrong addresses (postal addresses must be used)
- * GLA is inaccurate and varies more than 10% from public records
- * Large adjustments
- * Lack of analysis and explanation of locational and time adjustments

- * Lack of bracketing of the final opinion of value of the adjusted and unadjusted sales prices of the comparables used.
- * A significant difference between the subject's most recent sales price and the opinion of value.
- * A lack of reconciliation of each approach to value used and a lack of a reconciliation of all the approaches to value that were used.
- * Reports should have 3 comparables that have sold within the past 12 months and that are within a mile of the subject. Additional comps can be used that are further away and older, if they are more significant reflections of the subject's value.
- * Report zoning and legal conforming uses accurately. Legal non-conforming uses must be reported, described and explained.
- * Adjustments for unique attributes of the subject or comparables must be researched and explained accurately.

The review of your appraisal may take longer than a day or two. It may take 90 to 180 days for an unsatisfactory review to appear back at your office.

Upcoming offerings by MBREA that may be of interest:

- * Advanced Residential Applications and Case Studies - Danvers - April 7 & 14;
- * Supervising the Trainee Appraiser - Ludlow - April 8;
- * Distressed (Non-Stabilized) Property Valuation - Ludlow - April 16;
- * Residential Site Valuation and Cost Approach - Danvers - April 22 & 29;
- * Mixed Use Properties Issues - Braintree - April 22;
- * Statistics, Modeling & Finance - Danvers - April 23 & 30;
- * Residential Appraisal Review - West Yarmouth - April 23;
- * Understanding Applying and Adopting Collateral Underwriter - Medford - April 28;
- * Uniform Standards of Appraisal Practices - Ludlow - May 5;
- * Basic Appraisal Principles - Taunton - May 6; and
- * Basic Appraisal Principles - Ludlow - May 7.

Richard Simmons Jr. is 2015 president of the Mass. Board of Real Estate Appraisers (MBREA) and is assessor for the town of Lynnfield, Mass.