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Managing the residential value dispute process - by Russell Barrows

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Appraisers are in a profession that encounter a high-level of scrutiny. First, our reports must pass whatever internal review process is in place within our own work environment. Second, they must pass AMC and / or lender processing & underwriting scrutiny. Third, they must now pass UCDP, AVM and other related data collection (data mining?) processes. Fourth, they must “pass” borrower and / or purchaser (and sometimes sales agent) scrutiny and; Fifth, they must pass down-stream review(s), if applicable. Feed-back and critique should be viewed as an on-going part of an appraiser’s professional developmental process.

I encourage all appraisers, especially those of us who either work in a one person, or otherwise small appraisal firm to take a break from the time a report is completed to when it is delivered. This will allow a chance for the mental process to re-set and be able to view the report in a clearer manner. If possible, have another person in your office give the salient areas a once-over to make sure that all comments and sections are completed and expressed in the desired manner. Then, run your soft-ware’s review process. While certainly not fool proof, these simple tasks can catch many seemingly inconsequential over-sights, but contribute to the overall quality & appearance of a report.

Most lender and AMC reviewers actually, at least in my experience, know what they’re doing. They have the benefit of reviewing multiple reports in the same areas completed by our peers (and, in many instances) and competitors. While some revisions or similar items might appear to be unnecessary, they are often as a result of dealing with a specific lender and even a specific type of loan program with conditions unknown to the appraiser (as-is, as-is w/ cost to cure, etc.). Sometimes, these requests are quite valid and appropriate. It is important that we, regardless of how unnecessary a correction / revision request might be, to address these items in a professionally appropriate manner. It is a rare occurrence that the appraised value in a well presented and described appraisal is rejected. Remember, every appraisal report should tell a story about the subject, it’s market area and inter-relationship thereof. I have been amazed, and sometimes dismayed by the lack of explanation presented in a report. Sometimes, a quick couple of sentences can take care of an issue. In short, my advice is to answer the question before it gets asked.

Reviewer and borrower feed-back may actually provide beneficial learning experiences.

Most appraisers don't have access to Fannie / Freddie UCDP "Risk" and related scoring. Statistical modelling can be useful. Automated Valuation Models, AVM's in my experience and opinion, they are at best, an accidental coincidence if the appraised value and an AVM derived value are similar. The AVM often relies on incorrect "public" or MLS based data. We've all been to properties where the public record information is significantly different from the property's actual characteristics. In these cases, I suggest that the appraiser provide a simple explanation such as: The appraiser is aware that the municipality's indicated GLA is 1,700 s/f. The appraiser has personally measured the property and has calculated a GLA of 2,158 s/f. It appears that the public data does not reflect the recent completion of the previously expandable area over the attached garage. Again, answering the question before it gets asked takes less time to address while a report is under initial development rather than addressing it two weeks later. Asking questions from the "questioner" may also prove to be beneficial.

Borrowers run the spectrum very knowledgeable to completely clueless about the appraisal process. Some of it relates to not being educated by the lender (directly or indirectly our client), a participating realtor / broker and sometimes the appraiser. It can be very helpful, particularly for refinance type appraisal assignments, to have a brief discussion with the borrower about the report development, appraiser client relationship and some compliance related topics. I call it my "housekeeping" discussion where I provide a brief description as to how the appraisal and appraised value is developed, communication protocol and the manner of them (the borrower) obtaining the appraisal report. I politely stress that while they may have paid for the appraisal in an application fee or similar process, they (the borrower) are not my client; that they are provided with a copy of the appraisal report (in most instances) by the lender and NOT by me (or my firm). This is also usually a good opportunity to discuss deferred maintenance, potential safety or other inspection related issues, stressing that ultimately, it's the lender who largely determines what repairs / corrections / modifications may be required. Most people understand and don't have an issue, at least in a general manner. A bit of civility can go far. "The Value". For the most part, the appraiser is an afterthought in the process. The main exception to this, however, is if the appraised value is significantly different than what is expected. Even though appraisers are not supposed to know the loan amount (for a refinance / home equity), it is generally good practice to provide some manner of analysis and / or description that clearly established a reasonable upper value limit indicator. This can be presented by inclusion of a superior comparable / competitive property or by providing descriptive commentary. Comparable "X" has been provided to demonstrate the upper-most value indicator as it is located in a superior area / has superior site, quality, condition, GLA or other characteristics. While employed, it receives (some, no, considerably, minimal...) weight. Again, this helps address the question as to why (other than all of the other employed comparable properties and related analysis & discussion) the property is not worth "\$X". This can also be a challenge given very tight inventory, multiple offers and other challenging factors. An extension of professional courtesy may be appreciated, even if our role is ultimately deemed to be a hinderance by the transaction participants.

Reviews: Whether we know it or not, a fair number of our appraisals are reviewed beyond lender

compliance & “technical” review requirements. Desk-top and field reviews are common. More often than not, there are usually no significant issues. Should significant issues arise, it is important to remain professional. The “perfect” appraisal report has yet to be written and the “perfect” review has yet to be completed. Try to take an impartial, third party step back and view the process in an impersonal, rather than personal manner. If we make a mistake, own it, address it and correct it. If additional explanation is required, provide it. If the reviewer has erred, or over-stepped, it’s OK to let them know, but with “business”, and not personal language.

In summary, it is important to understand our role in the residential appraisal and valuation process. Most appraisers earnestly try to complete their professional obligations in a “good” to “best” practices manner. We all face multiple types of professional pressures from varied sources and, in general, are pretty good about getting the job “done right”. Don’t be afraid to seek out information, guidance and suggestions from your peers. While we are in competition, it works best when we cooperate.

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