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Revision requests on appraisals from clients - by Steven Spangle

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A call from a client requesting an appraiser to reconsider something in an appraisal is rarely welcomed. However, it has been happening since appraisal reports began being communicated in a written format.

Often the response will simply involve explanation or pointing out a section of the report that contains the explanation.

Sometimes the request is related to a reconsideration of the value. It may be more specific, asking for an explanation of how an adjustment was supported or why an adjustment was or was not made. It could question the comparable sales selection.

As appraisers we should recognize that any client request for reconsideration of something means that we may have failed to write the report in such a way that it was clear and easily understandable.

Clients may not have a strong understanding of the appraisal process or the methods and techniques that are used in an appraisal report. A request to reconsider something in the report is an opportunity to hopefully clarify and make the report more understandable.

The best way to avoid requests for reconsideration is to spend a little more time expanding the comments made in the appraisal. It is time well spent.

When writing the report, we need to be explain what we did and how we supported what was done.

“The adjustment for location was \$5,000” provides no information not already in the adjustment grid.

“The location adjustment was developed by comparing sales in the subject neighborhood to sales of

a similar properties in sale threes' neighborhood. The data indicated a dollar adjustment that was converted to a percentage adjustment. The data utilized and the mathematical steps used are contained in the work file for this appraisal.”

Another request may relate to the selection of the sales.

“I selected the best available sales”. This is a basic expectation of an appraisal and provides no information on why they were selected.

“I ran an MLS search of all sales in the subject neighborhood of properties similar to the subject based on style, square footage, lot size, room count and age. I then narrowed the list based on condition and other amenities. After reviewing all of the sales data from the neighborhood I selected the sales that, based on my inspection of the subject and analysis of the sales data, were the most recent and the most similar properties for comparison to the subject. The supporting data is contained in my work file.” This is informative and defensible.

“I placed equal weight on the sales” does not explain why/how the decision was made.

“Sale one was the most similar to the subject in terms of sale date and the need for only three relatively small adjustments. The most weight has been placed on this sale. Sale two sold three months prior to the effective date of value and had more, and larger adjustment than sale one. It is considered supportive. Sale three was the oldest sale and had the largest adjustments. It is considered to set the lower limit of value and is given the least weight.” This explains the reasoning behind the decision.

It is important to remember that every communication with a client must be retained in the work file. The original appraisal plus every response, even if the appraiser considers it a correction or update to the original report must have a new signature date, even if the effective date is unchanged.

Then one of the goals when writing the appraisal report should be to anticipate client questions and address them before they are asked.

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