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Hybrid appraisals: A step forward or a step back? - by Steven Spangle

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Articles about hybrid appraisals are increasingly being written as these types of appraisals become increasingly popular with clients. Some appraisers are embracing them as the future of the appraisal industry while others are refusing to take these types of assignments.

The term “hybrid appraisal” refers to an appraisal where a third party, someone not from the appraiser’s office, provides information that the appraiser is relying on to develop the appraisal. It is an appraisal completed on a shorter form.

Typically the appraiser does not inspect the property personally. The exterior, and sometimes the interior are inspected by someone other than the appraiser signing the report. This type of assignment is somewhat similar to a desktop appraisal where no physical inspection of the property is completed or a drive by appraisal where only the exterior is inspected.

That said, it is important to recognize that there are a wide variety of hybrid products offered. In some assignments, the appraiser may have the photos of the exterior and possibly the interior also, inspected by someone else and then, base the appraisal on the extraordinary assumption that the information is correct. The hybrid appraisal may go so far as involving a third party inspection, the presentation of the three best comparables, all adjustments supported by linear regression, and even a final value recommendation for the appraiser.

USPAP does not require that an appraiser personally inspect a property (see Advisory Opinion 2). The individual appraiser has the responsibility to insure that the type of inspection will result in credible results, given the scope of work. The appraiser has the same burden as far as any additional information that may be provided and a third party.

The appraiser signing a report has the responsibility to assure themselves that all sources providing information are credible. Then, if using the information, they must use an extraordinary assumption about

the information including the source providing the information.

Documenting the how the appraiser satisfied themselves of the credibility of the third party and their data is recommended.

Verification could be limited to simply using Google maps to verify general information about the subject and surrounding properties or randomly driving by the subject and any suggested comparables or a data base search to aid in the decision to use this data.

If data is provided from an automatic valuation method or through linear regression the appraiser should have a general knowledge of how these systems work, the source of the data used and what if any testing methods were used.

From the clients perspective this type of report offers a quicker turn time for a lower fee. A lender may use the tax card to support an equity line but change to a hybrid format for the enhanced reliability. They may also use them for a high equity first mortgage or for evaluation purposes.

Many appraisers are resistant to accepting a hybrid assignment. This is not how an appraisal has always been done or they may lack confidence in the information they are receiving. As a result they will not accept the assignments.

Other appraisers may view them as the future of the appraisal industry and as an additional product they can offer to clients.

When the decision is to use some method of a hybrid appraisal, appraisers must keep in mind that it is the appraiser who signs the report that is responsible for the credibility of the report.

Individual appraisers must determine if this is a step forward a step backward.

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