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## **The hybrid appraisal, also called a bifurcated appraisal - by Steven Spangle**

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Steven Spangle  
Spangle Associates

The hybrid appraisal, also called a bifurcated appraisal, is a product that has grown in popularity in the past few years. In this type of report someone other than the appraiser, supposedly another appraiser or a real estate agent, inspects the exterior and or the interior of a property. The information is sent to the appraiser, who does not leave his/her desk, but develops the rest of the appraisal based on the information provided.

There are products an appraiser can buy that will provide more than simply an inspection of the improvements. They may include the inspection, comparables and adjustments which are often based on regression analysis.

The benefit for clients is a quick, cheap product. The benefit for the appraiser is a time savings since they do not have to leave their offices and, in some cases, they may be provided with an almost completed report.

The clients face some risks which may be considered acceptable. Depending on the involvement of the appraiser information may be incorrect and the value could be over or under stated.

The appraiser potentially is risking civil litigation from a client who is unhappy with the product. There is also the risk of findings by licensing boards that the appraiser violated the Uniform Standards of Professional Appraisal Practice (USPAP) in the development of the appraisal and communication of the report.

The Uniform Standards of Professional Appraisal Practice does not prohibit the development of hybrid appraisals. It also does not require the appraiser to personally inspect a subject property. It only requires the appraiser to disclose the name of someone inspecting the property if they provide significant assistance. If they are providing information on the condition and quality of a property or information on its functional utility they have to be named. If they are only reporting information such

as room counts and providing photos they would not have to be named.

John Brennan, director of appraisal issues at TA said, "There is no requirement in USPAP for the appraiser to physically inspect the property. Standards Rule 1-2e is what requires appraisers to identify the characteristics of the property, and an appraiser can use a lot of different resources to do that. They can use a combination of property inspection plans, specifications, public records, engineering reports, photos, etc., to gather information about the relevant characteristics of the subject property. It is not required that they do the inspection,"

Brian Weaver, coordinator, editor stated in the February 2019 issue of Illinois Appraiser, a service of the Illinois Department of Financial & Professional Regulation that:

"In Illinois, here's what an unlicensed 'inspector,' trained or not, can confidently provide to an appraiser: Photographs? –Absolutely. Improvement Quality? –No. Improvement Condition? –No. Room Count? –Even appraisers can't agree on room counts (attics, add-ons, three-season rooms), or whether certain rooms are bedrooms or not (pass-throughs). Improvement Size—Appraisers can't come together on how to properly measure a structure. Are they rounding to the nearest foot? Half foot? No rounding at all? In Illinois, filtered data needs to come from a licensed appraiser."

A state can not require less than USPAP, however, as in the case of Illinois it can require more. Appraisers must recognize that by signing the appraisal report an appraiser is taking full responsibility for that report so it is important to make certain the entire report is USPAP compliant.

Understand how your state is looking at Hybrid Appraisal compliance with USPAP. If a report form is used be sure to view and understand the limiting conditions certification included with the form. They may not totally benefit the appraiser. State that if the report contains errors as the result of third-party information, the assignment results may be affected.

Have a procedure for regular verification of the information provided by third parties. This could be a google or MLS search of information on the subject such as neighborhood, appropriate selection of sales and the selection of adjustments provided by a third party. This will support an assumption that the data provided is reliable.

Point out your verification methods in the report and be sure to maintain a work file containing the information gathered in this process. All appraisals require a work file but you can also reference and maintain a work file for regular verifications.

This type of appraisal provides both advantages and risks. Each appraiser and client, must decide if the risk is worth the rewards.

Steven Spangle, SRA, MRA, is president of Spangle Associates, Auburn, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540