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Those pesky requests for comp checks

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With the recent surge in appraisal requests residential appraisers have had to balance the increased work load with those pesky requests for comp checks. These requests come from the mortgage officer or loan officer who would like to know the value of a property before actually ordering and receiving (paying for) the appraisal. The situation presents a dilemma for the residential appraiser who wants to comply with the requirements of USPAP and make a good business decision at the same time. Those who call for comp checks on a regular basis are likely customers you could do without. However, with a declining market and borrowers lacking equity in their homes, lenders are reluctant to go ahead and order an appraisal without some idea of the value.

The practice will have new meaning when the Home Valuation Code of Conduct (HVCC) takes effect on May 1st. Steve Sousa, executive vice president of the MBREA continues to study the HVCC and last week conducted a survey of our USPAP instructors relative to the comp check policy and how it applies to HVCC and appraiser compliance with USPAP. Their opinions and a complete interpretation of the HVCC will be available in the near future, a topic for another time.

For those appraisers who currently perform comp checks I would recommend you contact the MBREA office to make sure you are not in violation of USPAP. In my own appraisal office our policy is to "say no" to comp checks. However, we will provide data supplied from other sources relative to market conditions. For example, Banker and Tradesman reported a decline in sales of more than 11% in 2008 for single family homes in Mass. and a reduction in the median price of \$40,000. The Warren Group, the publisher of B&T said that currently we are in one of the slowest housing markets in more than two decades. Other sources to quote from include the U.S. Bureau of Economic Statistics, rating agencies, National Association of Realtors and their chief economist Lawrence Yun, NSAR quarterly reports, MLS statistical reports, local newspapers, appraiser publications, and a variety of national trade publications. This is information readily available to us, takes little time to report, and enables us to satisfy our customer's request without rendering an opinion. Always worth noting, name your source. Market statistics have to be interpreted and are only as reliable as the information in the market. Futurecasts online magazine describes statistics as "at most merely additional evidence." As the saying goes there are ordinary lies, damn lies, and statistics. So when it comes to comp checks, proceed cautiously and prudently. And remember, disclaimers are your friends.

Studying market conditions has always been an important step in the appraisal process. With new Fannie Mae requirements it will be necessary effective April 1st to complete a market conditions addendum with each appraisal report. The Fannie Mae Form 1004MC is called the "Market Conditions Addendum" and quoting from the MBREA web site is "intended to provide the lender with a clear and accurate understanding of the market trends and conditions for properties in the subject neighborhood. The form provides the appraiser with a structured format to report the data and to

more easily identify market trends and conditions."

The MBREA is now offering a 7 hour seminar, approved for 7 hours of continuing education by the states of Mass., N.H., R.I., Vermont, and Conn. The classes are offered three times in February and once in March; check out the MBREA website at mbrea.org for details.

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