

# The SAMCO Bulletin Board



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## Search Parameters and Results

SAMCO's appraisal requirements are fairly simple and straightforward. Our appraisal audits are completed by experienced appraisal professionals who understand that many real estate assignments are atypical and nonconforming with respect to Appraisal Standards and Fannie/Freddie approved forms.

SAMCO realizes this can be challenging. Providing an explanation of the situation, the line of reasoning, and the extent of the search parameters enable the appraiser to pass SAMCO's audit process, as well as the client's underwriting requirements. Explaining your search parameters and specifying the comparables discovered in that search is one of the best methods to respond to an unusual subject or a lack of comparables similar to the subject. This approach should accompany EVERY appraisal when the comparables are not similar to the subject or Appraisal Standards are not met. A general phrase stating you have "researched the area and these were the best comparables available" will never be acceptable.

Examine your sales comparison grid and search parameter explanation, not through the perspective of an appraiser that is intimately familiar with the area, but as an underwriter miles away lacking knowledge about your local market. Describing your search parameters and listing all sales will prevent the underwriter from speculating if there are additional comparables that could be utilized. A comparable located 30 miles from the subject wouldn't initially have been acceptable by the client's underwriting, but detailed reasoning explains why using your comparable choice was necessary.

The following example format is strongly encouraged to be utilized. The reason is simple. It's easy to read and understand. If the appraiser writes a narrative explanation in paragraph form it is easy for the reader of the report to become confused, and it's easy for the appraiser to make a mistake or leave out an important detail.

Example:

### **Search #1**

Parameters: Sale date 1 year, 1 mile radius, 1500 to 2500 GLA, 1955 to 1975 yr built

Results: 2 sales

Used: 1 sale used for comparable #2

Not Used: 1 sale not used due to bank owned sale

Comments: The sales in this rural village are limited. In order to find comparable sales the search will be extended to other rural villages in Blank County.

### **Search #2**

Parameters: Sale date 1 year, 20 mile radius, 1500 to 2500 GLA, 1955 to 1975 yr built, lots under

1 acre

Results: 13

Used: 2 sales used in similar villages to bracket age

Not Used: 8 sales not used due to superior condition (which would exceed net and gross adjustments), or being outside of village limits. 3 sales not used due to being bank owned.

Comments: In order to limit rural sales the lots under 1 acre was included in this Search's criteria. GLA was unable to be bracketed with available sales. Another search to find dated sales to bracket GLA needs to be done and used for support in the 4-6 grid.

### **Search #3**

Parameters: 1 to 2 year sale date, 20 mile radius, 1500 to 2500 GLA, 1955 to 1975 yr built, under

1 acre

Results: 8

Used: 1 because within subject's village limits

Not Used: 7

Comments: This listing will bracket GLA and be placed in the 4-6 grid since it is not acceptable for the 1-3 grid.

Only handling an appraisal once is SAMCO's goal, and it should be yours as well. Describing your Search Parameters and listing the comparables found (Results) is the best way to have you reach that goal.

Note: Including the Search Parameters and Results gives the reader of the report **confidence** in your comparables. Define for the reader of the report what you have determined to be 'comparable' to the subject. Detail ranges for the 'relevant measurable items' (design/style, square footage, year built, acreage etc.). Then explain for the reader the radius searched, and how many sales were found within the parameters used. Finally, explain any additional sales found but not used. This search should be able to be duplicated, avoid using parameters that are subjective (condition, quality of construction etc.) Be transparent in this process. It lends to credibility.

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