

## Issue 04 – Basic Appraisal Standards

### The SAMCO Bulletin Board



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## Basic Appraisal Standards (REVISITED)

15% - 25%, 12 Months

There has been some recent discussion on recommendation versus requirements for the adjustment guidelines that are considered excessive. In light of the recent changes Fannie Mae, and Freddie Mac have made in regards to guidelines. SAMCO would like to offer our recommendations and assistance whenever you have an assignment that is unusual. SAMCO would also like to clarify our position and our recommendations.

SAMCO **recommends** the 15% net and 25% gross guidelines be adhered to whenever possible. By properly utilizing Search Parameters & Results (see example [Ezine Issue #3](#)) this will clearly show the reader of your report what is available in the subject's market area, and in most cases clearly illustrate when exceeding adjustment guidelines was 'unavoidable'. **Search Parameters and Results (explained in Issue 3 of the SAMCO Bulletin Board) will be required whenever adjustment guidelines are exceeded.**

Please let us be clear, comparables that exceed adjustment guidelines **CAN** still be utilized. Especially when you, the appraiser, feel that they carry significant weight in determining your estimate of value. However, we need to do everything we can for the client to prove there were no alternatives. This will cut down on revision requests for additional sales, and ultimately save time. Being thorough make's you the appraiser more marketable and saves you time. SAMCO's **preference** would be for the appraiser to move comparables that exceed the required net and gross adjustments to a supporting grid. This is a **suggestion**, not a requirement. In almost

every case the client will appreciate the first 1-3 grid being within all guidelines. In this scenario you may feel your comparable 4 (which you placed in that position because of excessive adjustments) is the most indicative of your subject's market value. Provide that discussion in your addendum. If an underwriter requests further information, SAMCO will support and defend your appraisal report. It's simple; you, the appraiser, documented and discussed with a detailed explanation and facts of how your estimate of value is correct.

A similar process is to be utilized for a comparable sale date exceeding 12 months. The absolute best comparable may be 12 months and 1 week old, especially in rural areas. It is recommended that you place this sale on the comparables 4-6 grid. All three of the comparables in the primary grid must be within 12 months old. We absolutely **encourage** the use of dated comparables as supportive information. They can be **invaluable** in showing **precedent**. Please place them on the supporting 4-6 grid with a detailed explanation added to the addendum. Placing that 'dated' sale on the second grid does not diminish its impact on the Estimate of Value, and in your discussion you can place your weight on that comparable sale.

The Net/Gross percentage benchmark for considering adjustments 'excessive' can be debated. What cannot be debated is that we make adjustments for 'differences'. The more adjustments a sale requires, the more different it is from the subject. We still feel strongly that the 15% net, 25% gross guidelines are 'reasonable'. Sales that require adjustments in excess of these guidelines will be accepted, but Search Parameters & Results illustrating a clear and concise illustration for the reader of a lack of comparables requiring fewer adjustments will be required.

SAMCO understands the challenges appraisers are facing, especially in rural areas. This does not exempt appraisers from providing the client with **relative, detailed, and thorough explanations** whenever guidelines are exceeded (e.g. Search Parameters & Results). Remember cram downs? We are dealing with YOUR client's profitability. SAMCO is always available to discuss your challenges. We have been in the appraisal business for 30 years, much of it in rural areas. We understand your challenges and want to work with you to provide the best report possible. It's easier to work on as you are writing the report, not after it's completed and sent in. So don't hesitate to call and share.

**\*\*\*SAMCO is retracting our original Ezine** – Basic Appraisal Standards, and explaining further that these are **recommendations** and should be taken as such to assist you the appraiser and our mutual client by providing as much information as possible to support your appraisal report.

**Original Note:** The estimate of value is always your decision. With unique properties writing a defensible report is challenging. Your goal and SAMCO's goal is to write the best, most defensible reports possible, and working together we can do that!

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