

The SAMCO Bulletin Board



John Shives
SAMCO AMC
Preseident / CEO
Phone # (888) 832-1129
Fax # (866) 905-4851



Answering the Question

There are times that we, here at SAMCO, see that the appraiser is just misunderstanding what the question is! Two of those easy to correct misunderstandings are at the very top of page two of the 1004 Form:

There are _ comparable properties currently offered for sale in the subject neighborhood ranging in price from \$ to \$.

There are _ comparable sales in the subject neighborhood within the past twelve months ranging in sale price from \$ to \$.

This is a fairly straightforward statement, but many times the appraiser misunderstands the question and lists ALL of the sales in the neighborhood. The key word here is "comparable sales". That means only those transfers that meet your search parameters should be listed here (we discussed search parameters in a previous newsletter). All I can tell you is that the language here isn't confusing. It specifically requests **'comparable'** listings/sales in the **'subject neighborhood'**. This is an important section of the report as it helps paint the neighborhood picture for the reader. It tells the reader exactly how many comparable properties are available

in the neighborhood, and how many comparable sales there were. Here is a typical incorrect statement: "There are 36 comparable sales in the subject neighborhood within the past twelve months ranging in sale price from \$30,000 to 700,000." Do you believe that the 36 sales that were in that range could be considered as comparable sales for your \$100,000 subject home? No. In reality there might have been only 5 that actually fit your search parameters.

The same goes for "comparable properties currently offered for sale". It's not the lowest price to the highest price in the local MLS. It's what would be considered so comparable to the subject that you could utilize it in your sales comparison grid without exceeding the 15% net and 25% gross adjustments and is a SIMILAR property.

Standards Rule 1-1(b) addresses errors of omission and commission. Incorrectly answering a direct question in the above situation is an "error of commission". Refer to "Frequently Asked Question #157 for a clear explanation.

Filling this out correctly is important. It gives the reader of the report an indication of what is truly out there for comparable sales (as much as the Search Parameter and Result statement that is described in Issue's 3 and 5 also does). If an underwriter reads there are 36 comparables for the subject and isn't satisfied with the comparables in the sales comparison grid, why wouldn't they request additional comps? You have encouraged it!! Our reports need to be logical, reasoned, and correct. Sometimes it IS the little things that make your appraisal report good!

NOTE: Appraisals are as unique as the individual subject properties. SAMCO understands that occasionally there will be an appraisal that simply will not conform to Fannie/Freddie guidelines. In those instances a very complete "My Comp Search and Results" paragraph is required. SAMCO also understands that the appraiser's best comparable may not conform to guidelines. In that instance though, those comparables that do not meet guidelines should be placed in the second grid, as supporting information.

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***ATTENTION MULTIPLE APPRAISER COMPANIES:** Please forward the supplied information to each appraiser within the company.