

The SAMCO Bulletin Board



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Order of Comparable Sales

Every few months a new community bank partners with SAMCO for their residential and commercial appraisal order management/review process and our consumer lending evaluation order management/review process. Our community bank clients have many good reasons for employing SAMCO Appraisal Management Company. One is meeting the Interagency Appraisal and Evaluation Guidelines; another is to provide a compliant appraisal product for Fannie Mae, Freddie Mac, or Federal Home Loan Bank, reducing their ‘cram down’ liability. The mortgage industry has had its issues, creating significantly tighter underwriting requirements. Appraisals are one area experiencing increased scrutiny. SAMCO sends this weekly ezine to ALL of its approved appraisers with one goal in mind - to provide clear communication of the USPAP, and Appraisal Standards requirements now necessary for a community bank loan. You may be accustomed to writing reports in a particular manner for community banks, but certain habits and practices may have to be altered. SAMCO WILL NOT make requests that will affect value, but WILL require appraisal reports to adhere to USPAP and Appraisal Standards.

There are multiple goals in writing an appraisal report, but one goal is often neglected. To reduce the amount of requests from clients seeking additional comparable sales, comparable sales one through three MUST meet USPAP and the Appraisal Standards now required by your client.

For example, an appraiser may receive a difficult appraisal assignment. The appraiser provides six comparable sales, three of which meet their client's requirements. Comparable one has excessive net and gross adjustments, and comparable two has a date of sale exceeding twelve months. Comparables five and six are excellent and within guidelines. An underwriter will tend to analyze a report closely if comparables exceeding twelve months or comparables with excessive net and gross adjustments are found in the first sales grid. To avoid an intense examination of an appraisal, utilize the comparables within Appraisal Standards as the first three comparables. Requests for additional information may still occur, but the amount CAN be reduced.

Appraisers new to SAMCO may have difficulty adjusting to requirements that have not previously applied to their appraisal reports. Ensuring comparables one through three meet guidelines is a SAMCO requirement, and not an appraisal standard. Adhering to these guidelines is a must, however. Following the approach provided above will not only reduce the amount of requests from underwriting, but improve your profitability!

NOTE: There are always challenges in the appraisal industry: unique subjects, insufficient comparables, and perplexing requirements. Our Sr. Appraiser, Ryan Carlson, is always available to discuss the challenge and exchange ideas. If unable to reach him, leave a message and/or send an email, and he will return your call as soon as possible. Between Ryan and myself, we possess over 40 years appraisal experience. We may not have all the answers, but putting two heads together about the challenge can often provide solutions.

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