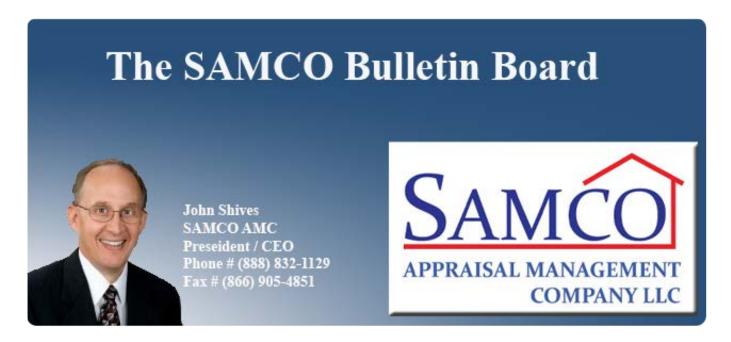
Issue 08 – Neighborhood Boundaries



Neighborhood Boundaries

A letter of reprimand was handed to an appraiser by a state Real Estate Appraiser Board. The Review Appraiser for the Board stated as part of her findings:

"b. Respondent described the Subject Property neighborhood boundaries as "Township, County", rather than providing detailed boundary streets, etc. While not specifying what the neighborhood boundaries should be, [the review appraiser] stated that "Township, County" is too vague, is minimal, and does not describe the area."

The Board's findings for the above are listed below:

"Respondent's conduct as described above constitutes a violation of Ind. Code 25-1-11-5(a)(4)(B) in that Respondent failed to keep abreast of current professional theory or practice by violating 2006 Uniform Standards of Professional Appraisal Practice ("USPAP") Standards Rule 1-1(c), as adopted by 876 IAC 3-6-2. Specifically, Respondent provided inadequate descriptions for map references and neighborhood boundaries, and cited the improper zoning."

Of course, USPAP does not specifically mention neighborhood boundaries. However, Standard Rule 1-1(c) does state "In developing a real property appraisal, an appraiser must: (c) not render appraisal services in a careless or negligent manner, such as by making a series of errors that, although individually might not significantly affect the results of an appraisal, in the aggregate affects the credibility of those results."

There are many appraisers that still use political boundaries as their neighborhood description. It is easy to say "the incorporated village of Salem" or "Wayne County", but review appraisers and State Licensing Boards have a definite opinion of what is required.

Boundaries should be identified as North (N), South (S), East (E), and West (W). They should also be physical boundaries. By physical, I mean something you can see or touch. A road is preferable, but a lake, river or city park is fine. These are all physical boundaries that you can see or touch. This is required by SAMCO. .

While we are on the subject of neighborhoods, consider this; always try to establish the subject's neighborhood boundaries before completing any part of the neighborhood description. There have been many times when an appraiser has "changed the horse in mid-stream" and not corrected the previously input information.

Being consistent with every appraisal is very important. I urge you to not just do this with SAMCO appraisal assignments, but with all of your clients. USPAP is USPAP, and state boards are becoming increasingly vigilant when reviewing appraisals. We work in a great profession and with the implementation of the the Interagency Appraisal and Evaluation Guidelines, and the Dodd-Frank Act (Federal Reserve's Interim Final Report) our profession will just become better and more profitable!

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" description 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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