

The SAMCO Bulletin Board



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Verification Source

The Fannie Mae Selling Guide specifically addresses verification source(s). On the left-hand side of the Sales Comparison Grid under "FEATURE", five boxes down, is "Data Source." Place your primary source of data for each comparable in this box. Your data source may be the county auditor, MLS, or even your own files. Fannie/Freddie stress the importance of verifying your data source to ensure it is correct. In Using Residential Report Forms, a must-read for every appraiser, Mark Rattermann states, "Appraisers who use the minimum amount of data should confirm that data to a reasonable degree. This means that appraisers who rely on three comparable sales only will find themselves in trouble if one or two of the sales are flawed." For this reason, Fannie/Freddie provided a "Verification Source" box directly below "Data Source." The GSE's expect the appraiser to verify the information from the original data source.

Any data source can be wrong. MLS was not created for appraisers, but for realtors to sell homes. As Mark Rattermann states, "Many agents operate according to the philosophy, 'If you can't say something nice, don't say anything at all.' Keep in mind that brokers are hired and often legally obligated to facilitate the sale, and this includes advertising the property in the best possible light." The county auditor isn't perfect either; data cards are often incorrect due to inaccurate measurements and less-than-honest tax information. Those are just a few examples of misreporting that can occur. Verification sources can include the following: a file search of

the appraiser's own records, county auditor records available through the internet, MLS for the area, listing-selling agent, buyer-seller, or the county auditor.

It is my hope this ezine has re-emphasized the importance of data source verification. Below is the excerpt from the Fannie Mae Selling Guide; the expectation is clear.

Appraising is a great profession that is becoming more professional and responsible daily. If you have a question regarding methodology or how to approach a complex property, don't hesitate to call SAMCO. Two heads are often better than one!

Fannie Selling Guide:

Sources of Comparable Market Data

Data and/or verification source(s) for each comparable sale must be reported on the appraisal report form. Single or multiple sources for data and verifications are acceptable provided the appraiser adequately verifies the comparable sales. Examples of data sources include, but are not limited to, a multiple listing service, deed records, tax records, realtors, builders, appraisers, appraiser's files, and the Internet. The appraiser must state the specific data source and refrain from using broad categories, such as "public records." Data source(s) must be reliable sources for the area where the subject property is located.

Information used to verify the data is obtained from a "verification source." Verification sources include, but are not limited to, the buyer, seller, listing agent, selling agent, and closing documents in certain situations. Regardless of the source(s) used, there must be sufficient data to understand the conditions of sale, existence of financing concessions, physical characteristics of the subject property, and whether it was an arms-length transaction.

When comparable sales data is provided by parties that have a financial interest in either the sale or financing of the subject property, the appraiser must verify the data with a party that does not have a financial interest in the subject transaction.

NOTE: All facts should be verified, but so too should your search for comparable sales. FSBO sales inherently will not be found on MLS. If you are relying on your local MLS for your 'only' search for comparables you are likely missing relevant sales. Always keep in mind; someone is going to fact check your work. Isn't it far better to make sure you've done it first before it gets to them?

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