

## The SAMCO Bulletin Board



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## Below Grade GLA and Garage Sketch

Fannie Mae's Selling Guide is very specific for appraisal requirements. Let's review some specifics that must always be met.

### **Above-Grade Room Count and Gross Living Area**

Only finished **above-grade** areas can be included in the calculation of the gross living area for an appraisal. Basements and other **partially below-grade** areas must be considered separately and the appraisal adjusted accordingly.

This is straight from the Fannie Mae Selling Guide. The key word here is "above grade". If you have a bi-level comparable with the finished lower level just two feet below grade, how do you approach that? The easiest way is by utilizing all bi-level comparable sales, but if there are not many around, you may have to utilize a ranch comparable sale as well. Even though it's finished, has windows, and is only a foot or two below grade, you **STILL** do not include this area in your GLA square footage calculations. It will not look pretty, and when it doesn't look pretty, you need to provide an extensive discussion to prove to the reader of the report that your analysis is correct. The reader of the report cannot just take your "word" that the estimate of value you provided is correct; you **HAVE** to prove it. If you prove it by simply utilizing the

most convenient comparables, and your adjustments and logic are stretched to the maximum, then you haven't proved anything. This is where an extensive discussion on Search Parameters can really open the eyes of the reader of the report.

### **Sales Price**

The sales price of each comparable sale should be within the general range of the appraiser's opinion of market value for the subject property. This makes sense, but sometimes is difficult to accomplish. Expanding your search area is many times mandated due to this. Again, the key is Search Parameters. Show the different levels of your searches AND THE RESULTS. Then the reader of the report will know why you chose the comparables you did.

### **Sketch**

One last item is the sketch. Fannie/Freddie require square foot calculations in the report. Thankfully all of the appraiser software programs provide this, so it has become automatic for all appraisers to do this. However, there are some areas of the country where a few appraisers do not include the attached garage in the sketch. It is part of the subject property and needs to be shown in the sketch; it's just that the square footage is noted as garage and not Living Area.

Below is an excerpt from the Fannie Mae Selling Guide regarding the sketch:

### **APPRAISAL EXHIBIT REQUIREMENTS (EFFECTIVE SEPT. 1, 2010)**

#### **Sketch Exhibits for Interior Inspections:**

- An exterior building sketch that includes exterior dimensions
- The calculations demonstrating how the estimate for gross living area is derived
- If the floor plan is atypical or functionally obsolete, thus limiting the market appeal for the property in comparison to competitive properties in the neighborhood, Fannie Mae requires a floor plan sketch.
- For a unit in a condo or co-op project, the sketch of the unit must indicate interior perimeter unit dimensions rather than exterior building dimensions

**Impact:** If the dwelling is proposed construction and a copy of the blue print is used in the appraisal, the appraiser will need to also sketch the floor plan or show the calculations to meet this requirement. It will not be acceptable to just state the gross living area indicated on the blue

prints or architect drawing. The exterior dimensions will need to be clearly visible on any blue print copies incorporated into the appraisal report.

If you have any questions, don't hesitate to give our Sr. Appraiser a call.

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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