

# The SAMCO Bulletin Board



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## A Client Provides Comparables

Several months ago, I received an email from one of SAMCO's appraisers. Now, I'm proud of the quality work that all of our appraisers provide, and I'm also proud that many of them feel like they can call or email me to discuss challenges and issues they run across. With all of the stress the real estate industry has faced over the past few years, I feel our own little corner of it, appraising, has just become more and more professional. What this appraiser was concerned about was valid. Sometimes you just need someone standing a little further away from the fire to get a clearer perspective, and that's what I was able to provide here. By the way, the names have been changed to protect confidentiality and SAMCO wasn't the AMC referenced.

Mr. Shives,

I have just received a strange request by AMC (30 days after the report was sent). They have sent me 4 "Potential Comparables" provided by the client and requested for me to respond to each Comp and explain why they were not used/or are now being used. The sales they sent were located 40 Miles away in a different County, were twice the size of the subject, Bank purchased, and had lake view(s). (which the subject does not). Is this what I can expect from AMC'S?

A Real Appraiser

Dear Mr. Real Appraiser,

All of the Fannie/Freddie Announcements, Dodd-Frank, Interim Final Rule, and Interagency Appraisal Guidelines are very clear on this point. On Page 21 of the Interagency Appraisal Guidelines it states:

Consistent with its policies and procedures, an institution also may request the appraiser or person who performs an evaluation to:

- Consider additional information about the subject property or about comparable properties.
- Provide additional supporting information about the basis for a valuation.
- Correct factual errors in an appraisal

This is basic customer service actually. An appraiser is not considered infallible. There could be a comparable/comparables that were missed in the initial search and that the Realtor, homeowner, or loan officer are aware of. It happens occasionally (but not often).. Or, maybe the home across the street sold last month for a considerably higher price than the subject's Estimate of Value, and the homeowner wants to know why. Possibly the Realtor also, since most do not understand the basic fundamentals of appraising or the Appraisal Standards that we must meet. That home across the street could have a full basement, an additional two car detached garage, be 30 years newer (a different style), and be 800 square feet larger in GLA. To us, as appraisers, it's obvious that it's not comparable, but to the uninformed, it's not obvious.

Your "real life" example is often a classic example of a Reconsideration of Value request. At SAMCO, we only send a reconsideration of value if the client provides additional information. This AMC has done exactly that. All of the regulations issued in the last two years have included the requirement above. The AMC has no idea if these are good comparables, they have just been provided by the customer/borrower/Realtor. Your job is to factually state as to why those comparables are not suitable to be used in establishing the Estimate of Value. In fact, you have done that already. I would add just a little additional information, but essentially you have researched the suggested comparables and have valid, specific reasons as to why they cannot be utilized.

Sometimes it is irritating, especially on the “wrong” day, but this is part the service you offer when you agree to perform federally regulated transactions. And let’s look on the positive side here. Remember the day when the Loan Officer would call and pressure you to increase the Estimate of Value? When you work for an AMC that doesn’t happen. Every AMC should have a “undue influence” link that you can report any pressure to change your value. That and Federal requirements have stopped this, formerly typical, part of our profession. Now this won’t stop a borrower from contacting you, or a Realtor. But if they do, just explain that any communication has to go through the lender/AMC and DO NOT be drawn into a discussion! They cannot place “pressure” on you since they do not have any input into providing work for you. They are not your client, the Lender is. Let me know anytime you have a question.

Thanks, John Shives

SAMCO Appraisal Management

Our profession is a great profession, challenging and interesting with unique situations every week (sometimes it seems everyday!). Would we have it any other way? We are all in a great profession; let’s enjoy it!

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.