

The SAMCO Bulletin Board



John Shives
SAMCO AMC
Preseident / CEO
Phone # (888) 832-1129
Fax # (866) 905-4851



Appraising Physical Portions

An interesting email arrived from one of our appraisers the other day. A local bank (the appraiser's and SAMCO's client) had sent an appraisal request for 8 acres of a 20 acre parcel. With that request they had supplied the legal description for the 8 acres. The appraiser was concerned and here is their comment; "Please note we can not proceed because we have rules and laws to follow that prevent us from appraising part of a piece of parcel. I can lose my appraisal license for just doing 8 acres of a 20 acre parcel. I am sorry I can not proceed until it has been separately deeded."

The appraiser was under the assumption that to appraise real estate the legal description was required to be recorded and a matter of public record. That's not the case. I directed the appraiser to review the USPAP Frequently Asked Questions (184) and also Standards Rule 1-2(e).

As USPAP FAQ states; "Standards Rule 1-2(e)(v) states that the subject of an assignment may be a physical segment of a property. However, appraisers must also comply with any laws, regulations, guidelines or other assignment conditions that might apply." What does this mean? Well, for example, the appraiser would need to research whether this split is legally possible with local zoning requirements. This isn't a Highest and Best Use question, but a consideration of some portions of Highest and Best Use. Is it physically possible to divide the 20 acres? Is it legally possible? Maximally Productive is not the question. It might be worth more as a sum

total. However, the appraisal assignment is for 8 acres and that assignment comes with a legal description.

The legal description is the key to the assignment and where this appraiser became confused. There were so many instances in the “old days” where an appraisal assignment would state “just appraise five acres of the 40, separating out the buildings”. No legal description was provided. There never would be one as the lender was just trying to make their underwriting easier. We couldn’t do that then (or shouldn’t have), and we can’t do that now.

A review of the 2014-2015 USPAP is great to brush up on this and other interesting appraisal subjects. This is what makes appraising challenging, and at the same time, fun! We have a great profession that is never boring and will always be asking us to stretch ourselves as professionals. Never hesitate to call SAMCO when you have a question or concern. That’s what we are here for - to work together with you!

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.