

The SAMCO Bulletin Board



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A Scope of Work Change

The past few months I have had the opportunity to discuss Site Values with both a Sr. Underwriter and a Chief Appraiser (in-house) for a SAMCO client. As most of our appraisers know, SAMCO works just with community banks/credit unions (local lenders), and usually, those local lenders are in rural areas. Just because a neighborhood is rural in character does not mean that an appraiser can disregard Fannie/Freddie appraisal standards or USPAP, though that is often heard. What it does mean is, occasionally, there may be a subject property which will take additional time, thought, and/or effort. But that's part of our job as appraisers.

I can hear some appraisers howling now that they don't get paid enough for that. Well, let's take responsibility and not make excuses. If a subject property is complex, and by complex that might mean simply there are very few to no comparable sales, or none that easily fit an underwriters definition of what is acceptable, does that mean you can't complete the appraisal? No. Does that mean you have to complete the appraisal for the originally accepted fee? No again! Upon researching the subject and the available comparable sales, if it is apparent that the time requirements for completion of a logical, reasonable, and DEFENSIBLE appraisal will be significantly different than a typical appraisal, it is your responsibility to contact SAMCO, explain the challenge, and request approval for a fee different from the original.

This may surprise you, but your job is not to just provide an Estimate of Value. Anyone can do that. As an old instructor once told me, "I can provide an appraisal on a bar napkin!" and he was right. Or, you can just verbally state your opinion of the Estimate of Value. Either way,

both the bar napkin and the verbal are appraisals. But that is not what SAMCO, BANK EXAMINERS, or wholesale lenders (Fannie/Freddie/Federal Home Loan Bank (FHLB)/FmHA/etc) expect. Times have changed. Our local lenders (community banks/credit unions) are required to not just have appraisals for all their real estate loans, but to have appraisals that conform to USPAP and Appraisal Standards. Even further, these appraisals need to have a written review with each appraisal assigned an individual quality score, and the APPRAISER an on-going quality and professionalism score. Does this sound like times have changed? You bet! But it's for the better, just like appraiser licensing was for the better back in '91.

All of the above is the reason why you, as rural appraisers, need to really take this seriously. Your client, the local lender, needs you to provide a logical and DEFENSIBLE report for the examiners that are looking over their shoulders.

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