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Appraised Value: What Your Appraiser Isn't Telling You #59323

Sponsored by:

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The Georgia Real Estate Commission has approved this course for three (3) hours of continuing education credit. GAR school policy defines an instructional hour as 50 minutes.

To receive continuing education (CE) credit for this in-classroom course, the student must:

- ✓ be on time
- ✓ sign in with the course facilitator before the course begins
- ✓ be present in the course during all instruction periods
- ✓ complete the online evaluation – link will be emailed to you within a business day after the course.
- ✓ not have taken this course for continuing education credit within the past 366 days.

There is no make-up session for this course.

Cell phones and other electronic devices can be distracting. Use of communication methods such as text messaging, E-mailing, web surfing, etc. is prohibited while class is in session if it poses a distraction to other attendees and shall be grounds for dismissal. Taking pictures of PowerPoint slides requires the permission of the instructor.

Entrance qualifications and standards of completion will not be based on race, color, sex, religion, national origin, familial status, handicap, sexual orientation, or gender identity.

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Appraised Value

What Your Appraiser Isn't Telling You!

I. Appraisal Concepts

A. Appraisal

A reasonable verifiable opinion made by a qualified person

B. Characteristics of value

D

U

S

T

C. Cost, Price and Value

Cost: past expenditure

Price: what a person will pay

Value: present worth of future benefit

II. Market Concepts – The Neighborhood

A. Boundaries

B. Principle of Externalities

Factors exterior to the subject may have a positive or negative impact

1. Physical

2. Economic

3. Government

4. Social

C. Principle of Change

Nothing physically or economically stays the same. Properties are constantly in a state of transition

D. Neighborhood Characteristics and Housing Trends

E. Principle of Conformity

“Maximum value is found when properties in a neighborhood are similar in size, age, design, style, condition, quality, etc.”

F. One Unit Housing Trends

III. The Subject Property

A. The Improvements

B. GLA: Gross Living Area

Above grade, heated, finished, enclosed

1. What is included / excluded?

2. How is it measured?

3. Measuring a 2-Story

4. Room count

5. Basement

C. What else???

D. Principle of Progression/Regression

“Progression – Neighborhood has a positive impact on the subject”

“Regression – Neighborhood has a negative impact on the subject.”

E. Principle of Increasing Returns

A dollar spent adds a dollar in cost but more than a dollar in value

F. Principle of Decreasing Returns

A dollar spent adds a dollar in cost but less than a dollar in value

IV. Choosing the Comparables and Making Adjustments

A. Principal of Substitution

“Present value is influenced by what one would pay for an equally desirable substitute.”

B. Which Comp?

C. Market Value

“Most probable price in an Arm’s Length Transition”

1. Payment in Cash

2. Property is exposed to competition

3. Parties to the transaction are typically knowledgeable

4. Parties to the transaction are typically motivated

D. Making Adjustments

1. CIA: Comp Inferior Add

2. CBS: Comp Better Subtract

E. Principal of Contribution

“The worth of an improvement is what it contributes to the overall value regardless of cost.”

F. Value Determined by Price per Square Foot???

G. Which Comp is best? - Testing the Validity of a Comp

1. 10% Line

2. 15% Net

3. 25% Gross

H. Choosing a Final Value

1. Who determines report requirements?

2. Uniform Appraisal Dataset

3. Collateral Underwriter

V. BUT Will it Appraise?

A. Before the appointment

B. During the appointment

C. After the appointment

VI. How to Challenge

A. What is the process?

B. Concentrate on the facts

C. Request further information

D. Provide multiple offer info

E. Focus on the issues

VII. Letter of Reconsideration

A. Politely request further clarification

B. Use bullet points

C. Don't ask for a specific value

Uniform Residential Appraisal Report

File #

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.

Property Address	City	State	Zip Code
Borrower	Owner of Public Record	County	
Legal Description			
Assessor's Parcel #	Tax Year	R.E. Taxes \$	
Neighborhood Name	Map Reference	Census Tract	
Occupant <input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant	Special Assessments \$	<input type="checkbox"/> PUD	HOA \$ <input type="checkbox"/> per year <input type="checkbox"/> per month
Property Rights Appraised <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)			
Assignment Type <input type="checkbox"/> Purchase Transaction <input type="checkbox"/> Refinance Transaction <input type="checkbox"/> Other (describe)			
Lender/Client	Address		
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input type="checkbox"/> Yes <input type="checkbox"/> No			
Report data source(s) used, offering price(s), and date(s).			

I ☐ did ☐ did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.

Contract Price \$	Date of Contract	Is the property seller the owner of public record? <input type="checkbox"/> Yes <input type="checkbox"/> No	Data Source(s)
Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? <input type="checkbox"/> Yes <input type="checkbox"/> No			
If Yes, report the total dollar amount and describe the items to be paid.			

Note: Race and the racial composition of the neighborhood are not appraisal factors.

Neighborhood Characteristics			One-Unit Housing Trends			One-Unit Housing		Present Land Use %	
Location <input type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural	Property Values <input type="checkbox"/> Increasing <input type="checkbox"/> Stable <input type="checkbox"/> Declining	PRICE	AGE	One-Unit	%				
Built-Up <input type="checkbox"/> Over 75% <input type="checkbox"/> 25-75% <input type="checkbox"/> Under 25%	Demand/Supply <input type="checkbox"/> Shortage <input type="checkbox"/> In Balance <input type="checkbox"/> Over Supply	\$ (000)	(yrs)	2-4 Unit	%				
Growth <input type="checkbox"/> Rapid <input type="checkbox"/> Stable <input type="checkbox"/> Slow	Marketing Time <input type="checkbox"/> Under 3 mths <input type="checkbox"/> 3-6 mths <input type="checkbox"/> Over 6 mths	Low		Multi-Family	%				
Neighborhood Boundaries		High		Commercial	%				
		Pred.		Other	%				

Neighborhood Description
Market Conditions (including support for the above conclusions)

Dimensions	Area	Shape	View
Specific Zoning Classification	Zoning Description		
Zoning Compliance <input type="checkbox"/> Legal <input type="checkbox"/> Legal Nonconforming (Grandfathered Use) <input type="checkbox"/> No Zoning <input type="checkbox"/> Illegal (describe)			
Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe			
Utilities	Public	Other (describe)	
Electricity <input type="checkbox"/> <input type="checkbox"/>	Water <input type="checkbox"/> <input type="checkbox"/>	Off-site Improvements—Type	Public Private
Gas <input type="checkbox"/> <input type="checkbox"/>	Sanitary Sewer <input type="checkbox"/> <input type="checkbox"/>	Street <input type="checkbox"/> <input type="checkbox"/>	
		Alley <input type="checkbox"/> <input type="checkbox"/>	
FEMA Special Flood Hazard Area <input type="checkbox"/> Yes <input type="checkbox"/> No	FEMA Flood Zone	FEMA Map #	FEMA Map Date
Are the utilities and off-site improvements typical for the market area? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe			
Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe			

General Description	Foundation	Exterior Description	materials/condition	Interior	materials/condition
Units <input type="checkbox"/> One <input type="checkbox"/> One with Accessory Unit	<input type="checkbox"/> Concrete Slab <input type="checkbox"/> Crawl Space	Foundation Walls		Floors	
# of Stories	<input type="checkbox"/> Full Basement <input type="checkbox"/> Partial Basement	Exterior Walls		Walls	
Type <input type="checkbox"/> Det. <input type="checkbox"/> Att. <input type="checkbox"/> S-Det/End Unit	Basement Area sq. ft.	Roof Surface		Trim/Finish	
<input type="checkbox"/> Existing <input type="checkbox"/> Proposed <input type="checkbox"/> Under Const.	Basement Finish %	Gutters & Downspouts		Bath Floor	
Design (Style)	<input type="checkbox"/> Outside Entry/Exit <input type="checkbox"/> Sump Pump	Window Type		Bath Wainscot	
Year Built	Evidence of <input type="checkbox"/> Infestation	Storm Sash/Insulated		Car Storage <input type="checkbox"/> None	
Effective Age (Yrs)	<input type="checkbox"/> Dampness <input type="checkbox"/> Settlement	Screens		<input type="checkbox"/> Driveway # of Cars	
Attic <input type="checkbox"/> None	Heating <input type="checkbox"/> FWA <input type="checkbox"/> HWBB <input type="checkbox"/> Radiant	Amenities <input type="checkbox"/> Woodstove(s) #		Driveway Surface	
<input type="checkbox"/> Drop Stair <input type="checkbox"/> Stairs	<input type="checkbox"/> Other Fuel	<input type="checkbox"/> Fireplace(s) #		<input type="checkbox"/> Garage # of Cars	
<input type="checkbox"/> Floor <input type="checkbox"/> Scuttle	Cooling <input type="checkbox"/> Central Air Conditioning	<input type="checkbox"/> Patio/Deck <input type="checkbox"/> Porch		<input type="checkbox"/> Carport # of Cars	
<input type="checkbox"/> Finished <input type="checkbox"/> Heated	<input type="checkbox"/> Individual <input type="checkbox"/> Other	<input type="checkbox"/> Pool <input type="checkbox"/> Other		<input type="checkbox"/> Att. <input type="checkbox"/> Det. <input type="checkbox"/> Built-in	
Appliances <input type="checkbox"/> Refrigerator <input type="checkbox"/> Range/Oven <input type="checkbox"/> Dishwasher <input type="checkbox"/> Disposal <input type="checkbox"/> Microwave <input type="checkbox"/> Washer/Dryer <input type="checkbox"/> Other (describe)					
Finished area above grade contains: Rooms Bedrooms Bath(s) Square Feet of Gross Living Area Above Grade					
Additional features (special energy efficient items, etc.)					

Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.).

Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? ☐ Yes ☐ No If Yes, describe

Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? ☐ Yes ☐ No If No, describe

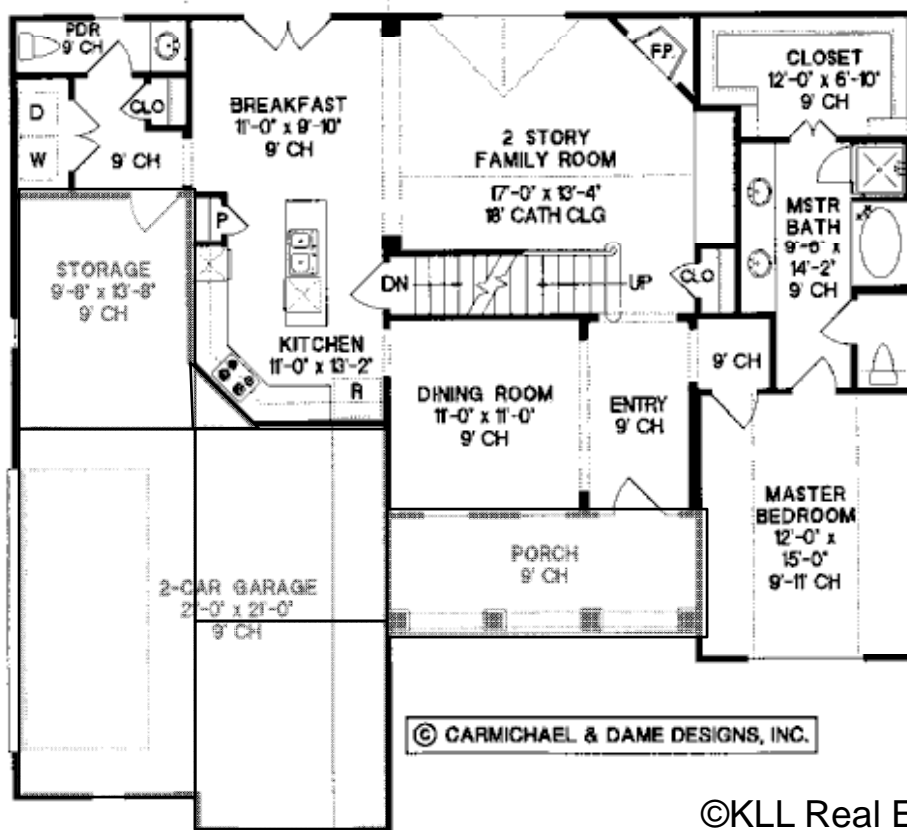
Uniform Residential Appraisal Report

File #

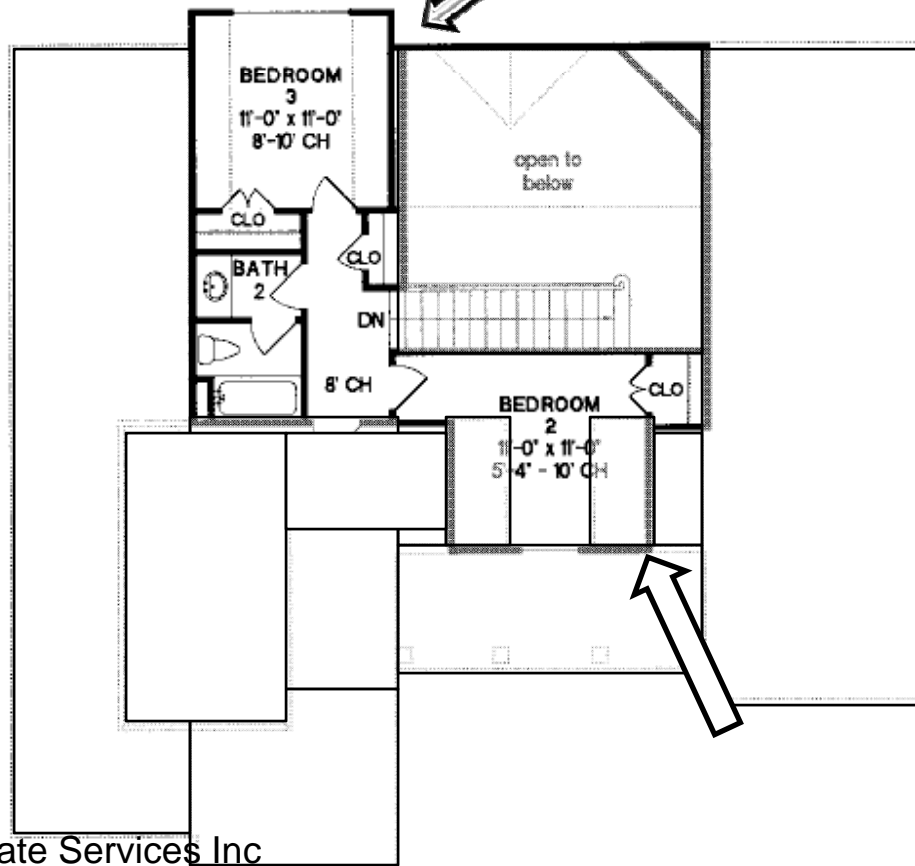
There are comparable properties currently offered for sale in the subject neighborhood ranging in price from \$										to \$									
There are comparable sales in the subject neighborhood within the past twelve months ranging in sale price from \$										to \$									
FEATURE		SUBJECT		COMPARABLE SALE # 1				COMPARABLE SALE # 2				COMPARABLE SALE # 3							
Address																			
Proximity to Subject																			
Sale Price		\$				\$				\$				\$					
Sale Price/Gross Liv. Area		\$ sq. ft.		\$ sq. ft.		\$ sq. ft.		\$ sq. ft.		\$ sq. ft.		\$ sq. ft.		\$ sq. ft.					
Data Source(s)																			
Verification Source(s)																			
VALUE ADJUSTMENTS		DESCRIPTION		DESCRIPTION		+(-) \$ Adjustment		DESCRIPTION		+(-) \$ Adjustment		DESCRIPTION		+(-) \$ Adjustment					
Sale or Financing Concessions																			
Date of Sale/Time																			
Location																			
Leasehold/Fee Simple																			
Site																			
View																			
Design (Style)																			
Quality of Construction																			
Actual Age																			
Condition																			
Above Grade		Total	Bdms.	Baths	Total	Bdms.	Baths	Total	Bdms.	Baths	Total	Bdms.	Baths	Total	Bdms.	Baths			
Room Count																			
Gross Living Area		sq. ft.		sq. ft.		sq. ft.		sq. ft.		sq. ft.		sq. ft.		sq. ft.		sq. ft.			
Basement & Finished Rooms Below Grade																			
Functional Utility																			
Heating/Cooling																			
Energy Efficient Items																			
Garage/Carport																			
Porch/Patio/Deck																			
Net Adjustment (Total)																			
Adjusted Sale Price of Comparables																			
I <input type="checkbox"/> did <input type="checkbox"/> did not research the sale or transfer history of the subject property and comparable sales. If not, explain																			
My research <input type="checkbox"/> did <input type="checkbox"/> did not reveal any prior sales or transfers of the subject property for the three years prior to the effective date of this appraisal.																			
Data source(s)																			
My research <input type="checkbox"/> did <input type="checkbox"/> did not reveal any prior sales or transfers of the comparable sales for the year prior to the date of sale of the comparable sale.																			
Data source(s)																			
Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).																			
ITEM		SUBJECT		COMPARABLE SALE # 1				COMPARABLE SALE # 2				COMPARABLE SALE # 3							
Date of Prior Sale/Transfer																			
Price of Prior Sale/Transfer																			
Data Source(s)																			
Effective Date of Data Source(s)																			
Analysis of prior sale or transfer history of the subject property and comparable sales																			
Summary of Sales Comparison Approach																			
Indicated Value by Sales Comparison Approach \$																			
Indicated Value by: Sales Comparison Approach \$ Cost Approach (if developed) \$ Income Approach (if developed) \$																			
This appraisal is made <input type="checkbox"/> "as is", <input type="checkbox"/> subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, <input type="checkbox"/> subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or <input type="checkbox"/> subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair:																			
Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is \$, as of , which is the date of inspection and the effective date of this appraisal.																			



MEASURING GLA



cantilever



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Condition Ratings and Definitions

C1 The improvements have been very recently constructed and have not previously been occupied. The entire structure and all components are new and the dwelling features no physical depreciation.*

**Note: Newly constructed improvements that feature recycled materials and/or components can be considered new dwellings provided that the dwelling is placed on a 100% new foundation and the recycled materials and the recycled components have been rehabilitated/re-manufactured into like-new condition. Recently constructed improvements that have not been previously occupied are not considered "new" if they have any significant physical depreciation (i.e., newly constructed dwellings that have been vacant for an extended period of time without adequate maintenance or upkeep).*

C2 The improvements feature no deferred maintenance, little or no physical depreciation, and require no repairs. Virtually all building components are new or have been recently repaired, refinished, or rehabilitated. All outdated components and finishes have been updated and/or replaced with components that meet current standards. Dwellings in this category either are almost new or have been recently completely renovated and are similar in condition to new construction.

C3 The improvements are well maintained and feature limited physical depreciation due to normal wear and tear. Some components, but not every major building component, may be updated or recently rehabilitated. The structure has been well maintained.

C4 The improvements feature some minor deferred maintenance and physical deterioration due to normal wear and tear. The dwelling has been adequately maintained and requires only minimal repairs to building components/mechanical systems and cosmetic repairs. All major building components have been adequately maintained and are functionally adequate.

C5 The improvements feature obvious deferred maintenance and are in need of some significant repairs. Some building components need repairs, rehabilitation, or updating. The functional utility and overall livability is somewhat diminished due to condition, but the dwelling remains useable and functional as a residence.

C6 The improvements have substantial damage or deferred maintenance with deficiencies or defects that are severe enough to affect the safety, soundness, or structural integrity of the improvements. The improvements are in need of substantial repairs and rehabilitation, including many or most major components.

Quality Ratings and Definitions

Q1 Dwellings with this quality rating are usually unique structures that are individually designed by an architect for a specified user. Such residences typically are constructed from detailed architectural plans and specifications and feature an exceptionally high level of workmanship and exceptionally high-grade materials throughout the interior and exterior of the structure. The design features exceptionally high-quality exterior refinements and ornamentation, and exceptionally high-quality interior refinements. The workmanship, materials, and finishes throughout the dwelling are of exceptionally high quality.

Q2 Dwellings with this quality rating are often custom designed for construction on an individual property owner's site. However, dwellings in this quality grade are also found in high-quality tract developments featuring residences constructed from individual plans or from highly modified or upgraded plans. The design features detailed, high-quality exterior ornamentation, high-quality interior refinements, and detail. The workmanship, materials, and finishes throughout the dwelling are generally of high or very high quality.

Q3 Dwellings with this quality rating are residences of higher quality built from individual or readily available designer plans in above-standard residential tract developments or on an individual property owner's site. The design includes significant exterior ornamentation and interiors that are well finished. The workmanship exceeds acceptable standards and many materials and finishes throughout the dwelling have been upgraded from "stock" standards.

Q4 Dwellings with this quality rating meet or exceed the requirements of applicable building codes. Standard or modified standard building plans are utilized and the design includes adequate fenestration and some exterior ornamentation and interior refinements. Materials, workmanship, finish, and equipment are of stock or builder grade and may feature some upgrades.

Q5 Dwellings with this quality rating feature economy of construction and basic functionality as main considerations. Such dwellings feature a plain design using readily available or basic floor plans featuring minimal fenestration and basic finishes with minimal exterior ornamentation and limited interior detail. These dwellings meet minimum building codes and are constructed with inexpensive, stock materials with limited refinements and upgrades.

Q6 Dwellings with this quality rating are of basic quality and lower cost; some may not be suitable for year-round occupancy. Such dwellings are often built with simple plans or without plans, often utilizing the lowest quality building materials. Such dwellings are often built or expanded by persons who are professionally unskilled or possess only minimal construction skills. Electrical, plumbing, and other mechanical systems and equipment may be minimal or non-existent. Older dwellings may feature one or more substandard or non-conforming additions to the original structure.

Treatment Of Bathroom Counts

For purposes of this report, in the Improvements Section, Finished Rooms Above Grade, the count of bathrooms is represented as the number of "full" bathrooms to the left of the period and the count of "half" bathrooms to the right of the period. A three-quarter bath is counted as a full bath. Quarter baths (baths that feature only a toilet) are not included in the bathroom count.

Abbreviations Used in Data Standardization Text

Abbrev.	Full Name	Appropriate Fields	Abbrev.	Full Name	Appropriate Fields
ac	Acres	Area, Site	Mtn	Mountain View	View
AdjPrk	Adjacent to Park	Location	N	Neutral	Location & View
AdjPwr	Adjacent to Power Lines	Location	NonArm	Non-Arms Length Sale	Sale or Financing Concessions
A	Adverse	Location & View	BsyRd	Busy Road	Location
ArmLth	Arms Length Sale	Sale or Financing Concessions	o	Other	Basement & Finished Rooms Below Grade
ba	Bathroom(s)	Basement & Finished Rooms Below Grade	Prk	Park View	View
br	Bedroom	Basement & Finished Rooms Below Grade	Pstrl	Pastoral View	View
B	Beneficial	Location & View	PwrLn	Power Lines	View
Cash	Cash	Sale or Financing Concessions	PubTrn	Public Transportation	Location
CtySky	City View Skyline View	View	rr	Recreational (Rec) Room	Basement & Finished Rooms Below Grade
CtyStr	City Street View	View	Relo	Relocation Sale	Sale or Financing Concessions
Comm	Commercial Influence	Location	REO	REO Sale	Sale or Financing Concessions
c	Contracted Date	Date of Sale/Time	Res	Residential	Location & View
Conv	Conventional	Sale or Financing Concessions	RH	USDA –Rural Housing	Sale or Financing Concessions
CrtOrd	Court Ordered Sale	Sale or Financing Concessions	s	Settlement Date	Date of Sale/Time
DOM	Days On Market	Data Sources	Short	Short Sale	Sale or Financing Concessions
e	Expiration Date	Date of Sale/Time	sf	Square Feet	Area, Site, Basement
Estate	Estate Sale	Sale or Financing Concessions	Unk	Unknown	Date of Sale/Time
FHA	Federal Housing Authority	Sale or Financing Concessions	VA	Veterans Administration	Sale or Financing Concessions
GlfCse	Golf Course	Location	w	Withdrawn Date	Date of Sale/Time
Glfvw	Golf Course View	View	wo	Walk Out Basement	Basement & Finished Rooms Below Grade
Ind	Industrial	Location & View	wu	Walk Up Basement	Basement & Finished Rooms Below Grade
in	Interior Only Stairs	Basement & Finished Rooms Below Grade	WtrFr	Water Frontage	Location
Lndfl	Landfill	Location	Wtr	Water View	View
LtdSght	Limited Sight	View	Woods	Woods View	View
Listing	Listing	Sale or Financing Concessions			

Sample Letter to Request Reconsideration of Value

ATTN: [Name of Lender]

Subject Property

[Subject Property Address]

Appraised Value: \$ []

After reviewing the appraisal for [Address] by [Appraiser], we would like to request further clarification and investigation by the appraiser. We would like to ask for a reconsideration of value based on the following points:

- Critique Comp 1 if necessary and ask the appraiser to give an explanation for adjustments that were given or not given.
- Critique Comp 2 if necessary and ask the appraiser to give an explanation for adjustments that were given or not given.
- Critique Comp 3 if necessary and ask the appraiser to give an explanation for adjustments that were given or not given.
- Share any other relevant information here about the market, current listings or other information in the appraisal report that would be good to address.
Focus
- What does the appraiser think of [address] and [address] as comparable properties?

We would humbly ask the appraiser to take a second look at the information above as it relates to data and adjustments in the appraisal report. We appreciate your time and consideration, and please let us know if you have any further questions.

Respectfully,

[Your Name & Contact Information]