



A Guide to Working with Appraisers.

By Bryan Fancher

Certified residential appraiser

Valorappraisals@gmail.com

Valorappraisaldfw.com

Contents:

Appraiser Workflow

Realtor Appraiser Interaction

Sketching the Property

Pain Points for Appraisers

Frequently Asked Questions

About Valor



Appraiser Workflow

To optimize the interaction between realtors and appraisers it's important to understand how appraisers prepare for an inspection, inspect the property, and write the report.

Disclaimer: This is for an average mortgage related transaction. These are not rules for appraising, but an efficient work path some appraisers adopt. Each appraiser develops their own protocol and may vary from this list.

The appraiser is contacted by the lender and after the order is accepted the appraiser can begin the research phase.

Research

The appraiser will gather data on the subject property. This includes but is not limited to MLS, calling the builder, realtor, and/or seller. It's helpful to get a good idea of the property before the appraiser goes to perform the physical inspection in order to choose comparable sales. With the subject fresh on the mind, the appraiser prepares the report.

Report Preparation

The appraiser now fills in basic data such as maps, tax data, borrower/lender information, and contract data. (As of 2024) The appraiser is required to take one front photo of each comparable that is used in the report. Rather than make multiple trips, the appraiser can pick comps before the inspection. This allows the appraiser to drive to the subject, then drive to each comp before returning to the office. If the subject ends up being wildly different than expected, the appraiser may need to repick comps and make a separate trip to take the front photos.

A note on picking comparables before inspection- Appraisers who have a good knowledge of the market can leverage their experience to accurately choose comparable sales before seeing the subject. One method used when the subject is unknown is to choose more sales than needed. Example: the subject could be 1500-2000 sf, the appraiser can pick many sales before hand bracketing both size homes, then eliminate the sales that are least similar post inspection.

Comparable Selection

Each lender has different requirements for the comp selection in the report. Some lenders require 0 active listings, others require 1-2 active listings. They would like to have 2 sales within 90 days, or a comment needs to be made as to why it couldn't be done. Quite a few "requirements" can be talked away if there just are not sales available to fulfill it.



When adjustments are made, the lender would like to have a comp with that feature present in the report. Example: the subject has a 4-car garage; the lender wants to see a sale in the report that has a 4-car garage. This aids in paired sales analysis and proves the adjustment that may follow. This can get tricky when you have a subject with 4 or 5 uncommon features. It's unlikely to find a similar sale with all 5 features, so one might need to add 3-4 sales which are not likely the most similar comps, just to "bracket" those features. This might look like going back in time to find a sale with a pool, going over a mile away to find a sale with a guest house, and then adjustments for time and location would need to be made. Appraisers typically need at least 3 sold comps, but likely will have 4-6 in each report.

Features that require bracketing are typically Square Footage, Lot Size, Quality, Condition, Bedroom Count, Bathroom Count, Location, View, Pool, Guest House, Garage Count, Basement, and Accessory Buildings.

Inspection

Appraisers will measure the property from the outside, then if it has a basement or a second story the appraiser must measure that footage from the inside, adding in wall thickness to the measurements. The appraiser will take photos of each room and anything that impacts value. If the inspection is for an FHA loan, then there's a list of extra things the appraiser will be looking for. The gas, electricity, and water will need to be on to test appliances and fixtures. The attic, garage, basement, and any accessory buildings must be accessible.

Writing the Report

After the photos and sketch have been uploaded into the report, the appraiser will start making adjustments. There are three approaches to value with the most common being the sales comparison approach. Once all the variables have been adjusted for, the appraiser will have a range of values and choose one or two of the most similar comps to give more weight. Outliers will not receive much weight due to being outside of what's typical for the area.

Example: Subject is an average home under contract for \$400,000. The comparables adjust out to 385,000/390,000/390,000 and 405,000. Assuming all the variables were adequately adjusted for, the typical appraiser might bring the opinion of value in at 390,000. There's one data point that supports the contract value, but the other three paint a different picture. If the appraiser was to give the 405,000 sale more weight, then there would need to be commentary articulating why this sale was superior to the other three. If they were all similar, then it would appear the appraiser was biased towards the purchase price.

It's important to remember that Market value is what the **average** buyer will pay for the home. If Bob pays \$50,000 more for a home in cash because the home is next to his cousin,



he is not the average buyer. Using outlier sales for no other reason than to “make value” leads to inflating the market and risking the appraiser’s license. Appraisers can be sued for up to 7 years after completing an appraisal. Every adjustment made must be defensible.



Realtor Appraiser Interaction

Having a packet ready for the appraiser is helpful. Inside that packet can be a list of upgrades and the approximate date completed, sales considered when deciding the list price, and any other bit of information vital to the sale. The packet being emailed is better than leaving a paper packet at the subject. Most of the time, the appraiser will choose comparables before going to the inspection so having the realtor's sales early on increases the chances that the appraiser picks one of those as a comparable. It's best to email the appraiser the packet as soon as the contact info for the appraiser is available. This is helpful so that the appraiser has the realtors contact info for questions if they arise.

While the appraiser may have preferences, it's not necessary for occupants to leave for the inspection. Make sure utilities are on (FHA), all areas are accessible, and pets are contained.

Reconsideration of Value

Sometimes the appraised value is less than the contract price. It's common for realtors/lenders to want a reconsideration of value. This is often accompanied by a few suggested sales. Appraisers do not have to use the sales suggested to them, they do not have to alter the report at all. This is a pain point for both the appraiser and the realtor. From the appraiser's perspective, the job is done, and now more time is expected of the appraiser without being compensated for that extra time. It can take 10-20 minutes to add a sale to the report, even more time if many adjustments are needed. The appraiser has not thought about this report for days so more time is needed to review all the adjustments previously made and the market data. This ensures the suggested sale is being adjusted to the same degree as the original comps in the report. If the suggested sales look like the comps in the report, then the appraiser will likely comment them away and choose not to put in the extra effort. For extra sales to be considered and added to the report, there needs to be commentary as to why they are necessary.

For example, the subject backs up to a golf course and has a beneficial view. Somehow the appraiser chose 5 comparables that have neutral residential views. Suggest a sale with the golf course view and note that none of the 5 comps chosen had this feature. Having commentary as to why the suggested sale is better than ALL of the comps in the report greatly increases the chances of the appraiser adding it in.

It can often feel like realtors are just throwing the highest selling homes in the area at the appraiser when the value comes in below the contract price. Having the appraiser know that there are reasons behind the sales suggested will make a difference. It's happened many times that 4 sales will be suggested, but 2 of them are already in the report. This gives the appraiser the impression that the realtor didn't read the report and thus further solidifies the misconception that realtors haphazardly send over sales as a last ditch effort to increase the opinion of value.



Sketching the Property

Measuring for Gross Living Area

In 2022 the rules for measuring changed. Before 2022 some appraisers chose to include stairs in the first floor measurement, and count them again in the second floor. Other appraisers chose to only include the stairs in the first-floor sketch, and leave that footage absent for the second floor. All appraisers are now required to follow ANSI and stairs belong to the floor from which they descend. Now every home that was measured differently will gain the square footage of the stairs to the second floor.

Requirements for GLA (gross living area)

- Finished area suitable for year-round use embodying walls, floors, and ceilings that are similar to the rest of the house.
- The ceiling height must be at least 7ft tall. All finished areas must be continuous (it's not a part of the GLA if you have to walk through an unfinished area to get to the finished area).
- Converted spaces such as garages must match the quality of the rest of the home and be climate controlled. That means similar flooring, walls, and ceiling.
- Protrusions such as chimneys do not count towards GLA.

Requirements for Bedrooms

The definition of a bedroom changes with the market. Some markets require:

- Being able to fit a conventional bed and at least 70 sf in area
- Having a way of egress other than the interior door (window, exterior door)
- Having access to a full bathroom on the same floor without walking through a bedroom to access it.
- Having a closet or similar storage area



Pain Points for Appraisers

Uncertain GLA

When listing a property that has a guest house, do not include that square footage, bed/bath count in with the main home. Appraisers need to be able to separate the two structures to apply adjustments correctly.

If there are accessory buildings (barn, workshop, guest house, horse facility...etc.) it's helpful to have square footage listed somewhere. The appraiser may use price per sq foot to support an adjustment.

Missing Photos

Whenever possible keep the photos on MLS after the home has been sold. If your hands are tied and you must remove the photos, keep a file of them. Appraisers rely on photos to make adjustments. There's been many times appraisers are looking for a specific feature that is tough to find. They finally find a sale to bracket the feature and cannot use the sale because there are no photos. The more data available, the more accurate appraisals will be.



Frequently Asked Questions

What kind of information can I provide to the appraiser?

If the home is well documented on MLS, nothing is necessary to provide to the appraiser. You are welcome to provide any inspection reports, recent sales you find meaningful, plats, deeds, a list of updates along with the dates completed, and documentation of unique features.

What can I do if I feel the appraisal is inaccurate?

The appraiser is not allowed to speak about the appraisal to anyone other than the appraiser's client (whoever ordered the appraisal). You may reach out to the client and voice concerns and provide additional information. You can request a reconsideration of value and suggest sales that you feel have the features the appraiser's comps left out.

How long does an appraisal take?

Preparation of report 1-2 hours. Inspection 30 minutes – 1.5 hours. Writing report 30 minutes -3 hours. Variables that affect time would be driving distance to subject, distance to comparables for those front photos, complexity of the subject, size of the subject when measuring, and the appraiser. I've appraised my next-door neighbor's home and the total time spent was less than 2 hours. I've appraised a complex 8,500 sf home with a horse arena, tack room, guest house, and tennis court and spent 12 hours.

Who orders the appraisal?

For transactions involving a mortgage, the mortgage lender orders the appraisal. The lender will have a panel of appraisers they use, or work with an AMC (appraisal management company) who has a panel of appraisers to choose from.

For non-lending transactions, anyone can order an appraisal.

How should I prepare my clients for the appraisal?

Inform your clients on the appraisal process. Make all areas accessible to the appraiser. If there are any locked doors, provide a key. Your client does not need to leave for the appraisal. Please indicate if they will be home. There have been times when the appraiser knocks, no one answers, and they let themselves in only to startle the occupant inside. Appraisers are trained to announce themselves, but a large home, or a shower running may prevent the occupant from hearing them. Had the appraiser known someone was going to be home, they could have exercised more caution. Secure all pets.

Does the buyer receive a copy of the appraisal?

Yes, the lender is required by ECOA to give a copy to the buyer.



How is the value derived?

The lender wants to know market value. How much would this home sell for if both knowledgeable parties agreed to transact given the home was on the market for a reasonable amount of time. No one is under duress, and the parties are acting in their own best interest. To find that market value the appraiser compares the subject property with sales in the area. The best comparable would be an identical home next door that sold yesterday. If the average buyer paid \$500,000 for that home, then it's reasonable to assume that's the market value for this home. That is unlikely to happen so the appraiser must adjust the sales price of the comparable sales based off differing factors. Higher GLA sales will be adjusted downward as if the comparable sale was the same size as the subject, lower GLA sales will be adjusted up. This method is repeated for factors such as bed/bath count, pool, quality, condition, location, view, and many more. Once a range of adjusted sales prices is found, the appraiser will pick one or two of the most similar sales and give more weight to those. The occupant/owner does not affect value. The lender does not affect value.

How far away from the subject geographically and in time can an appraiser go to find a comparable?

Appraisers want to find the next-door neighbor that sold yesterday but that's rare. It all depends on the available data. Example: the appraiser needs to find a sale that's has a one-acre lot like the subject. The only sale in the last 12 months that could bracket this feature is 5 miles away. There is a similar sale that's 18 months old that brackets this feature and it's .5 miles away. In this hypothetical it would yield less adjustments to use the older sale. All that to say the appraiser will go as far back as needed and as far away as needed to find sales. In the Dallas-Fort Worth area, there are enough sales that the average home can be bracketed by the sales in its own neighborhood, this is ideal. The rural areas require a much wider search to cover the appraisers' bases.

How do you determine an appreciation/depreciation rate for comparable sales?

That is derived from the market. Look at the median / average sale price over the last 12 months in your area, are there visible trends? If there is not enough data then the appraiser will widen the search. One method on the DFW MLS (NTREIS) is to run a historical data sales trend analysis. This analysis graphs the sales data over the specified time/area/criteria you designated. You can graph that data, add a trend line, then get the equation from the trend line and see how much change per month. This is one of many ways to support a market time adjustment.

How are adjustments made?

This could change depending on the area. For an average home built amongst other like built homes; the sales comparison approach is most commonly used. Here's an example of how this works.



\$500,000	510,000	500,000
2000 SF	2000 SF	2000 SF
3 Bed 2 Bath	3 Bed 3 Bath	3 Bed 2 Bath

Our subject is a 2000 SF, 3 bed 2 bath home for sale in the Pecan Acres subdivision. Three sales have been chosen for comparison and they are identical in most ways. Similar quality, condition, view, location, and all sold last week under the same circumstances. Comp A and C both support a \$500,000 valuation, but comparable B is 10,000 higher than the other two. The appraiser might reason that the market values that third bathroom at \$10,000. This appraiser might find a 4th comparable with 3 bathrooms to see if that adjustment holds true. If there's plenty of sales, the appraiser could run a Comparative Market Analysis to support the adjustment. That might look like taking all sales within the area with 3 bed and 2 bath and comparing those figures with all sales in the area with 3 bed and 3 bath. After factoring out other features the appraiser receives an average sale price of \$450,000 for 3/2's and \$461,000 for 3/3's. The \$11,000 difference is close enough to support the bathroom adjustment. Those CMA's would be saved in the work file to support the \$10,000 bathroom adjustment.

Can new construction homes be compared to resale homes?

They can be but it's not common to do so. There would need to be a condition adjustment made and a comment as to why a more similar sale could not be found.

In situations where a major repair is scheduled but not completed at the time of the inspection, how is that factored into the appraisal?

The appraisal will be completed as if the scheduled repair was already completed. This is a box checked on the grid page; instead of "as-is" box being checked, the "subject to" box will be checked along with a description. It will say something like subject to the completion of the new roof being installed. Sometimes these homes will require a final inspection once the repair is complete.



Are attics and basements included in the square footage if heated and cooled?

ANSI requires anything below grade to be a separate line item. It still affects value, it's just cannot be a part of the listed square footage. For the attic to be added to the square footage for the home it needs to be of similar quality build as the rest of the home, heated, cooled, have at least 7 ft ceilings, and access via permanent stairs not the drop-down kind.



About Valor

Valor appraisals is currently a solo endeavor with plans to grow into a larger multi appraiser company. Valor is located in the center of Tarrant County and works primarily within 30 miles of Fort Worth.

Bryan Fancher is a certified residential appraiser license #1360753 with the TALCB.

The goal for creating this document was to increase efficiency between realtors and appraisers. The secondary goal is to establish realtor contacts to increase nonmortgage opportunities.

Aside from mortgage transactions Valor can aid with:

- Prelisting appraisals desktop or full
- Square footage measurements
- Appraisal auditing
- Feasibility studies
- Rental survey
- Estate Planning
- Divorce
- Speaking engagements

For these or other services please email

ValorAppraisals@gmail.com