

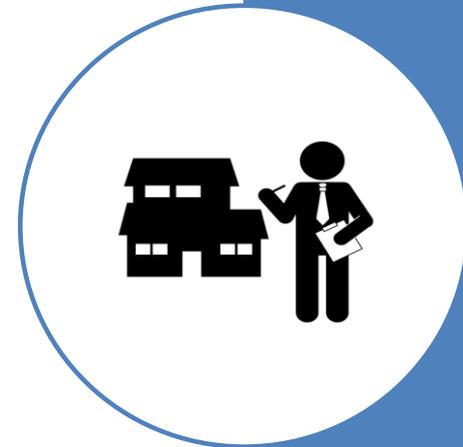


UNDERSTANDING APPRAISERS & THE APPRAISAL PROCESS

REALTORS® and appraisers are professionally interdependent, yet widespread misunderstanding exists regarding the role of the appraiser, and the methods they use to value property. REALTORS® with an advanced understanding of the appraisal process will be better equipped for success!

Instructor Qualifications

- **Mark H Maschger, ASA, SRA**
 - Practicing appraiser in MO, KS & WI
 - Former regional chief appraiser at Bank of America
 - Founder of Collaterallink, LLC a regional appraisal management company
 - Commercial leader of The Williams Group, a Kansas City appraisal and commercial brokerage firm
 - General Certified, actively juggling residential & commercial assignments
 - Appraisal Institute
 - SRA Designated
 - Kansas City Chapter 2011 President
 - Approved Instructor
 - American Society of Appraisers, ASA Designation
 - Fellow REALTOR®, as appraiser and broker
 - Proud to serve on your HMLS Board, as the appraiser representative



Course Objectives

- Attendees will better understand the important role played by the real estate appraiser
- Attendees will better understand regulatory landscape affecting appraisers and the appraisal process
- Attendees will become more knowledgeable of the appraisal process
- Attendees will become more knowledgeable of the 1004 Report Form, used for all types of residential lending
- Attendees will gain insight as to the future of appraisals
- Attendees will take away tips for handling appraisal disagreement and/or rebuttal

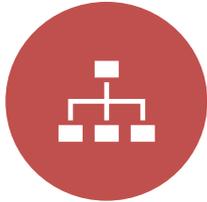
Understanding the mindset of appraisers

- To understand appraisers, you must first recognize that they do not think like real estate agents. Most appraisers are naturally drawn to the professional role of **knowledge worker** - individuals such as data analysts, product developers, planners, programmers, and researchers who are engaged primarily in acquisition, analysis, and manipulation of information as opposed to the production of goods or services. This term was popularized by the US management guru Peter Drucker. (businessdictionary.com)
- Appraisers must pay very close attention to the smallest level of detail to be successful, or more importantly to an appraiser - credible. They would rather work with numbers than people in most cases. There are exceptions of course.
- It may be that you know some appraisers who aren't **knowledge workers**, whose work you've found to be technically unreliable. This may be related to prior licensing levels, which allowed many to become appraisers who never should have been.
- While appraisers should never become emotionally or financially connected to your transactions, they endure the same cyclical peaks and valleys in volume, and generally, find no enjoyment in delivering bad news.
- Despite a variety of threats from technology and business model change, the role of the appraiser has been validated by industry regulators, lenders and NAR. Viewing appraisers with respect and appreciation will lead to reciprocal treatment toward you.

What you should expect from appraisers

- Appraisers are REALTORS®
 - Must abide by Code of Ethics and Standards of Practice of the National Association of REALTORS®
- To be competent
 - The Competency Rule per USPAP – Uniform Standards of Professional Appraisal Practice
 - Geographic competency
 - Economic competency – discerning market conditions, highest and best use determination
 - Competent to value particular property types
 - Upper bracket, green housing, acreage home sites, specialized commercial, etc.
- Accuracy
 - Thorough research and analysis
 - Multiple data sources (MLS, KC Data and others when available)
 - According to scope of work agreed upon
- To be in good standing
 - www.ASC.gov
 - MO & KS provide periodic reporting of state level disciplinary action (get on their mailing lists)
 - Verify the identity of appraisers and their membership in KCRAR / HMLS
- Professional courtesy toward you and your clients

Understanding what appraisers need from you



Often, agents are the only people with the information needed and yet many will not provide it. Some of you have taken time to understand what is required in an appraisal and offer it proactively to appraisers.



Fully executed contracts

With all amendments and addenda



Site price & characteristics

New construction



Property characteristics

What we can't see in MLS



Post sale partnership

When your sale becomes a comp



Communication

Smart REALTORS® return calls from appraisers

Understanding
what
appraisers
DO NOT need
from you

Comps

An appraiser's duty (noted exceptions)

Other Appraisals

One person's opinion

Salesmanship

Remember the 'knowledge worker'

- Focused on gathering information

List of improvements

Most appraisers will accept such a list

- Only list items

- Time lapsed since updating

- Avoid totaling – sum of receipts

*- Proposed construction different story -
the more detail the better*

Strong direction

Don't subordinate appraisers

"I do a lot of business with this lender"

*"We shouldn't have any problems with
this appraisal"*

Dispelling Myths About Appraisers

- Appraisers do **NOT** enjoy coming in low. Doing so causes extra work, disparaging banter, and the potential for business loss, depending on the integrity of the parties involved
- Appraisers are **NOT** incited by their lending clients to “keep the market down”
- The industry (Fannie/Freddie/FHA/VA/etc.) is **NOT** trying to eliminate appraisers, but rather, working to modernize the process and scope of contribution from appraisers
- Appraisers are **NOT** acting unprofessionally if they refuse to engage in discussion about an appraisal. They are bound by a confidentiality covenant to their client, under USPAP, which prohibits them from discussing an appraisal with anyone except their client
- Appraisers who perform VA appraisals are **NOT** government employees working directly for the Veterans Administration
- Appraisers are **NOT** less informed than the typical agent. Their education and training requirements far exceed agent licensing requirements

Appraiser Licensing Requirements

As of May 1, 2018 the requirements for becoming an appraiser were lessened in terms of the experience required and length of apprenticeship. This is related to a perceived shortage of appraisers.

Opinion: a generally positive decision with unintended consequences to come.

	Degree Requirement	QE Education	Experience Hours	Lngh. of Apprenticeship	
Prior to May 1, 2018					
Licensed Appraiser	30 hours college-level coursework	150	2000	12 months	Non-complex, no trainees
Certified Residential	Bachelor's Degree	200	2500	24 months	FHA, no limits on complexity
Certified General	Bachelor's Degree	300	3000	30 months	Commercial
May 1, 2018					
Licensed Appraiser	None	150	1000	6 months	
Certified Residential	Bachelor's / College Equivalants	200	1500	12 months	
Certified General	Bachelor's Degree	300	3000	18 months	

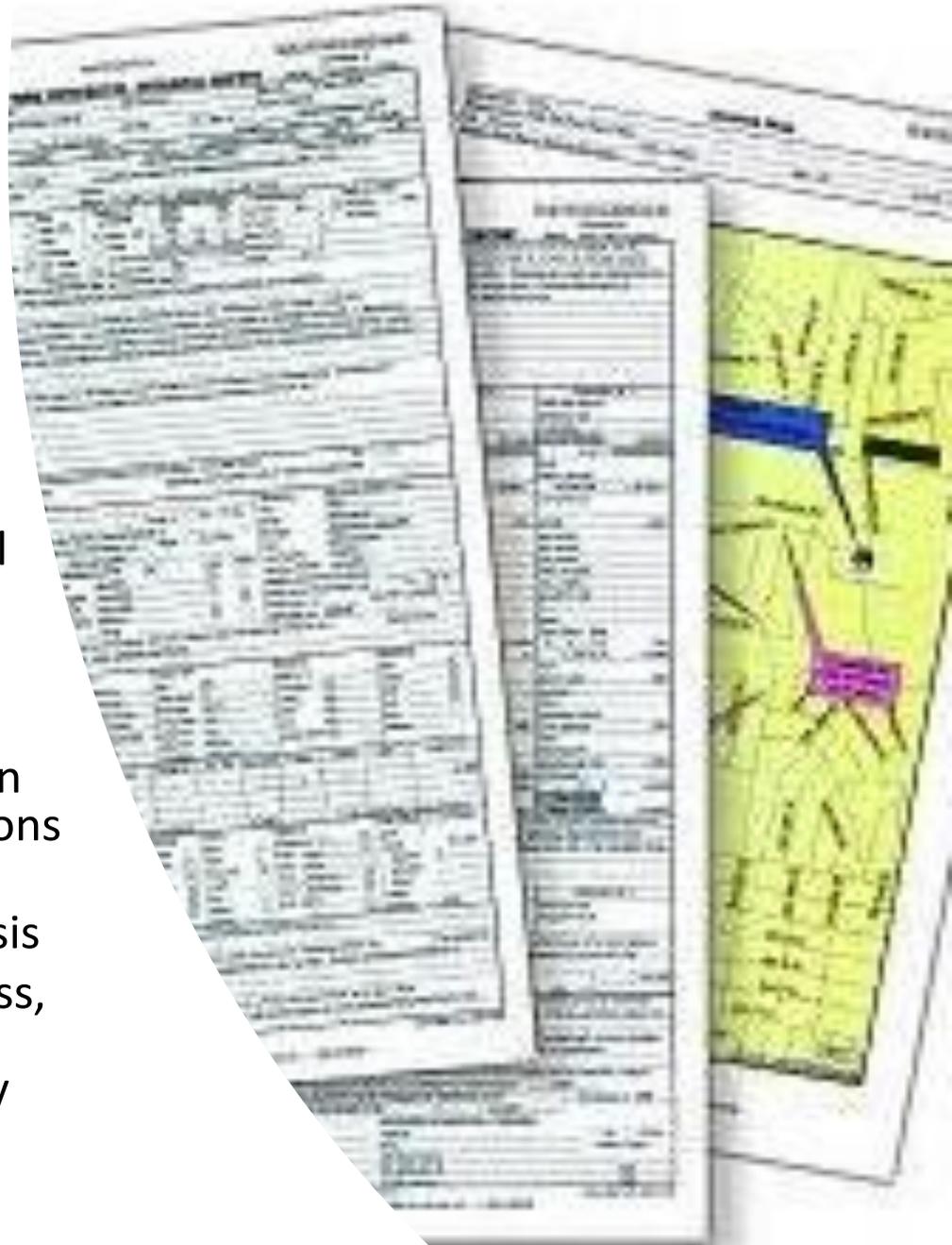
Understanding The Appraisal Form

- Most appraisals **developed** for mortgage related transactions are **reported** on the 1004 URAR form. This two-part process of developing an opinion of value and reporting it according to client expectations, is the essence of appraising.
- Each time Fannie/Freddie, FHA/USDA or VA amend or change their reporting requirements, all involved must be aware of the specific requirements and the reason(s) behind the change(s).
- Recent supplemental reporting requirements by Fannie Mae and Freddie Mac, and now FHA/USDA and VA
 - Expanded market conditions reporting
 - Additional comparables (for declining and increasing markets)
 - Additional photos including the angle from which they should be taken
- **Uniform Appraisal Dataset (UAD)**. A monumental change for appraisers and lender alike – took effect September 1, 2011. Continues to affect mortgage underwriting and appraisal practice.
- Now far ahead of read-only PDF utility, the new paradigm involves a dynamic conversion process that allows the GSEs, FHA, and others, to leverage the data in appraisals for a variety of purposes. Now operating as “Collateral Underwriter” or “CU”.
- More than ever before, appraisers are being weighed and measured, through automated and manual review processes that vary from lender to lender, from platform to platform, including quality and service scoring for every appraisal. Quality control is the primary focus of underwriting today, based on the threat of loan buybacks should they go bad.



Limitations of the appraisal form

-
- Designed to be a summary report
 - The problem - one size doesn't fit all
 - Used to value all homes across the country
 - Checked boxes are insufficient
 - UAD mandated quality and condition ratings no longer allow for descriptions
 - The Sales Comparison grid does not allow room for more complex analysis
 - Form-filling isn't an analytical process, although some appraisers spend a career checking boxes without really developing an understanding for market dynamics.



Understanding Comparable Selection

Location	N;Res;		
Leasehold/Fee Simple	Fee Simple		
Site	10526 sf		
View	N;Res;		
Design (Style)	Trad./Ranch		
Quality of Construction	Q4		
Actual Age	58		
Condition	C3		
Above Grade	Total	Bdrms.	Baths
Room Count	6	3	1.0
Gross Living Area	1,152 sq.ft.		
Basement & Finished Rooms Below Grade	0sf		
Functional Utility	Typical		
Heating/Cooling	FA/CA		
Energy Efficient Items	ThermalWdws		
Garage/Carport	1 Attached		
Porch/Patio/Deck	CP/LgWdDck		
Fireplace	1 FP		
Exterior Features	Fnc./Shed		
LP/SP Ratio-DistressedSaleAdj	N/A		



COMPARISON APPROACH

- Introducing the concept of bracketing
- Appraisers base their comparable selection on **elements of comparison**. The elements include those the form authors found to be most relevant, and they included three additional lines for those the appraiser chooses to add such as **Fireplace** and **Exterior Features**. As underwriting requirements have increased, appraisers are using those extra lines to report builder/ agent relationships, and **list-to-sale price ratio**, for example
- Some appraisers do not adequately identify, analyze, nor equalize property differences. However, most attempt to consider the significant elements of comparison for each subject property and adjust the comparables based on market evidence

Understanding Comparable Adjustments

The appraiser should adjust for both **quantitative** and **qualitative** differences. While it is rather simple to develop and apply adjustments for differences in room count and gross living area, it becomes more challenging to derive an adjustment that reflects the impact from a busy street or a spectacular view.

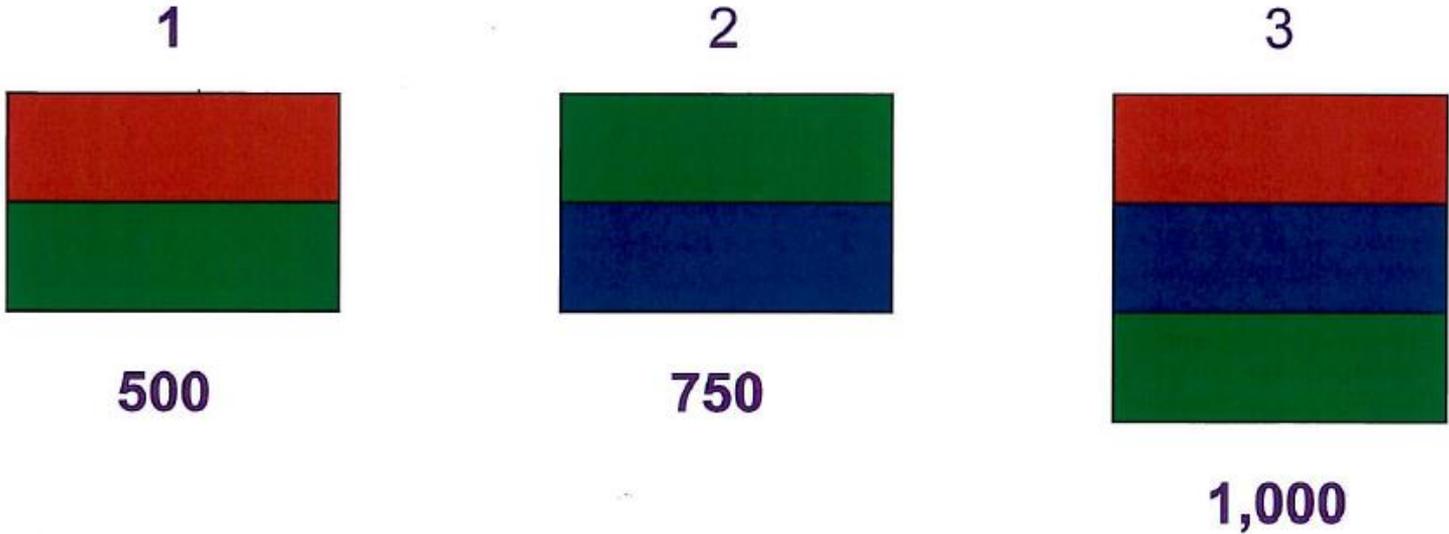
Above Grade	Total	Bdrms.	Baths	Total	Bdrms.	Baths		Total	Bdrms.	Baths		Total	Bdrms.	Baths	
Room Count	6	3	2	6	3	2		6	3	2		6	3	2	
Gross Living Area	1,464 sq.ft.			1,488 sq.ft.			-720	1,550 sq.ft.			-2,580	1,379 sq.ft.			+2,550

Most understand that adjustments are applied to comparables based on how they differ from the subject. This principle is based on the fact that Comparables #1 and #2 are superior to the subject for having more GLA and deserve adjustments as such. Comparables with superior characteristics receive negative adjustments to their respective sale prices, and those inferior receive positive adjustments (Comparable 3, 1,379 sq.ft).

Understanding Comparable Adjustments

- Adjustments applied should vary based on the factors in play for each appraisal. So what are the adjustments based on? There is no set value for adjusting room count or GLA, and the adjustments applied are often the result of professional judgment.
- So how good is an appraiser's judgment? The answer again is relative and depends on the level of education, experience and professional commitment an appraiser applies to each appraisal.
- Not a subjective work but an empirical process based on law, regulations and industry standards.
- Typical Practice, an evolving peer standard, is now measurable through automated review processes run against every appraisal written for mortgage purposes.
- Appraisers are taught and should practice 'Paired Sales Analysis' – An appraisal technique used to discover the contribution of one particular attribute.

The "Pairing Process"



How much is **Green** worth?
(No pure pair)

250

How much is **Red** worth?
(Pair 2 & 3)

250

How much is **Blue** worth?
(Pair 1 & 3)

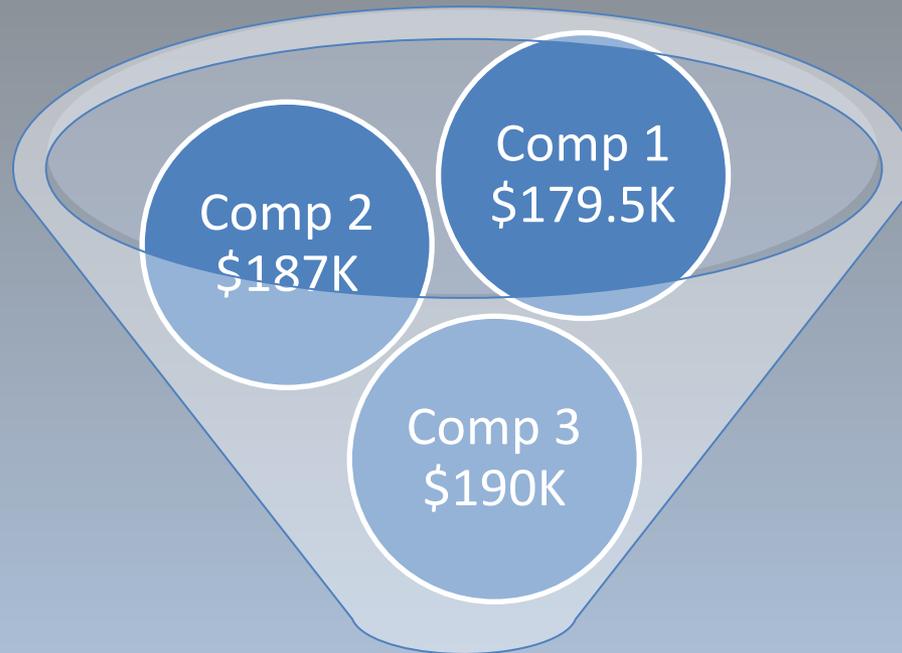
500

Paired sales example

Address		521 S 137th Avenue		486 S 137th Street		487 S 138th Street	
Bonner Springs, KS 66012-5203		Bonner Springs, KS 66012		Bonner Springs, KS 66012		Bonner Springs, KS 66012	
Proximity to Subject		0.28 miles SE		0.01 miles		0.11 miles W	
Sale Price		\$ 180,000		\$ 179,500		\$ 187,000	
Sale Price/Gross Liv. Area		\$ 122.95 sq. ft		\$ 130.17 sq. ft		\$ 127.43 sq. ft	
Data Source(s)		Viewing/MLS/C		MLS/Cnty/City		MLS/Cnty/City/KC Data	
Verification Source(s)		Inspection		DOM 91 MLS#1675985		DOM UC MLS#1643201	
VALUE ADJUSTMENTS		DESCRIPTION		DESCRIPTION		DESCRIPTION	
		+(-) \$ Adjustment		+(-) \$ Adjustment		+(-) \$ Adjustment	
Sales or Financing	0	Conventional		FmHA		FHA	
Concessions	None Reported	None Reported		Seller Paid -3,500		Seller Paid -500	
Date of Sale/Time	12/22/2010	08/24/2010		06/15/2010		11/01/2010	
Location	Lei Valley	Lei Valley		Lei Valley		Lei Valley	
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Site	7,200 Sq.Ft.	7,360 Sq.Ft.		7,200 Sq.Ft.		8,442 Sq.Ft. -3,000	
View	Residential	Residential		Residential		Residential	
Design (Style)	Split-Level	Split-Level		Split-Level		Split-Level	
Quality of Construction	Fr/Stn/A-AG	Fr/Stn/A-AG		Fr/Brck/A-AG		Fr/Stn/A-AG	
Actual Age	2 Years	6 Years		New		New	
Condition	Never Occupied	Avg/Good +3,000		Never Occupied		Never Occupied	
Above Grade	Total Bdrms Baths	Total Bdrms Baths		Total Bdrms Baths		Total Bdrms Baths	
Room Count	6 3 2	6 3 2		6 3 2		6 3 2	
Gross Living Area	1,464 sq. ft	1,379 sq. ft +2,550		1,506 sq. ft -1,260		1,491 sq. ft -810	
Basement & Finished	734 Sq.Ft.	Partial Bsmt		Partial Bsmt		Partial Bsmt	
Rooms Below Grade	0	.5 Bath -1,000		0		0	
Functional Utility	Typical	Typical		Typical		Typical	
Heating/Cooling	F/A/C/A	F/A/C/A		F/A/C/A		F/A/C/A	
Energy Efficient Items	Thermal Wdws	Thermal Wdws		Thermal Wdws		Thermal Wdws	
Garage/Carport	2 Built-In	2 Built-In		2 Built-In		2 Built-In	
Porch/Patio/Deck	CovPch/Patio	CovPch/Deck -1,000		CovPch/Patio		CovPch/Deck -1,000	
Fireplace/Exterior Features	No FP	1 FP -1,000		1 FP -1,000		1 FP -1,000	
Builder/Agent Relationship	Tiner/Smith	Picturesque/Maher		Tiner/Smith		Emerald/Smith	
LP/SP Ratio	OLPS179/102%	OLPS185/97%		OLPS189/99%		100%	
Net Adjustment (Total)		<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 2,550		<input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ -5,760		<input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ -6,310	
Adjusted Sale Price		Net Adj. 1.4%		Net Adj. 3.1%		Net Adj. 3.3%	
of Comparables		Gross Adj. 4.8% \$ 182,050		Gross Adj. 3.1% \$ 181,240		Gross Adj. 3.3% 183,690	

VALUES COMPARISON APPROACH

Another way to view the grid



Range before adjustments \$10,500

Range after adjustments \$2,450

What's it worth?

Appraiser's opinion = \$182,000

Rounder to \$1,000

Kansas City, MO 64113	
0 version found Yours: 0 Peers: 0	
 Aerial	
Proximity to Subject	
Sale Price	\$ 0
Sale Price/Gross Liv. Area	\$ sq.ft.
Data Source(s)	
Verification Source(s)	Inspection
VALUE ADJUSTMENTS	DESCRIPTION
Sales or Financing	
Concessions	
Date of Sale/Time	
Location	N;Res;KCMO
Leasehold/Fee Simple	Fee Simple
Site	1.85 ac
View	N;Res;
Design (Style)	DT2;1.5 Story
Quality of Construction	Q1
Actual Age	24
Condition	C3
Above Grade	Total Bdrms. Baths
Room Count	11 5 4.2
Gross Living Area	7,742 sq.ft.
Basement & Finished	5722sf15722sf
Rooms Below Grade	1r0br1.2ba2o
Functional Utility	Ext. Stone work
Heating/Cooling	Zoned FA/CAC
Energy Efficient Items	Therm. Wndws
Garage/Carport	4gbi4dw
Porch/Patio/Deck	Pats/Ter/Lanai
Fireplace(s), Pool, etc.	4 FP/IG Pool
Exterior Features	Metal Fence
Additional Amenities	PorteCoch/Elev.
Net Adjustment (Total)	<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 13,400
Adjusted Sale Price	
of Comparables	

Mission Hills, KS 66208	
0 version found Yours: 0 Peers: 0	
   	
Proximity to Subject	0.39 miles SW
Sale Price	\$ 3,750,000
Sale Price/Gross Liv. Area	\$ 521.78 sq.ft.
Data Source(s)	MLS#2095190;DOM 80
Verification Source(s)	County Records
VALUE ADJUSTMENTS	DESCRIPTION +(-) \$ Adjustment
ArmLth	
Cash;0	
s08/18;c06/18	0
N;Res;MHKS	-375,000
Fee Simple	
1.5 ac	0
N;Res;	
DT2;2-Story	0
Q1	
98	0
C3	
Total Bdrms. Baths	
11 4 5.1	-7,500
7,187 sq.ft.	+83,300
3175sf0sfin	+10,000
1r1br1.0ba0o	+202,750
Standard	-15,000
Zoned FA/CAC	
Therm. Wndws	
3ga3dw	+10,000
Pat/Cov. Patio	+10,000
3 FP/IG Pool	+1,500
Metal Fence	
None	+10,000
<input checked="" type="checkbox"/> + <input type="checkbox"/> -	\$ 13,400
Net Adj.	0.4%
Gross Adj.	21.6% \$ 3,763,400

Mission Hills, KS 66208	
0 version found Yours: 0 Peers: 0	
   	
Proximity to Subject	0.83 miles SW
Sale Price	\$ 3,700,000
Sale Price/Gross Liv. Area	\$ 495.58 sq.ft.
Data Source(s)	MLS#2035822/KCData;DOM 80
Verification Source(s)	County Records
VALUE ADJUSTMENTS	DESCRIPTION +(-) \$ Adjustment
ArmLth	
Cash;0	
s07/18;c05/18	0
N;Res;MHKS	-370,000
Fee Simple	
1.53 ac	0
N;Res;	
DT3;2.5 Story	0
Q1	
94	0
C3	
Total Bdrms. Baths	
13 4 4.2	0
7,466 sq.ft.	+41,400
3499sf1667sfin	+10,000
1r1br1.0ba0o	+202,750
Standard	-15,000
Zoned FA/CAC	
Therm. Wndws	
3ga3dw	+10,000
Pat/CPor/Lanai	+5,000
4 FP	+50,000
Metal/Brick Fnc	0
None	+10,000
<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ -55,850
Net Adj.	1.5%
Gross Adj.	19.3% \$ 3,644,150

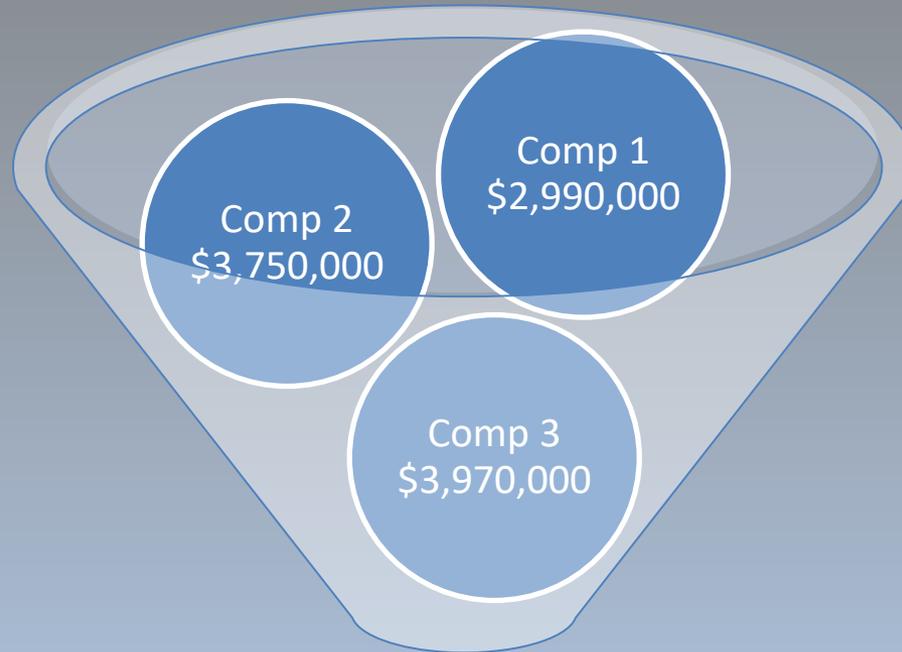
Kansas City, MO 64112	
0 version found Yours: 0 Peers: 0	
   	
Proximity to Subject	0.61 miles NE
Sale Price	\$ 3,970,000
Sale Price/Gross Liv. Area	\$ 501.33 sq.ft.
Data Source(s)	MLS#2089289/KCData;DOM 0
Verification Source(s)	County Records
VALUE ADJUSTMENTS	DESCRIPTION +(-) \$ Adjustment
ArmLth	
Conv;0	
s02/18;c02/18	+79,400
N;Res;KCMO	
Fee Simple	
2.8 ac	-250,000
N;Res;	
DT3;2.5 Story	0
Q1	
112	0
C2	-397,000
Total Bdrms. Baths	
12 6 5.2	-15,000
7,919 sq.ft.	-26,600
4172sf1627sfin	+10,000
1r0br0.1ba0o	+204,750
Standard	-15,000
Zoned FA/CAC	
Therm. Wndws	
4gd4dw	+10,000
Pat/CPor/CPor	0
4 FP	+50,000
None	+10,000
<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ -329,450
Net Adj.	8.3%
Gross Adj.	27.1% \$ 3,640,550

Kansas City, MO 64113	
0 version found Yours: 0 Peers: 0	
   	
Proximity to Subject	0.17 miles E
Sale Price	\$ 3,246,000
Sale Price/Gross Liv. Area	\$ 415.94 sq.ft.
Data Source(s)	MLS#1978366/Appr.;DOM 51
Verification Source(s)	County Records
VALUE ADJUSTMENTS	DESCRIPTION +(-) \$ Adjustment
ArmLth	
Cash;0	
s07/16;c04/16	+162,300
N;Res;KCMO	
Fee Simple	
1.34 ac	+50,000
N;Res;	
DT3;2.5 Story	0
Q1	
103	0
C3	
Total Bdrms. Baths	
12 4 5.1	-7,500
7,804 sq.ft.	-9,300
2857sf828sfin	+10,000
1r0br0.0ba0o	+244,700
Standard	-15,000
Rad/ZFWA/CA	0
Therm. Wndws	
3gd3dw	+17,500
Pat/Deck/CPor.	0
6 FP	+47,000
Metal Fence	
706 sf carr. ho	-25,300
<input checked="" type="checkbox"/> + <input type="checkbox"/> -	\$ 474,400
Net Adj.	14.6%
Gross Adj.	18.1% \$ 3,720,400

Kansas City, MO 64112	
0 version found Yours: 0 Peers: 0	
   	
Proximity to Subject	0.27 miles NW
Sale Price	\$ 2,990,000
Sale Price/Gross Liv. Area	\$ 423.21 sq.ft.
Data Source(s)	MLS#2151372/KCData;DOM 417
Verification Source(s)	County Records
VALUE ADJUSTMENTS	DESCRIPTION +(-) \$ Adjustment
Listing	-74,750
Active;0	
Active	
N;Res;KCMO	
Fee Simple	
1.42 ac	0
N;Res;	
DT3;2.5 Story	0
Q1	+291,525
102	0
C3	
Total Bdrms. Baths	
16 5 5.2	-15,000
7,065 sq.ft.	+101,600
3045sf1553sf	0
1r0br0.1ba2o	+208,450
Standard	-15,000
Zoned FA/CAC	
Therm. Wndws	
2gd2gbi2dw	+5,000
Pat/Cov. Porch	+10,000
4 FP/IG Pool	
Metal Fence	
None	+10,000
<input checked="" type="checkbox"/> + <input type="checkbox"/> -	\$ 521,825
Net Adj.	17.5%
Gross Adj.	24.5% \$ 3,511,825

Kansas City, MO 64113	
0 version found Yours: 0 Peers: 0	
   	
Proximity to Subject	0.52 miles SE
Sale Price	\$ 3,950,000
Sale Price/Gross Liv. Area	\$ 348.79 sq.ft.
Data Source(s)	MLS#2153764/KCData;DOM 71
Verification Source(s)	County Records
VALUE ADJUSTMENTS	DESCRIPTION +(-) \$ Adjustment
Listing	-98,750
Active;0	
Active	
N;Res;KCMO	
Fee Simple	
1.52 ac	0
N;Res;	
DT3;2.5 Story	0
Q1	
93	0
C3	+192,563
Total Bdrms. Baths	
17 9 6.3	-37,500
11,325 sq.ft.	-537,500
4034sf1732sfin	+10,000
1r0br1.0ba1o	+199,500
Standard	-15,000
Zoned FA/CAC	
Therm. Wndws	
3ga3dw	+10,000
Patio/Scr. Patio	+10,000
3 FP	+51,500
None	+10,000
Elevator	+5,000
<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ -200,187
Net Adj.	5.1%
Gross Adj.	29.8% \$ 3,749,813

Another way to view the grid



Range before adjustments \$980,000

Range after adjustments \$251,575

What's it worth?

Appraiser's opinion = \$3,675,000

Rounded to \$25,000

FHA versus Conventional

FHA

- Must be Certified and FHA approved
- Inspection **still** requires sampling, inspection of mechanical systems, attic and or crawl space
- Photos – all sides, contributing improvements, physical deficiencies
- Safety, Security, Soundness
- Welcomed exceptions - cosmetic

Conventional

- Appraisers may be licensed only
- Inspection doesn't require representative sampling
- Photos – recent changes mirror FHA
- More changes on the way

Equally focused on preventing improper influences on appraisers

Switching from Conventional to FHA – more than a clerical change (reinspection required); USDA follows FHA; VA based on a different though similar protocol – restricted appraiser panel



Let's talk about contracts

- Why do appraisers need the contract?
- Repairs required when written as-is
 - But conventional doesn't require repairs!
- What about multiple offers?
 - Can only accept one, presumably the best
 - Defining "best"
- Seller paid concessions
 - Did the seller concede?
 - Contracts above list price, often equal to supposed concessions
 - Financed closing costs not the same as concession
 - Why are comps adjusted for concessions when subject and other comps include concessions?
- What's the big deal?
 - Adhering to definition of market value

Definition of Market Value

DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

This definition is taken from the 1004 Form, and thus, applies to every transaction that requires a mortgage. The definition depends on buyers and sellers acting prudently and not affected by undue stimulus. The definition further conditions;

1. Parties with typical motivation (Emotional behavior?)
2. Parties well informed and advised (FSBO? Social media sales?)
3. Reasonable exposure to open market
4. Payment in cash (who is paying when offers are made at 110% of list price?)

\$275K FHA offer on \$250K listing > buyer's portion of extra of \$25K = \$875

How do you think the lender and FHA feel about their portion? \$24,125 at 96.5 LTV

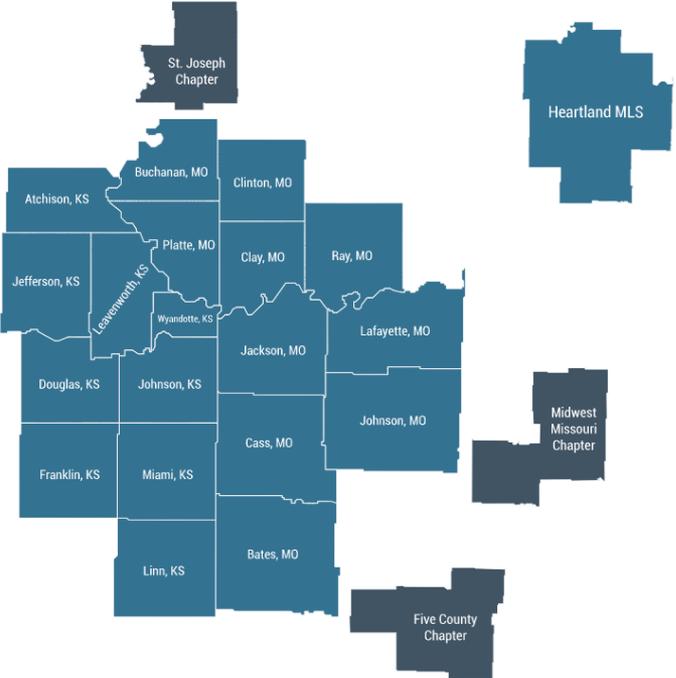
Source(s) for Market Condition Analysis

<https://kcrar.com/media-statistics/market-statistics/>



Kansas City Regional Association of REALTORS® - Heartland MLS

Selected Area: **No Area Selected**



Local Market Updates

Dig deeper into communities.

Area:
Select an area...

Time Period:
Most Recent

[VIEW REPORT](#)

Monthly Indicators

Local Market Update for June 2021



Jackson, MO

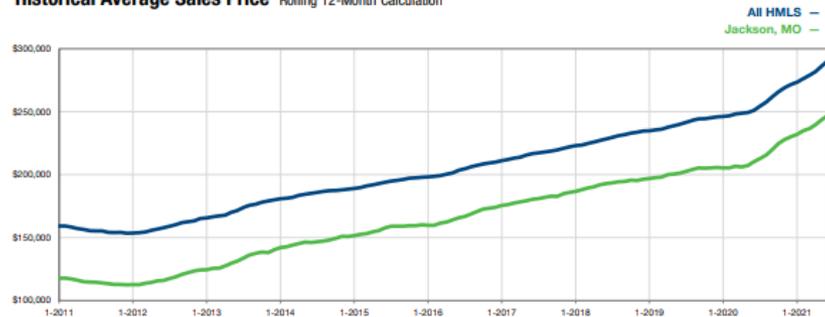
Key Metrics	June			Year to Date		
	2020	2021	Percent Change	Thru 6-2020	Thru 6-2021	Percent Change
Closed Sales	1,175	1,308	+ 11.3%	5,274	6,005	+ 13.9%
Average Sales Price*	\$239,048	\$273,651	+ 14.5%	\$215,677	\$254,422	+ 18.0%
Median Sales Price*	\$208,000	\$235,000	+ 13.0%	\$189,900	\$220,000	+ 15.9%
Days on Market Until Sale	40	19	- 52.5%	48	26	- 45.8%
Percentage of Original List Price Received*	98.7%	103.6%	+ 5.0%	97.1%	101.6%	+ 4.6%
Pending Sales	1,309	1,320	+ 0.8%	6,182	6,898	+ 11.6%
Inventory	1,426	959	- 32.7%	--	--	--
Supply	1.5	0.9	- 40.0%	--	--	--

* Does not account for sale concessions and/or downpayment assistance. | Percent changes are calculated using rounded figures and can sometimes look extreme due to small sample size.

June



Historical Average Sales Price Rolling 12-Month Calculation



Current as of July 7, 2021. Report provided by the Kansas City Regional Association of REALTORS®. All data from Heartland Multiple Listing Service. Report © 2021 ShowingTime.

Source(s)
for
Market
Condition
Analysis

FAQs / Q & A

- How far away can appraisers go for comparables?
- How far back in time can they go?
- Why don't appraisers count basement finish as GLA?
- How do appraisers handle swimming pools, outbuildings, etc.?
- How can a home be worth less than the cost to construct?
 - Supply chain, oil prices, labor shortage
- Why don't appraisers consider Energy Star or HERS rated construction?
 - Doing better
 - Aided by building codes
- How can I get a copy of the appraiser's adjustment list?
- Condos, manufactured homes, others?
- Commercial or agricultural...know it or ___?___

What to do when the appraisal comes in below contract price?

- One person's opinion
- Consider that it may be right
- **Read the appraisal – all of it**
- Identify general discrepancies
 - Often parties discover misinformation and/or unknown issues from the appraisal
 - Some people agree to buy without doing their homework
 - Market conditions / emotional behavior
- Identify specific / factual errors and omissions
- Study comparables chosen
- Search for alternative evidence
 - Be concise – appraisers are not required to read your opinion, limit your response to 3 or 4 sales
 - Must be equally comparable – location, physical and functional
 - Must have **sold** within same range (time, distance)
 - Don't send active, pending, cancelled or withdrawn listings
- Don't communicate with appraiser – he/she has signed and delivered the report to their client
- Communicate with lender and request reconsideration
 - The lender should review the appraisal, the evidence provided, and determine whether reconsideration is warranted
- Be professional and **factual** rather than emotional. If you are right, there should be evidence to support your position

What about Zestimates?

Despite all the advancement in technology and data, Zillow and all other automated valuation models disclaim their limitations. There's no substitute for local knowledge, especially in a non-disclosure territory

Zestimate (ZEST-ti-met)

The Zestimate® home valuation model is Zillow's estimate of a home's market value. The Zestimate incorporates public and user-submitted data, taking into account home facts, location and market conditions.

It is not an appraisal and it should be used as a starting point. We encourage buyers, sellers and homeowners to supplement the Zestimate with other research such as visiting the home, getting a professional appraisal of the home, or requesting a comparative market analysis (CMA) from a real estate agent.

METROPOLITAN AREA	MEDIAN ERROR	HOMES WITH ZESTIMATES	WITHIN 5% OF SALE PRICE	WITHIN 10% OF SALE PRICE	WITHIN 20% OF SALE PRICE
Detroit, MI	2.4%	18.4K	78.9%	94.3%	98.4%
Houston, TX	--	24.0K	--	--	--
Kansas City, MO	--	11.7K	--	--	--
Los Angeles-Long Beach-Anaheim, CA	1.7%	32.1K	85.5%	96.3%	99.3%
Miami-Fort Lauderdale, FL	2.3%	59.0K	82.4%	95.1%	98.9%