

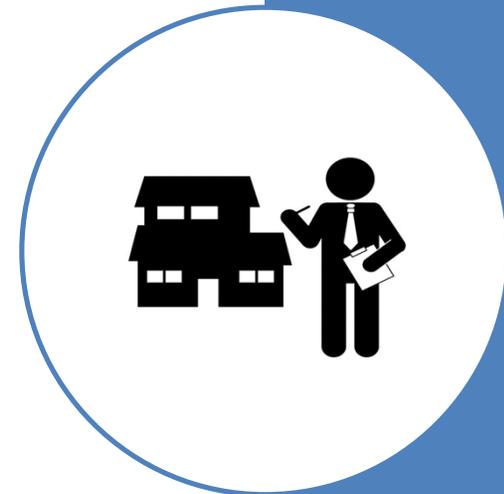
UNDERSTANDING APPRAISERS & THE APPRAISAL PROCESS

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 Maschger**

- 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, and 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 experienced as technically unreliable. As with agents, appraisers operate within a wide range of education and experience.
- While appraisers should never become emotionally or financially connected to your transactions, they endure the same peaks and valleys in income, and generally, find no enjoyment in delivering bad news.
- Viewing appraisers with respect and appreciation will lead to reciprocal treatment toward you.

What you should expect from appraisers

- Appraisers are REALTORS®
 - As members of KCRAR/HMLS, appraisers must abide by the 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
 - Property Type Competency
 - Upper bracket, green housing, equestrian estates, condominium, agricultural, commercial, etc.
- Accuracy
 - Thorough research and analysis
 - Multiple data sources (MLS, KC Data, and others when available)
 - According to the scope of work agreed upon
- To be in good standing
 - www.ASC.gov
 - States provide periodic reporting of appraiser 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



Property information

MLS is the appraiser's database



Fully executed contracts

With all amendments and addenda



Site characteristics

New construction



Improvement characteristics

What we can't see in MLS



Post sale partnership

When your sale becomes a comp



Communication

Appraisers won't call unless they lack needed information

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

- Avoid totaling, sum of receipts

- Time lapsed since updating

- Proposed construction, a 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"

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

- **Read the appraisal – all of it**
- Consider that it may be right
 - Parties may discover misinformation and/or unknown issues from the appraisal
 - Some people agree to buy without doing their homework
 - Market conditions
 - Inspection waivers
- Identify general discrepancies
- Identify specific/factual errors and omissions
- Study comparables chosen
- Search for alternative evidence
 - Must be equally comparable – location, physical and functional
 - Must have **sold** within the same range (time, distance)
 - Don't send active, pending, canceled, or withdrawn listings
 - Be concise – appraisers are not required to respond to your critique, limit your response to 3 or 4 sales that are true substitutes
- Don't communicate with appraiser – he/she has signed and delivered the report to their client
- Communicate through 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

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 regulators or 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 with their client, under USPAP, which prohibits them from discussing an appraisal with anyone else
- 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 reduced in terms of the experience required and length of the apprenticeship.

Mark's 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	No college-level education required	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	No college-level education required	150	1000	6 months	
Certified Residential	Bachelor's / College Equivalents	200	1500	12 months	
Certified General	Bachelor's Degree	300	3000	18 months	

In 2022, PAREA was introduced as an alternative pathway for becoming a residential appraiser, for candidates who are not able to find a trainer.

Understanding The Appraisal Form

- Most appraisals **developed** for mortgage 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 make practice changes, as necessary.
- **Uniform Appraisal Dataset (UAD)**. A monumental change for appraisers and lenders alike – took effect on 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.
- Examples of reporting requirement directives;
 - Additional comparables (for declining and increasing markets)
 - Additional photos including the angle from which they should be taken
 - April 1, 2022, Adoption of ANSI Standard Property Measuring Guidelines
- Currently, the GSEs are working on a UAD makeover to incorporate “data driven, flexible, dynamic structure for appraisal reporting”.
- 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.



Uniform Appraisal Dataset (UAD) and Forms Redesign Initiative

Fannie Mae and Freddie Mac (the GSEs) are collaborating to update the Uniform Appraisal Dataset (UAD), retire the existing appraisal forms, and redesign the Uniform Residential Appraisal Report (URAR). This initiative is part of the Uniform Mortgage Data Program® (UMDP®), a joint-GSE effort to enhance data quality and standardization at the direction of the Federal Housing Finance Agency (FHFA).

Giving the UAD and URAR a makeover

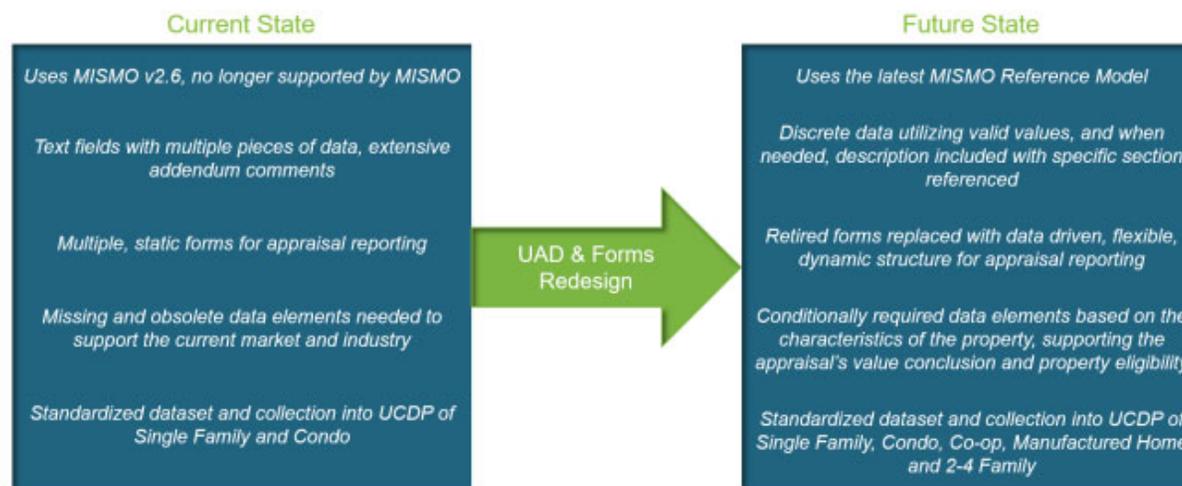
The GSEs are evaluating the UAD from two perspectives: 1) upgrade to the latest MISMO® Reference Model and 2) assessment of current data elements – to determine what new data elements are needed and if current data elements should be revised or removed. The joint-GSE team is working with an experienced report design vendor to create a dynamic new URAR. Using this new URAR, appraisers will provide data through the use of vendor software. The new URAR will have a similar look and feel to the redesigned Uniform Residential Loan Application (URLA), the Loan Estimate (LE), and the Closing Disclosure (CD).

Partnering with industry

In 2018, the joint-GSE team engaged key industry stakeholders, including appraisers, lenders, appraisal management companies (AMCs), government agencies, and trade organizations, to identify pain points and gather requirements. The GSEs broadened their outreach in 2019, conducting an industry-wide survey and participating in industry events, to reach a wider pool of stakeholders to gather input and feedback on sections of the draft URAR.

Providing benefits across the mortgage life cycle

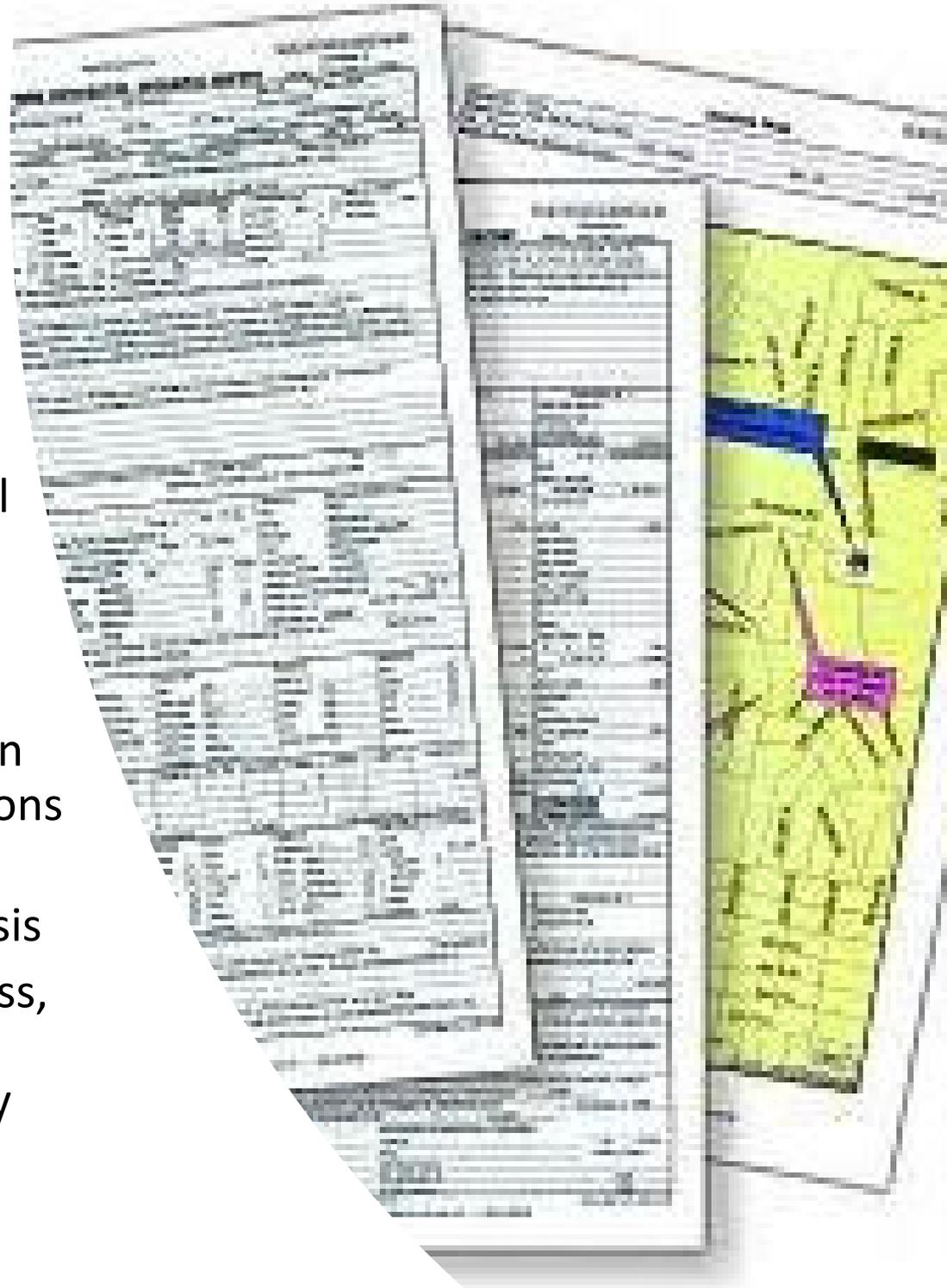
The redesigned URAR will provide greater clarity to lenders, investors, and borrowers, while building a foundation for further modernization, by simplifying and enhancing the dataset and updating the data standard and certifications.



For more information, read our frequently asked questions, look for us at industry events, and/or visit the GSEs' UAD web pages: [Fannie Mae UAD](#) and [Freddie Mac UAD](#).

Limitations of the appraisal form

- 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



COMPARISON APPROACH

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		

- 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 transactional details (i.e., LP/SP Ratio...)
- Only an appraiser can judge a sale or listing as a comparable property.

Understanding Comparable Adjustments

An 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.

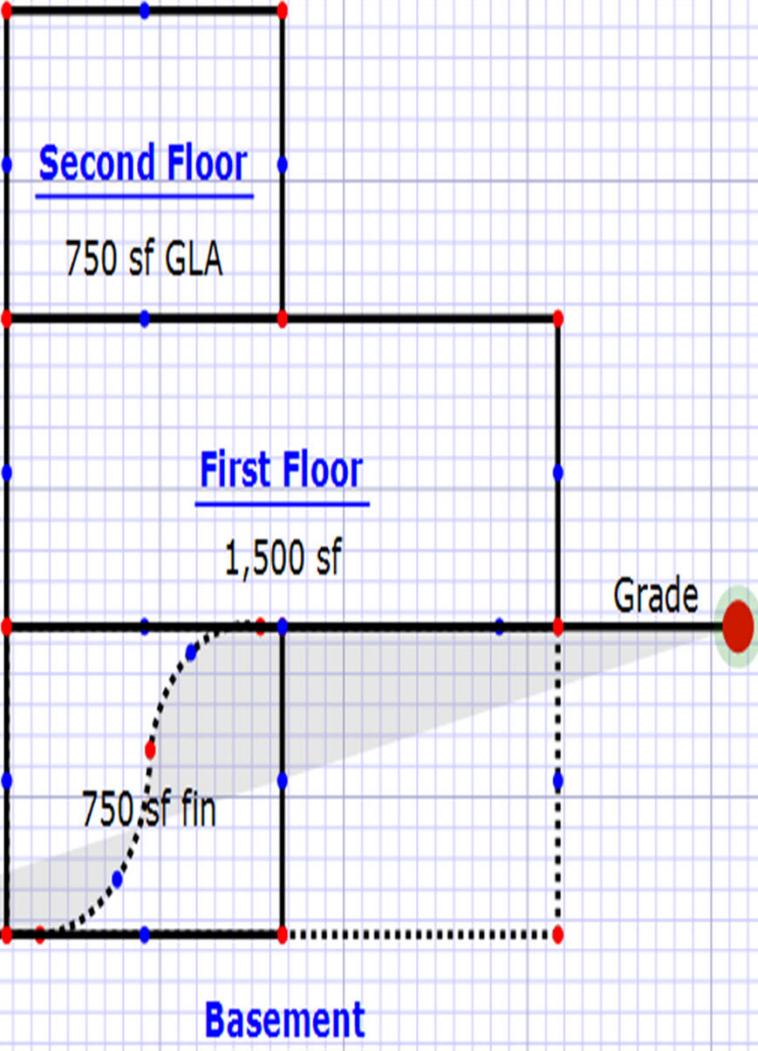
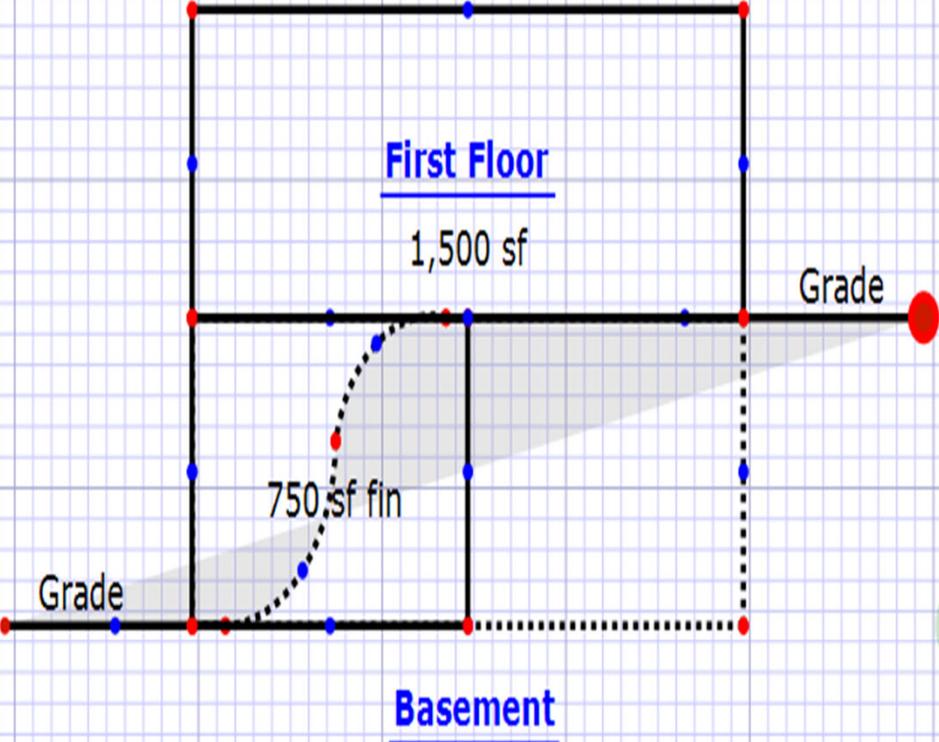
Above Grade	Total	Bdrms.	Baths	Total	Bdrms.	Baths		Total	Bdrms.	Baths		Total	Bdrms.	Baths	
Room Count	6	3	2	6	3	2		6	3	2		6	3	2	
Gross Living Area	1,464 sq.ft.			1,488 sq.ft.			-720	1,550 sq.ft.			-2,580	1,379 sq.ft.			+2,550

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 sf).

In this example, the adjustments are based on a factor of \$30/sf of difference.

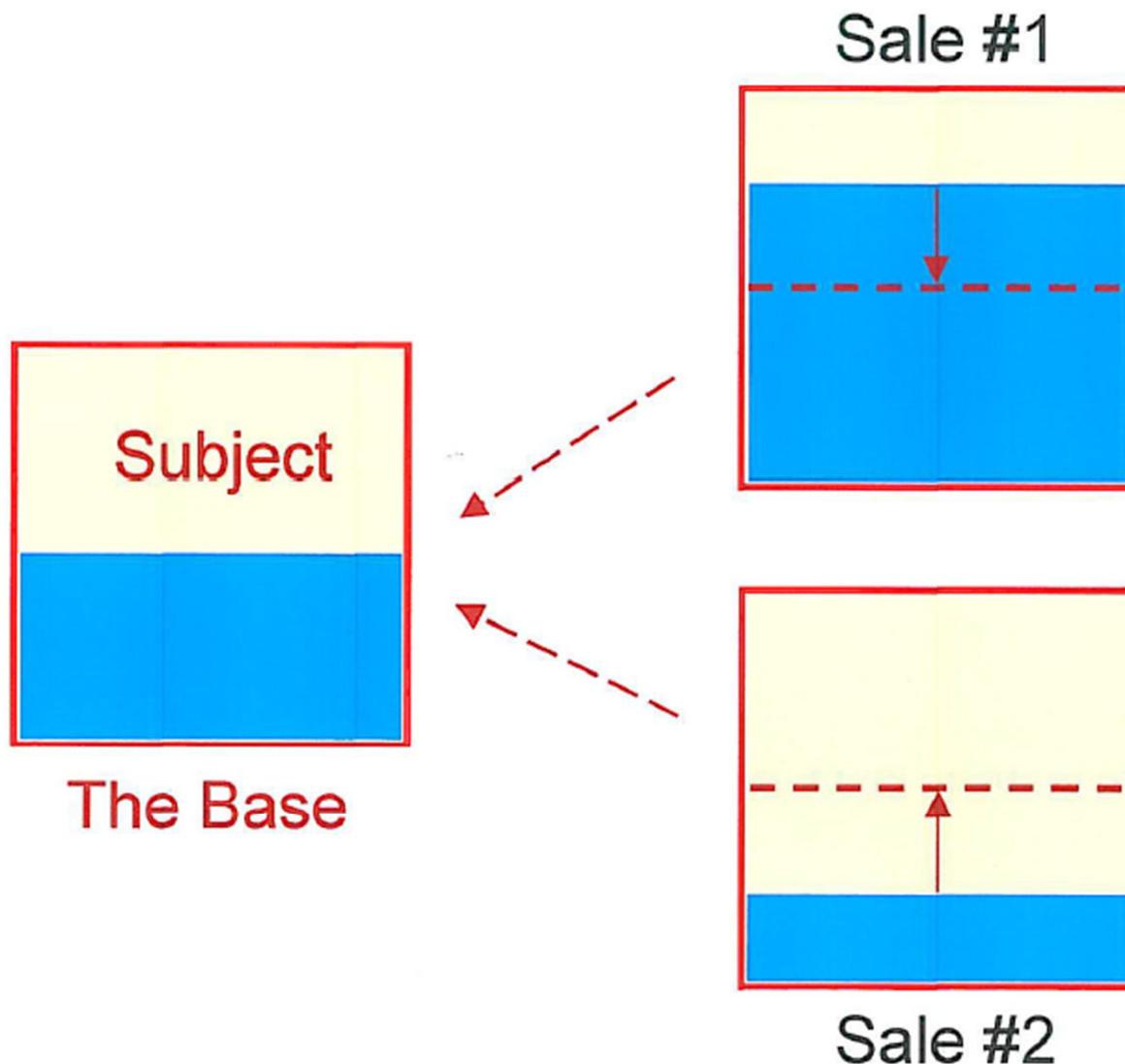
2,250 sf above grade with 750 sf below grade finish

1,500 sf above grade with 750 sf below grade finish



Comparing Sales to the Subject Property

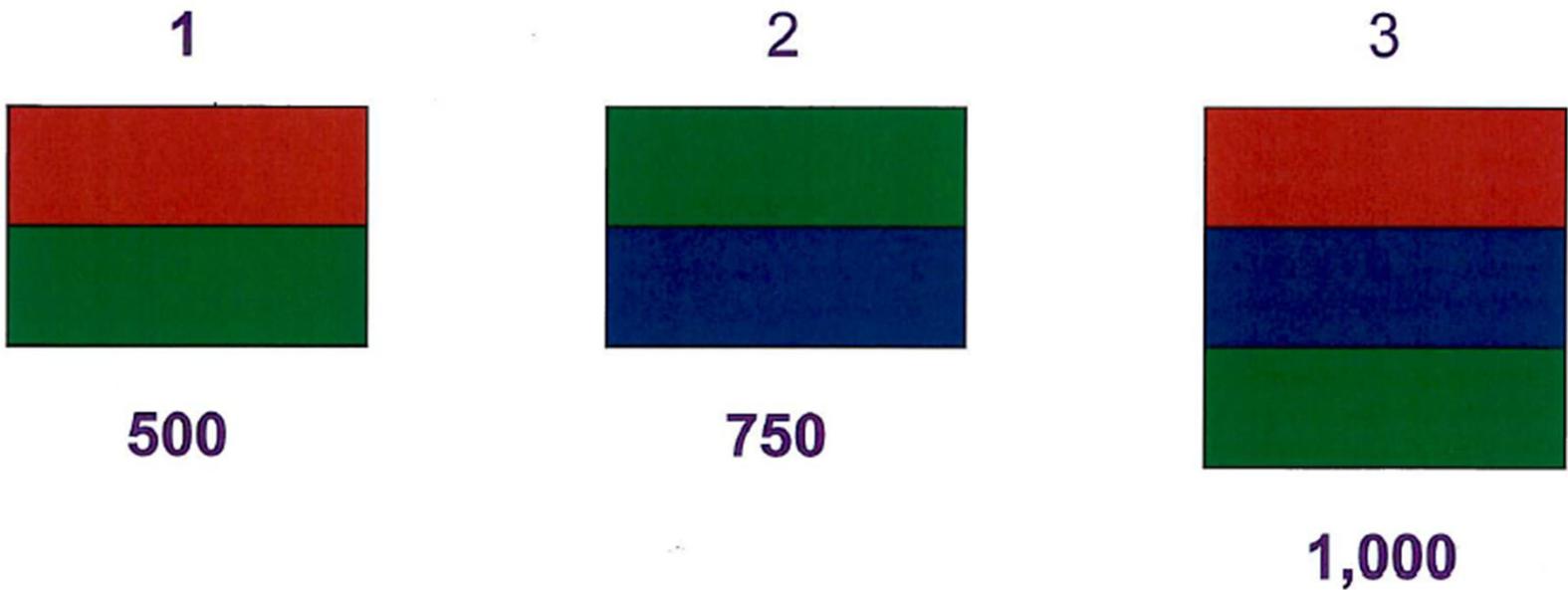
“Always” compare the sales to the subject, (The Base)



Understanding Comparable Adjustments

- Adjustments applied should vary based on the variables in play with 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 depends on the level of education, experience, and professional commitment an appraiser applies to each appraisal.
- Not a subjective work, but an analytical process informed by years of study, an apprenticeship under certified appraiser(s), regulations, underwriting guidelines, quality control, and peer accountability.
- Typical Practice, an evolving peer standard, is now measurable through automated review software run against every appraisal written for mortgage purposes.
- Adjustments should be market derived. Appraisers are taught and should practice 'Paired Sales Analysis' – an appraisal technique used to estimate the value contribution of property characteristics.

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



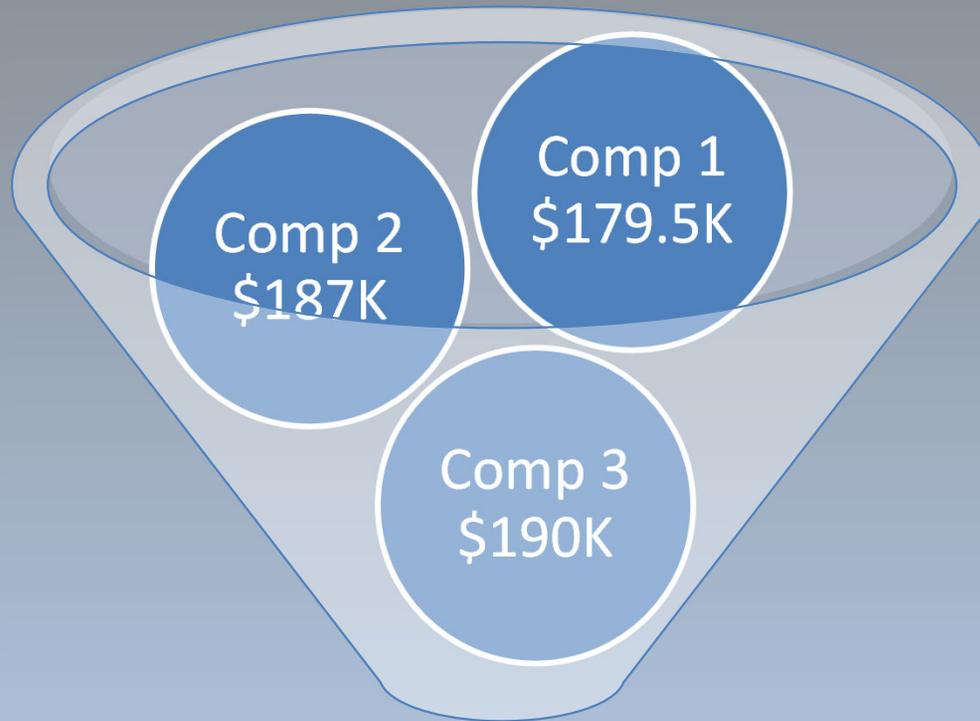
Paired sales example

Adjustments derived from the comparable data set

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		\$ 179,500			\$ 187,000			\$ 190,000		
Sale Price/Gross Liv. Area		\$ 130.17 sq.ft			\$ 124.17 sq.ft			\$ 127.43 sq.ft		
Data Source(s)		MLS/Cnty/City			MLS/Cnty/City/KC Data			MLS/Cnty/City/KC Data		
Verification Source(s)		DOM 91 MLS#1675985			DOM UC MLS#1643201			DOM UC MLS#1686551		
VALUE ADJUSTMENTS		DESCRIPTION			DESCRIPTION			DESCRIPTION		
		+(-) \$ Adjustment			+(-) \$ Adjustment			+(-) \$ Adjustment		
Sales or Financing Concessions	0 None Reported	Conventional None Reported			FmHA Seller Paid			FHA Seller Paid		
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.		
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			Never Occupied			Never Occupied		
Above Grade Room Count	Total Bdrms Baths 6 3 2	Total Bdrms Baths 6 3 2			Total Bdrms Baths 6 3 2			Total Bdrms Baths 6 3 2		
Gross Living Area	1,464 sq.ft.	1,379 sq.ft.			1,506 sq.ft.			1,491 sq.ft.		
Basement & Finished Rooms Below Grade	734 Sq.Ft. 0	Partial Bsmt .5 Bath			Partial Bsmt 0			Partial Bsmt 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			CovPch/Patio			CovPch/Deck		
Fireplace/Exterior Features	No FP	1 FP			1 FP			1 FP		
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 of Comparables		Net Adj. 1.4% Gross Adj. 4.8% \$ 182,050			Net Adj. 3.1% Gross Adj. 3.1% \$ 181,240			Net Adj. 3.3% Gross Adj. 3.3% \$ 183,690		

SALES 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	5722sf5722sf
Rooms Below Grade	1rr0br1.2ba2o
Functional Utility	Ext. Stone work
Heating/Cooling	Zoned FA/CAC
Energy Efficient Items	Therm. Wndws
Garage/Carport	4gb4dw
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	Net Adj. 0.4% Gross Adj. 21.6% \$ 3,763,400

Mission Hills, KS 66208	
0 version found Yours: 0 Peers: 0	
   	
0.39 miles SW	
	\$ 3,750,000
	\$ 521.78 sq.ft.
	MLS#2095190;DOM 80
	County Records
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
	+286,100
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	
   	
0.83 miles SW	
	\$ 3,700,000
	\$ 495.58 sq.ft.
	MLS#2035822/KCData;DOM 80
	County Records
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
1rr1br1.0ba0o	+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

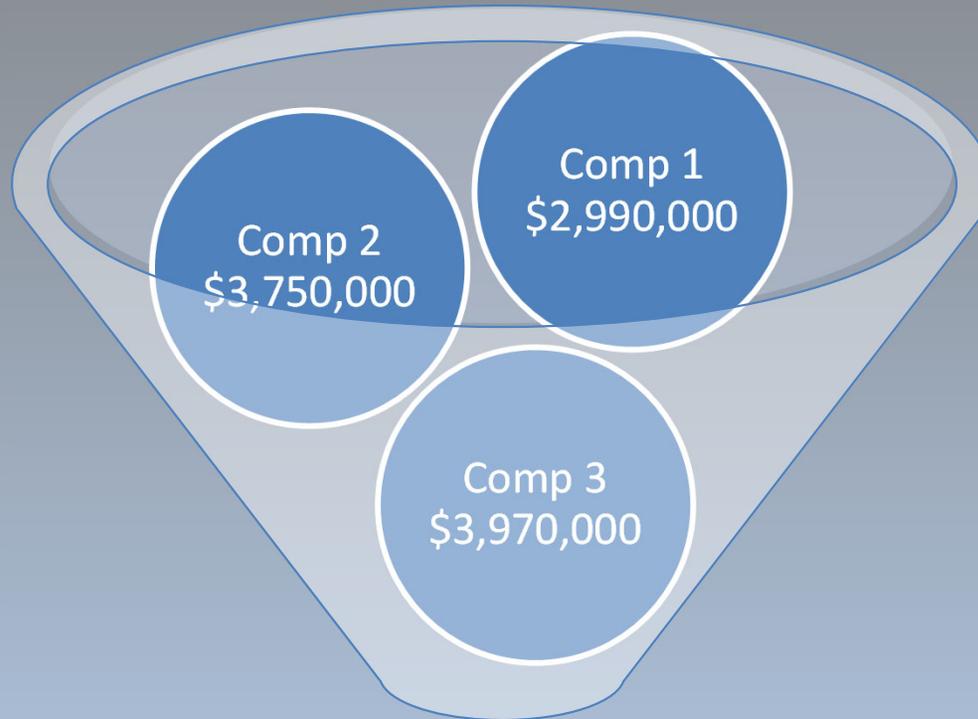
Kansas City, MO 64112	
0 version found Yours: 0 Peers: 0	
   	
0.61 miles NE	
	\$ 3,970,000
	\$ 501.33 sq.ft.
	MLS#2089289/KCData;DOM 0
	County Records
DESCRIPTION	+(-) \$ Adjustment
ArmLth	
Conv;0	
s02/18;c02/18	+79,400
N;Res;KCMO	
Fee Simple	
2.8 ac	-250,000
N;Res;	
DT3;2.5 Story	0
Q1	
112	0
C2	-397,000
Total Bdrms. Baths	
12 6 5.2	-15,000
7,919 sq.ft.	-26,600
4172sf1627sfin	+10,000
1rr0br0.1ba0o	+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	
   	
0.17 miles E	
	\$ 3,246,000
	\$ 415.94 sq.ft.
	MLS#1978366/Appr.;DOM 51
	County Records
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
1rr0br0.0ba0o	+244,700
Standard	-15,000
Rad/ZFWA/CAD	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	
   	
0.27 miles NW	
	\$ 2,990,000
	\$ 423.21 sq.ft.
	MLS#2151372/KCData;DOM 417
	County Records
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
1rr0br0.1ba2o	+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	
   	
0.52 miles SE	
	\$ 3,950,000
	\$ 348.79 sq.ft.
	MLS#2153764/KCData;DOM 71
	County Records
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
1rr0br1.0ba1o	+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?**
 - Appraisals are more than a value
 - Arm's length & cash equivalency
- **Repairs required when contract is as-is**
 - But conventional doesn't require repairs!
- **What about multiple offers?**
 - We assume the seller accepted the best offer
- **Seller paid concessions**
 - Did the seller concede?
 - Contracts above list price, often equal to the concessions
 - Financed closing costs not the same as concession
 - Why are comps adjusted for concessions when the subject includes concessions?
 - Appraiser's call
- **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 (iBuyer? 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

The point is that some overpay when financing, but likely wouldn't if paying cash

Source(s) for Market Condition Analysis

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

FastStats

Local Market Updates
Dig deeper into communities.
Area:
Time Period:
[VIEW REPORT](#)

Monthly Indicators

Kansas City Regional Association of REALTORS® - Heartland MLS
Selected Area: No Area Selected

Map showing counties and chapters:

- St. Joseph Chapter
- Heartland MLS
- Atchison, KS
- Buchanan, MO
- Clinton, MO
- Jefferson, KS
- Leavenworth, KS
- Platte, MO
- Clay, MO
- Ray, MO
- Douglas, KS
- Johnson, KS
- Wyandotte, KS
- Jackson, MO
- Lafayette, MO
- Franklin, KS
- Miami, KS
- Cass, MO
- Johnson, MO
- Linn, KS
- Bates, MO
- Midwest Missouri Chapter
- Five County Chapter

Source(s) for Market Condition Analysis

Local Market Update for June 2021



Jackson, MO

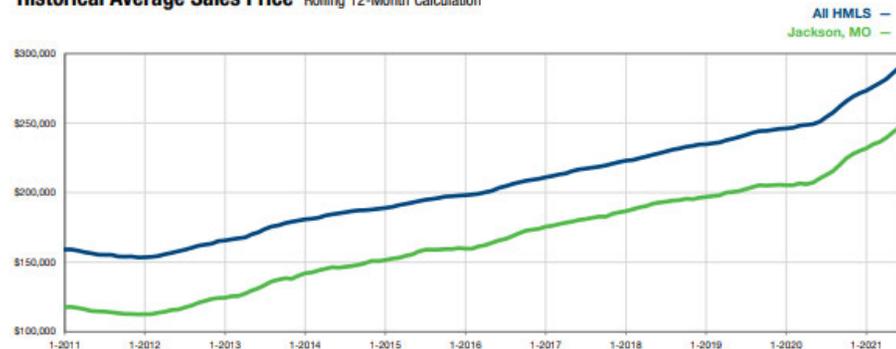
Key Metrics	June			Year to Date		
	2020	2021	Percent Change	Thru 6-2020	Thru 6-2021	Percent Change
Closed Sales	1,175	1,308	+ 11.3%	5,274	6,005	+ 13.9%
Average Sales Price*	\$239,048	\$273,651	+ 14.5%	\$215,677	\$254,422	+ 18.0%
Median Sales Price*	\$208,000	\$235,000	+ 13.0%	\$189,900	\$220,000	+ 15.9%
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 sizes.

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.



KANSAS CITY REGIONAL
ASSOCIATION OF REALTORS®
HEARTLAND MLS

GREATER KANSAS CITY

Greater Kansas City Area Fast Stats

1.4%



99.9%

PERCENTAGE OF ORIGINAL
PRICE RECEIVED

11.1%



20

DAYS ON MARKET

7.1%



1.5

MONTHS SUPPLY



\$342,046

AVERAGE SALES PRICE

11.5%



**All data metrics reflect a one year change*

14.5%



3,890

CLOSED SALES

14.5%



3,626

PENDING SALES

0.1%



5,371

TOTAL INVENTORY

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?
- Understanding utility - swimming pools, outbuildings, etc.?
- How can a home be worth less than the cost to construct?
 - Principle of substitution
 - Supply chain, oil prices, labor shortages
- 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 refer it**

What about Zestimates?

Source: <https://www.zillow.com/z/zestimate/>

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

How accurate is the Zestimate?

The nationwide median error rate for the Zestimate for on-market homes is 3.2%, while the Zestimate for off-market homes has a median error rate of 7.52%. The Zestimate's accuracy depends on the availability of data in a home's area. Some areas have more detailed home information available — such as square footage and number of bedrooms or bathrooms — and others do not. The more data available, the more accurate the Zestimate value will be.

These tables break down the accuracy of Zestimates for both active listings and off-market listings.

Top Metro Areas States National

Metropolitan Areas	Median Error ⓘ	Homes With Zestimates ⓘ	Within 5% of Sales Price ⓘ	Within 10% of Sales Price ⓘ	Within 20% of Sales Price ⓘ
Detroit	8.1%	1.5M	33.1%	58.1%	81.0%
Fort Collins	6.0%	132.1K	42.9%	70.8%	89.7%
Houston	6.0%	2.1M	43.3%	70.1%	89.9%
Jacksonville	6.8%	587.7K	39.5%	64.0%	84.3%
Kansas City	7.0%	726.4K	37.4%	63.7%	85.5%
Las Vegas	4.8%	728.5K	51.2%	77.7%	92.7%
Los Angeles-Long Beach-Anaheim	6.4%	2.9M	40.8%	68.2%	89.4%
Miami-Fort Lauderdale	8.1%	2.1M	33.4%	58.4%	83.9%
Minneapolis-St Paul	5.8%	1.2M	44.0%	71.9%	91.5%
Nashville	7.4%	712.5K	36.1%	61.4%	82.3%
New York	8.2%	5.4M	32.6%	57.9%	83.9%
Orlando	6.1%	854.1K	42.4%	68.8%	89.0%

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REAL ESTATE > HOME PRICES

After Zillow's Home-Flipping Fiasco, Think Twice About Trusting 'Zestimate' Home Values

By **Samantha Sharf**
November 3, 2021

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Money; Getty Images