



# 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
- General Certified, actively juggling residential & commercial workflow
- Chief Appraiser at Enterprise Bank & Trust
- Former regional chief appraiser at Bank of America
- Founder of Collaterallink, LLC a regional appraisal management company
- Appraisal Institute
  - SRA Designated
  - Kansas City Chapter 2011 President
  - Approved Instructor
- American Society of Appraisers, ASA Designation
- Fellow REALTOR<sup>®</sup>, as appraiser and broker



# Course Objectives

- Attendees will better understand the important role played by the real estate appraiser
- Attendees will become more knowledgeable of the appraisal process
- Attendees will better understand regulatory landscape affecting appraisers and the appraisal process
- Attendees will become more knowledgeable of the standard (1004 Report Form) and future forms engine 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 the 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](http://businessdictionary.com)), and recently utilized by Google CEO Sundar Pichai to describe who will be displaced first by AI.
- 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)
    - Economic competency
    - Geographic 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](http://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 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, physically and functionally
  - Must have **sold** within the same range (time, distance)
  - Don't send active, pending, or dated listings
  - Be concise – appraisers are not required to respond to your upset or critique, limit your response to 3 or 4 sales that are true substitutes
- Don't communicate with the appraiser – she has signed and delivered the report to their client
- Direct rebuttal/reconsideration to the lender
  - 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 / reviews, and the potential for business loss - depending on the integrity of the parties involved
- Appraisers are NOT manipulated by regulators or their lending clients to “keep the market down”
- The industry (Fannie/Freddie/FHA/USDA/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 (including the borrower)
- Appraisers who perform VA appraisals are NOT government employees working directly for the Veterans Administration. Appraisers must maintain an understanding of various regulatory guidelines and protocols, as they perform appraisals for all types of loans
- 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	
<b>Prior to May 1, 2018</b>					
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
<b>May 1, 2018</b>					
Licensed Appraiser	No college-level education required	150	1000	6 months	
Certified Residential	Bachelor's / College Equivelants	200	1500	12 months	
Certified General	Bachelor's Degree	300	3000	18 months	

In 2022, PAREA (Practical Applications of Real Estate Appraisal) was introduced as an alternative pathway for becoming a residential appraiser, for candidates who are not able to find a trainer. This will lead to a more diverse appraiser workforce by providing practical training modules in lieu of the apprenticeship requirement.

# 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; conventional doesn't prevent appraisers from requiring repairs and/or inspections

# Understanding The Appraisal Form

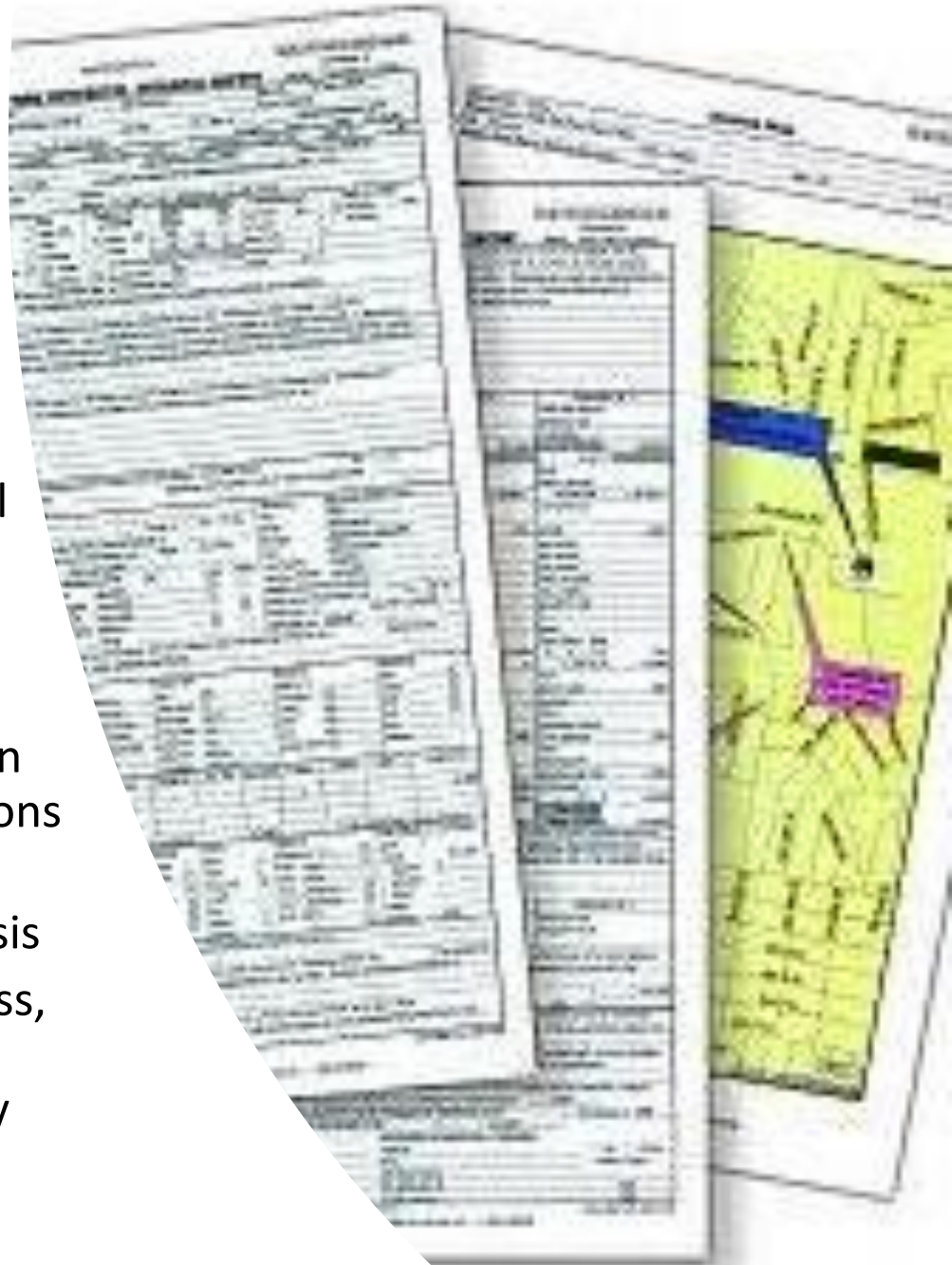
- Most appraisals **developed** for mortgage transactions are **reported** on the 1004 URAR form. This two-part process of developing an opinion of value and reporting it according to client expectations is the essence of appraising.
- Each time Fannie/Freddie, FHA/USDA, or VA amend or change their reporting 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”. Think reports engine versus separate appraisal forms.
- 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.



# Limitations of the appraisal form

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- 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



## 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*

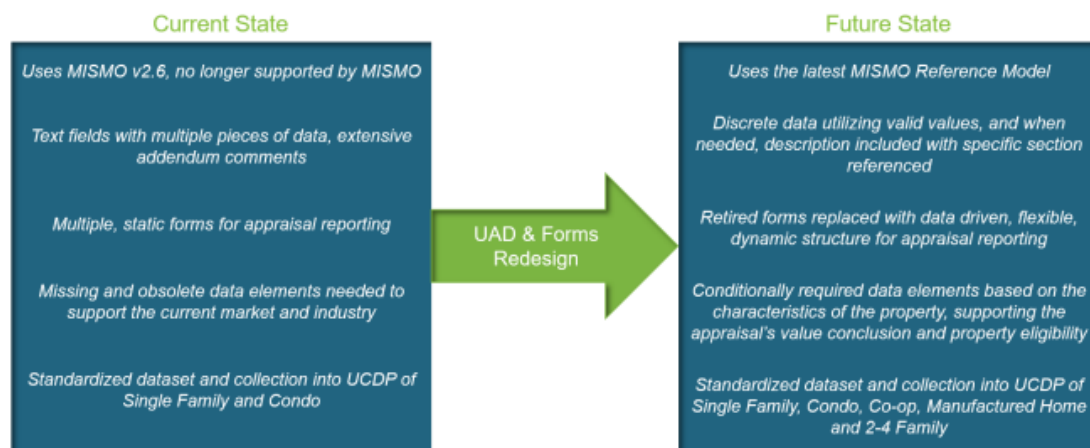
The GSEs are evaluating the UAD from two perspectives: 1) upgrade to the latest MISMO® Reference Model and 2) assessment of current data elements – to determine what new data elements are needed and if current data elements should be revised or removed. The joint-GSE team is working with an experienced 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](#).



# 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 choose comparable properties based on certain elements of comparison, which include the most relevant factors identified by the form authors. Additionally, they can utilize three more lines for elements they deem important, such as Fireplace and Exterior Features. Due to increased underwriting requirements, appraisers now use these extra lines to report transactional details, such as the LP/SP Ratio.
- It is important to note that only an appraiser is qualified to determine if a sale or listing can be considered a 'COMP.'

# Understanding Comparable Adjustments

When appraising a property, it's important to consider both quantitative and qualitative differences. While it's easy to apply adjustments for differences in room count and gross living area, it's more difficult to account for the impact of a busy street or an appealing view.

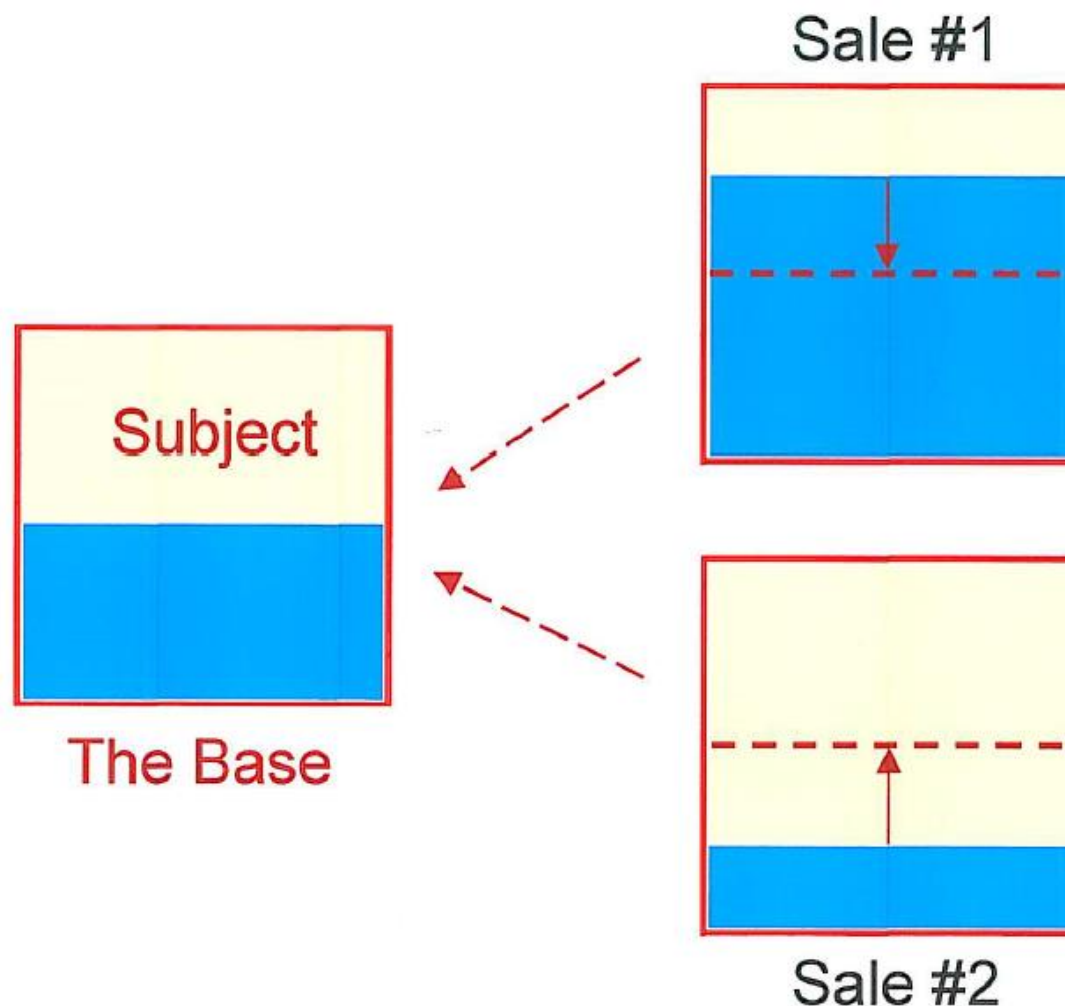
Above Grade	Total	Bdrms.	Baths	Total	Bdrms.	Baths		Total	Bdrms.	Baths		Total	Bdrms.	Baths	
Room Count	6	3	2	6	3	2		6	3	2		6	3	2	
Gross Living Area	1,464 sq.ft.			1,488 sq.ft.			-720	1,550 sq.ft.			-2,580	1,379 sq.ft.			+2,550

Many agents know that comparables need to be adjusted based on how they differ from the subject. This is because Comparables #1 and #2 have more GLA and are therefore considered superior to the subject. As a result, they require negative adjustments to their respective sale prices. On the other hand, comparables with inferior characteristics, such as Comparable 3 with only 1,379 square feet, require positive adjustments. In this example, the adjustments are based on a factor of \$30/sf of difference.



## Comparing Sales to the Subject Property

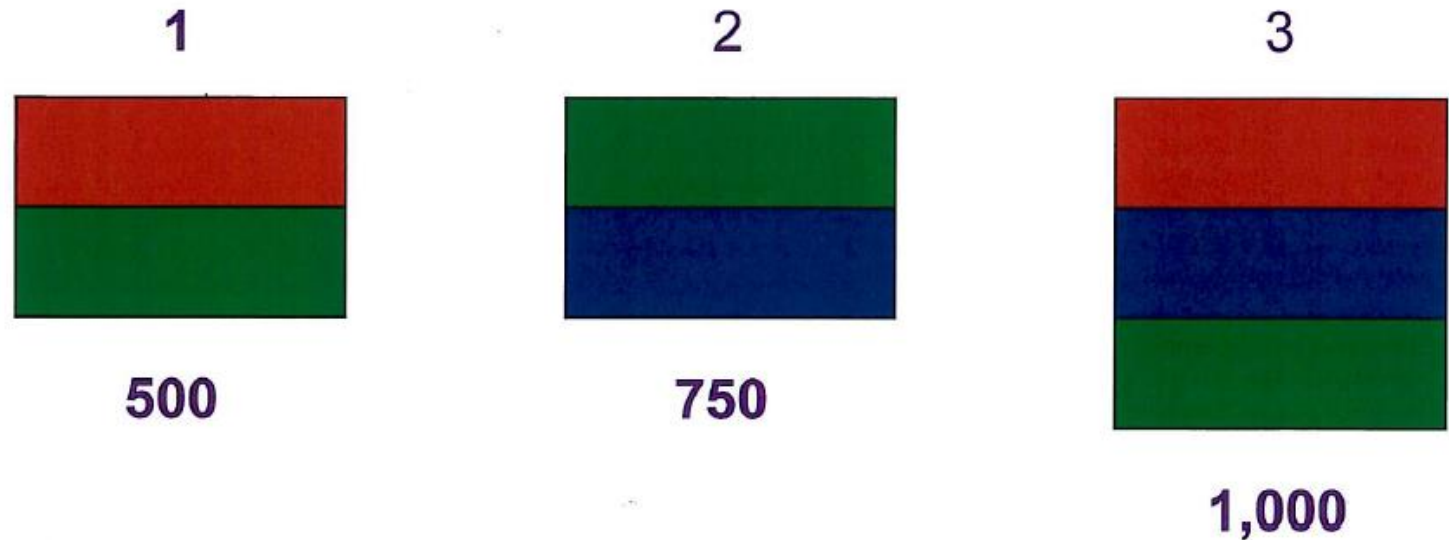
"Always" compare the sales to the subject, (The Base)



# 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

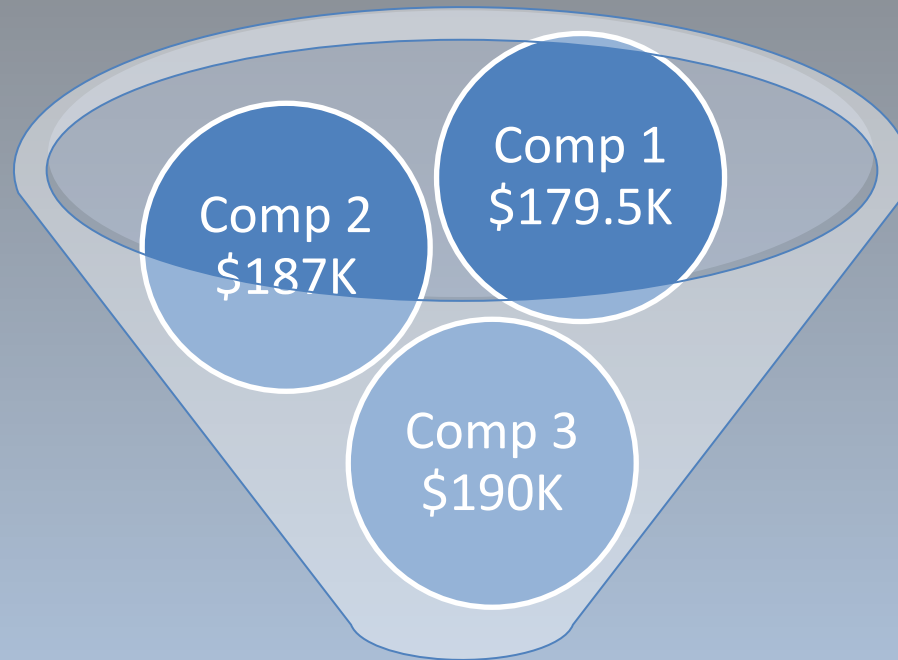
# Paired sales example

Adjustments derived from the comparable data set

Address 484 S 137th St Bonner Springs, KS 66012-5203				521 S 137th Avenue Bonner Springs, KS 66012				486 S 137th Street Bonner Springs, KS 66012				487 S 138th Street 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.				\$ 124.17 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			
Sales or Financing				0				Conventional				FmHA			
Concessions				None Reported				None Reported				Seller Paid			
Date of Sale/Time				12/22/2010				08/24/2010				06/15/2010			
Location				Lei Valley				Lei Valley				Lei Valley			
Leasehold/Fee Simple				Fee Simple				Fee Simple				Fee Simple			
Site				7,200 Sq.Ft.				7,360 Sq.Ft.				8,442 Sq.Ft.			
View				Residential				Residential				Residential			
Design (Style)				Split-Level				Split-Level				Split-Level			
Quality of Construction				Fr/Stn/A-AG				Fr/Stn/A-AG				Fr/Stn/A-AG			
Actual Age				2 Years				6 Years				New			
Condition				Never Occupied				Avg/Good				Never Occupied			
Above Grade				Total Bdrms. Baths				Total Bdrms. Baths				Total Bdrms. Baths			
Room Count				6 3 2				6 3 2				6 3 2			
Gross Living Area				1,464 sq. ft.				1,379 sq. ft.				1,506 sq. ft.			
Basement & Finished				734 Sq.Ft.				Partial Bsmt				Partial Bsmt			
Rooms Below Grade				0				.5 Bath				0			
Functional Utility				Typical				Typical				Typical			
Heating/Cooling				F/A/C/A				F/A/C/A				F/A/C/A			
Energy Efficient Items				Thermal Wdws				Thermal Wdws				Thermal Wdws			
Garage/Carport				2 Built-In				2 Built-In				2 Built-In			
Porch/Patio/Deck				CovPch/Patio				CovPch/Deck				CovPch/Patio			
Fireplace/Exterior Features				No FP				1 FP				1 FP			
Builder/Agent Relationship				Tiner/Smith				Picturesque/Maher				Tiner/Smith			
LP/SP Ratio				OLPS179/102%				OLPS185/97%				OLPS189/99%			
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			

SALES COMPARISON APPROACH

# Another way to view the grid



**Range before adjustments \$10,500**


























**Range after adjustments \$2,450**

**What's it worth?**

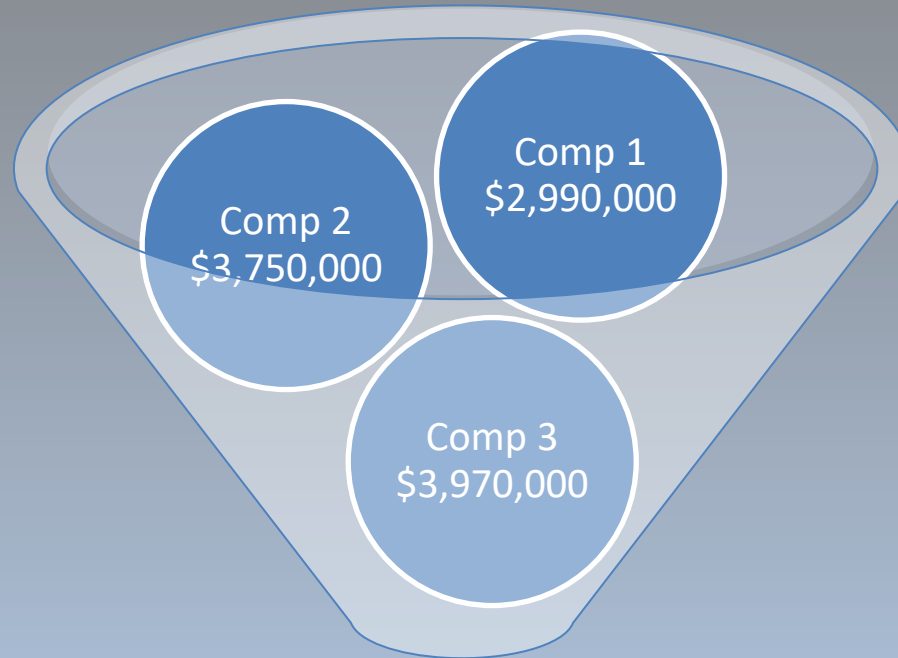
**Appraiser's opinion = \$182,000**

**Rounder to \$1,000**



Kansas City, MO 64113			Mission Hills, KS 66208			Mission Hills, KS 66208			Kansas City, MO 64112			Kansas City, MO 64113			Kansas City, MO 64112			Kansas City, MO 64113		
0 version found Yours: 0 Peers: 0			0 version found Yours: 0 Peers: 0			0 version found Yours: 0 Peers: 0			0 version found Yours: 0 Peers: 0			0 version found Yours: 0 Peers: 0			0 version found Yours: 0 Peers: 0			0 version found Yours: 0 Peers: 0		
			   			   			   			   			   			   		
Proximity to Subject			0.39 miles SW			0.83 miles SW			0.61 miles NE			0.17 miles E			0.27 miles NW			0.52 miles SE		
Sale Price \$ 0			\$ 3,750,000			\$ 3,700,000			\$ 3,970,000			\$ 3,246,000			\$ 2,990,000			\$ 3,950,000		
Sale Price/Gross Liv. Area \$ sq.ft.			\$ 521.78 sq.ft.			\$ 495.58 sq.ft.			\$ 501.33 sq.ft.			\$ 415.94 sq.ft.			\$ 423.21 sq.ft.			\$ 348.79 sq.ft.		
Data Source(s)			MLS#2095190;DOM 80			MLS#2035822/KCData;DOM 80			MLS#2089289/KCData;DOM 0			MLS#1978366/Appri.;DOM 51			MLS#2151372/KCData;DOM 417			MLS#2153764/KCData;DOM 71		
Verification Source(s) Inspection			County Records			County Records			County Records			County Records			County Records			County Records		
VALUE ADJUSTMENTS DESCRIPTION			DESCRIPTION +(-) \$ Adjustment			DESCRIPTION +(-) \$ Adjustment			DESCRIPTION +(-) \$ Adjustment			DESCRIPTION +(-) \$ Adjustment			DESCRIPTION +(-) \$ Adjustment			DESCRIPTION +(-) \$ Adjustment		
Sales or Financing			ArmLth			ArmLth			ArmLth			ArmLth			Listing			Listing		
Concessions			Cash;0			Cash;0			Conv;0			Cash;0			Active;0			Active;0		
Date of Sale/Time			s08/18;c06/18 0			s07/18;c05/18 0			s02/18;c02/18 +79,400			s07/16;c04/16 +162,300			Active			Active		
Location N;Res;KCMO			N;Res;MHKS -375,000			N;Res;MHKS -370,000			N;Res;KCMO			N;Res;KCMO			N;Res;KCMO			N;Res;KCMO		
Leasehold/Fee Simple Fee Simple			Fee Simple			Fee Simple			Fee Simple			Fee Simple			Fee Simple			Fee Simple		
Site 1.85 ac			1.5 ac 0			1.53 ac 0			2.8 ac -250,000			1.34 ac +50,000			1.42 ac 0			1.52 ac 0		
View N;Res;			N;Res;			N;Res;			N;Res;			N;Res;			N;Res;			N;Res;		
Design (Style) DT2;1.5 Story			DT2;2-Story 0			DT3;2.5 Story 0			DT3;2.5 Story 0			DT3;2.5 Story 0			DT3;2.5 Story 0			DT3;2.5 Story 0		
Quality of Construction Q1			Q1			Q1			Q1			Q1			Q1 +291,525			Q1		
Actual Age 24			98 0			94 0			112 0			103 0			102 0			93 0		
Condition C3			C3			C3			C2 -397,000			C3			C3			C3 +192,563		
Above Grade Total Bdrms Baths			Total Bdrms Baths			Total Bdrms Baths			Total Bdrms Baths			Total Bdrms Baths			Total Bdrms Baths			Total Bdrms Baths		
Room Count 11 5 4.2			11 4 5.1 -7,500			13 4 4.2 0			12 6 5.2 -15,000			12 4 5.1 -7,500			16 5 5.2 -15,000			17 9 6.3 -37,500		
Gross Living Area 7,742 sq.ft.			7,187 sq.ft. +83,300			7,466 sq.ft. +41,400			7,919 sq.ft. -26,600			7,804 sq.ft. -9,300			7,065 sq.ft. +101,600			11,325 sq.ft. -537,500		
Basement & Finished 5722sf5722sf			3175sf0sf +10,000			3499sf1667sf +10,000			4172sf1627sf +10,000			2857sf828sf +10,000			3045sf1553sf 0			4034sf1732sf +10,000		
Rooms Below Grade 1r0br1.2ba2o			+286,100			1r1br1.0ba0o +202,750			1r0br0.1ba0o +204,750			1r0br0.0ba0o +244,700			1r0br0.1ba2o +208,450			1r0br1.0ba1o +199,500		
Functional Utility Ext. Stone work			Standard -15,000			Standard -15,000			Standard -15,000			Standard -15,000			Standard -15,000			Standard -15,000		
Heating/Cooling Zoned FA/CAC			Zoned FA/CAC			Zoned FA/CAC			Zoned FA/CAC			Rad/ZFWA/CAC 0			Zoned FA/CAC			Zoned FA/CAC		
Energy Efficient Items Therm. Wndws			Therm. Wndws			Therm. Wndws			Therm. Wndws			Therm. Wndws			Therm. Wndws			Therm. Wndws		
Garage/Carport 4gbi4dw			3ga3dw +10,000			3ga3dw +10,000			4gd4dw +10,000			3gd3dw +17,500			2gd2gbi2dw +5,000			3ga3dw +10,000		
Porch/Patio/Deck Pats/Ter/Lanai			Pat/Cov. Patio +10,000			Pat/CPor/Lanai +5,000			Pat/CP/CPor 0			Pat/Deck/CPor. 0			Pat/Cov. Porch +10,000			Patio/Scr. Patio +10,000		
Fireplace(s), Pool, etc. 4 FP/IG Pool			3 FP/IG Pool +1,500			4 FP +50,000			4 FP +50,000			6 FP +47,000			4 FP/IG Pool			3 FP +51,500		
Exterior Features Metal Fence			Metal Fence			Metal/Brick Fnc 0			None +10,000			Metal Fence			Metal Fence			None +10,000		
Additional Amenities PorteCoch/Elev.			None +10,000			None +10,000			None +10,000			706 sf carr. ho -25,300			None +10,000			Elevator +5,000		
Net Adjustment (Total) ☒ + ☐ - \$ 13,400			☒ + ☐ - \$ 13,400			☐ + ☒ - \$ -55,850			☐ + ☒ - \$ -329,450			☒ + ☐ - \$ 474,400			☒ + ☐ - \$ 521,825			☐ + ☒ - \$ -200,187		
Adjusted Sale Price			Net Adj. 0.4%			Net Adj. 1.5%			Net Adj. 8.3%			Net Adj. 14.6%			Net Adj. 17.5%			Net Adj. 5.1%		
of Comparables			Gross Adj. 21.6% \$ 3,763,400			Gross Adj. 19.3% \$ 3,644,150			Gross Adj. 27.1% \$ 3,640,550			Gross Adj. 18.1% \$ 3,720,400			Gross Adj. 24.5% \$ 3,511,825			Gross Adj. 29.8% \$ 3,749,813		

# Another way to view the grid



**Range before adjustments \$980,000**

**Range after adjustments \$251,575**

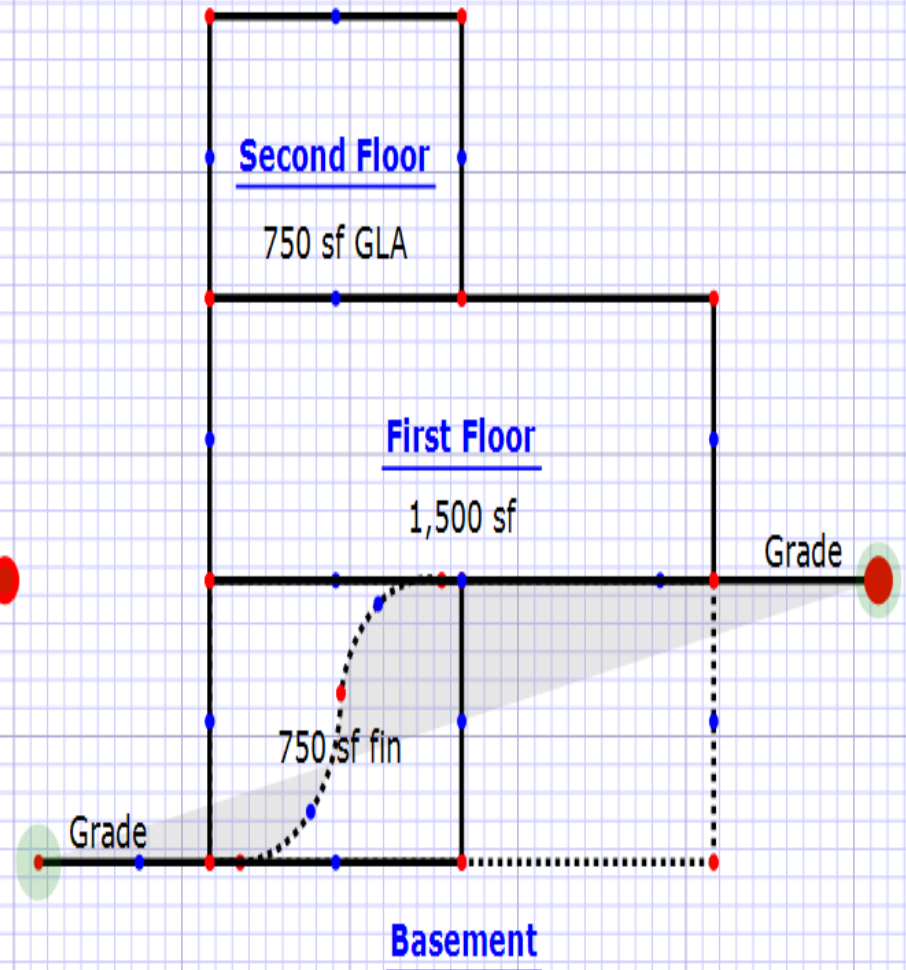
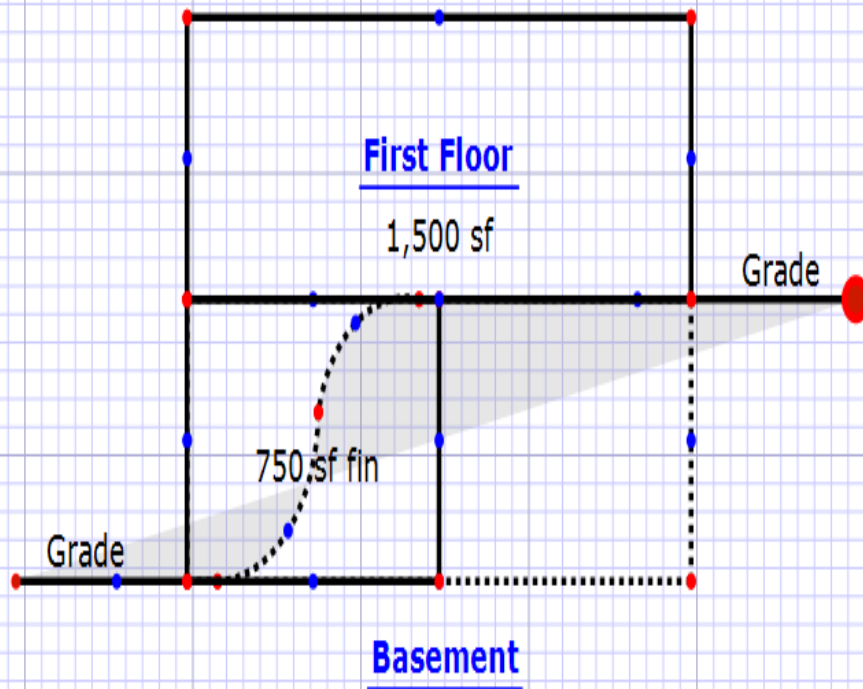
**What's it worth?**

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

**Rounded to \$25,000**

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

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





The background of the slide features several thin, curved lines in shades of gray, some solid and some dashed, creating a modern, abstract design. A blue rectangular box with a speech bubble tail at the bottom is positioned on the left side.

## *Let's talk about contracts*

- **Why do appraisers need the contract?**
  - Appraisals are more than a value
  - Arm's length & cash equivalency
  - Trend analysis – consumer behavior
- **Repairs required when contract is as-is**
  - As-is contracts don't trump loan protocols
  - But conventional doesn't require repairs!
- **What about multiple offers?**
  - We assume the seller accepted the best offer
  - A factor of scarcity, addressed in various ways
- **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



## Local Market Updates

Dig deeper into communities.

Area:

Select an area...

Time Period:

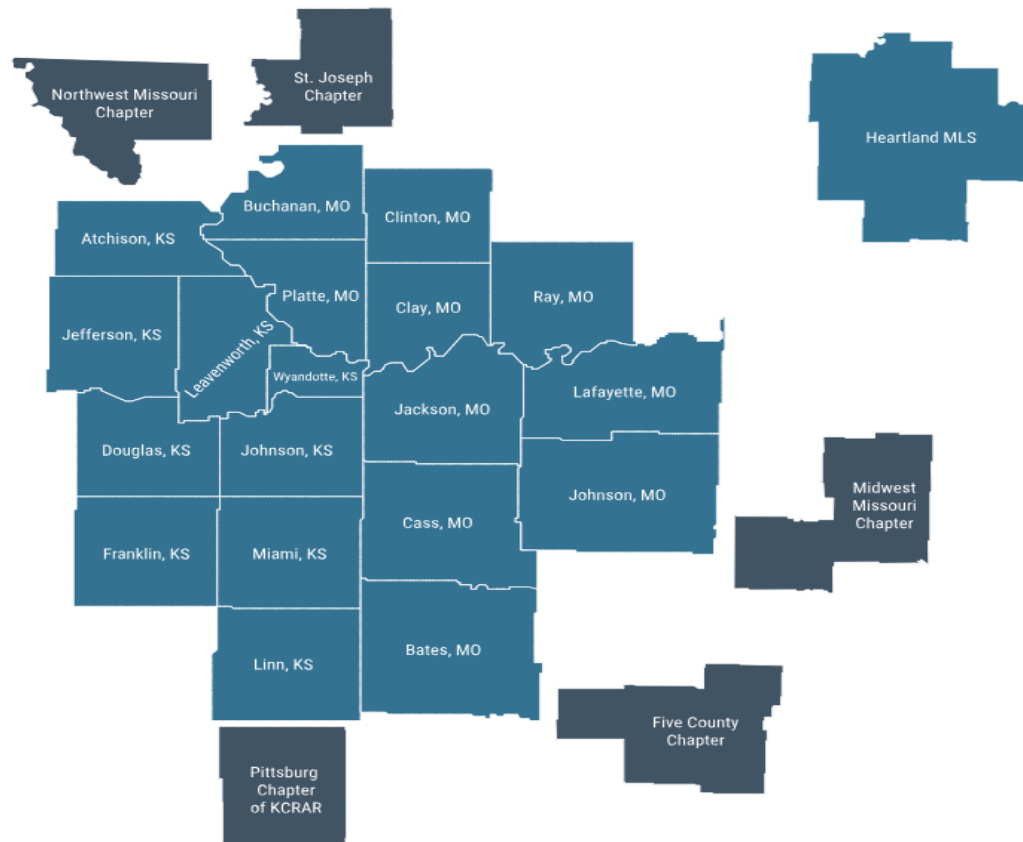
Most Recent

[VIEW REPORT](#)

Monthly Indicators

## Kansas City Regional Association of REALTORS® - Heartland MLS

Selected Area: No Area Selected



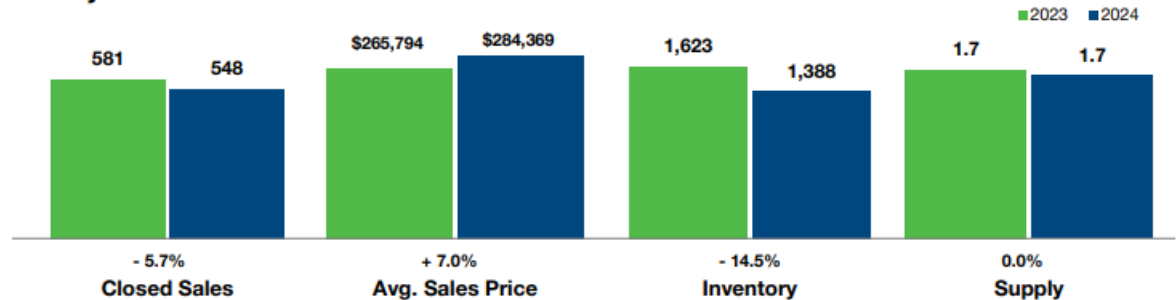
# Source(s) for Market Condition Analysis

## Jackson, MO

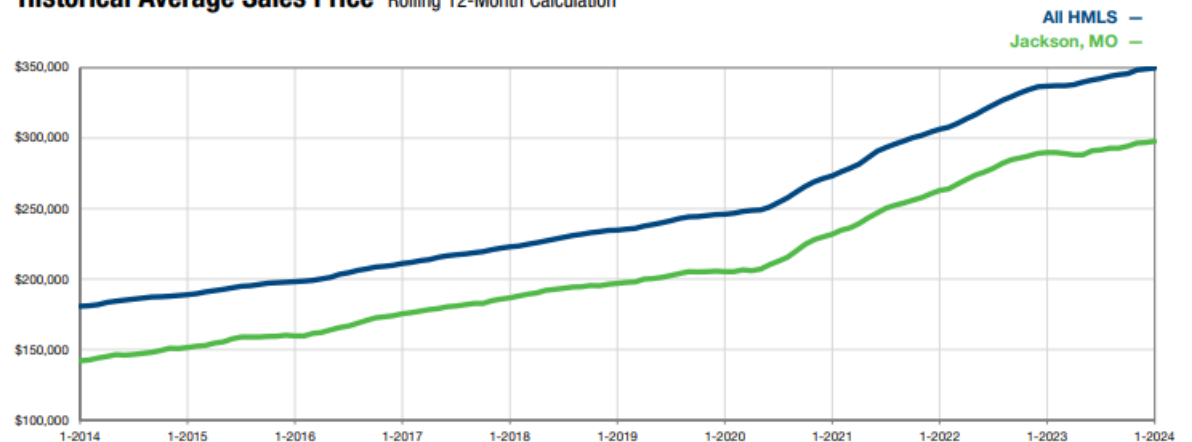
	January			Year to Date		
Key Metrics	2023	2024	Percent Change	Thru 1-2023	Thru 1-2024	Percent Change
Closed Sales	581	548	- 5.7%	581	548	- 5.7%
Average Sales Price*	\$265,794	\$284,369	+ 7.0%	\$265,794	\$284,369	+ 7.0%
Median Sales Price*	\$218,675	\$239,500	+ 9.5%	\$218,675	\$239,500	+ 9.5%
Days on Market Until Sale	42	47	+ 11.9%	42	47	+ 11.9%
Percentage of Original List Price Received*	95.2%	95.8%	+ 0.6%	95.2%	95.8%	+ 0.6%
Pending Sales	769	702	- 8.7%	769	702	- 8.7%
Inventory	1,623	1,388	- 14.5%	--	--	--
Supply	1.7	1.7	0.0%	--	--	--

\* 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.

### January



### Historical Average Sales Price Rolling 12-Month Calculation



Current as of February 7, 2024. Report provided by the Kansas City Regional Association of REALTORS®. All data from Heartland Multiple Listing Service. Report © 2024 ShowingTime.



KANSAS CITY REGIONAL  
ASSOCIATION OF REALTORS®  
HEARTLAND MLS

GREATER KANSAS CITY

## Greater Kansas City Area Fast Stats



2.1%



**101%**

**PERCENTAGE OF ORIGINAL  
PRICE RECEIVED**



87.5%



**30**

**DAYS ON MARKET**



6.7%



**1.6**

**MONTHS SUPPLY**



**\$374,133**

**AVERAGE SALES PRICE**

4.5%



*\*All data metrics reflect a one year change*



15.6%



**3,765**

**CLOSED SALES**



9.8%



**3,569**

**PENDING SALES**



12.8%



**4,978**

**TOTAL INVENTORY**



GREATER KANSAS CITY

## Greater Kansas City Area Fast Stats

0.2%



# 96.0%

PERCENTAGE OF ORIGINAL  
PRICE RECEIVED

4.9%



# 1,802

CLOSED SALES

+ 12.2%



# 46

DAYS ON MARKET

+ 6.3%



# 1.7

MONTHS SUPPLY

+ 3.7%



# \$324,307

AVERAGE SALES PRICE

*\*All data metrics reflect a one year change*

11.0%



# 2,239

PENDING SALES

8.8%



# 4,988

TOTAL INVENTORY

JANUARY 2024

GREATER KANSAS CITY

## 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
  - Personal preference
- 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**



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