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APPRAISAL TODAY

E&O Insurance - where to get insurance, liability issues, state board complaints up

Changes from last year's article in July, 2012 include claims shifting from over-valuation (lenders) to under-valuation (borrowers), and increasing claims on commercial appraisals by borrowers due to under-valuation.

Another of the changes this year is stable prices after several years of significant increases.

Another change is that two of the 9 E&O companies I contacted do not offer prior acts coverage, which means their policies have very little liability coverage.

Don't shop just for price. Shopping for price is not a good idea in today's changing liability problems for appraisers. Instead, you need to check out the exclusions, limits, etc. The cheapest is not always the best, especially if you have a claim.

A few years ago, shopping for E&O coverage was relatively simple. But now there are wide ranges in what is covered and what is excluded, assistance with state board complaints, prior acts coverage, etc.

"Minimal" policies are available that do not cover any appraisals you have done that did not occur in the year you had that coverage. These policies are low priced, relatively new and seldom, if ever, cover any claims. See below.

I am much more worried about a state board complaint than about other complaints. Why? If I lose my appraiser license, I can't get work. I can always purchase expensive "high risk" E&O insurance if I lose a case.

Most of us hate dealing with insurance of any type, so we usually just stay with our current insurance company. There are some benefits to remaining with the same company.

If you change insurers, be sure that prior acts are covered. E&O without prior acts isn't worth much, as you are typically sued up to 5 years after the event occurred.

Coverage is not always offered in all states by insurance companies. Be sure to ask if your state is covered.

Many thanks to Peter Christensen of Liability Insurance Administrators (www.liability.com) for the information he provided for this article.

What if you're not renewing now?

The appraiser E&O market is changing, particularly regarding coverage during the "bubble" years of 2005-2008. Many of the claims occurred during this period.

I only do this update once a year, but the phone numbers and Web site links should still be accurate.

When do appraisers get sued?

1. Average of 0 months to 5 years after the appraisal in 2012/2013 due to borrower claims of under valuation and fewer lender claims during the boom years. In 2011/2012 it was 18 months to 5 years,
2. If there is a buyer defect, within a couple of months.
3. A few have gone back as long as 10 years for lender claims.

What about statute of limitations?

The statute of limitations laws start the day the problem is discovered, not the date of the appraisal. That is why banks are suing for over-valua-

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tions longer than 5 years old.

The older the appraisal, the harder it is to prove negligence. That is why lenders rushed to file claims. They are still filing them, but there are fewer discovered now.

In California, they have two years after discovery to file a claim. States vary, so check your state's laws.

The Top Three Liabity threats in the next 5 years (Peter Christensen, LIA)

1. Indemnity enforcement. AMCs and lenders are not doing this at this time.
2. Mandatory reporting of "bad" appraisals - mandated by Dodd-Frank, but not being done.
3. Any type of a downturn in real estate.

<u>Some companies don't offer prior acts coverage, especially for the E&O "Bubble"</u>

Be sure to check about prior acts coverage, before renewing or changing policies.

Many claims are still from the 2005-2008 "Bubble" when credit standards were significantly loosened.

A few companies are not offering prior acts to new customers, some to new and old, and some don't offer it prior to 2009.

<u>Which companies do not offer prior acts coverage</u>

For more information see the list of E&O companies at the end of this article.

The Hobbs Group at www.5starappraisers.com uses Lloyds of London, which does not offer prior acts coverage.

Victor Schinnerer does not offer prior acts coverage if over 50% of your income is from appraising. Their insurerer is CNA.

<u>Low cost insurance - no prior acts coverage</u>

A few companies are offering lower rates if you don't want prior acts coverage. But the insurance is worthless for almost all claims, so be very careful.

A few savvy lenders and AMCs are not accepting appraisers who have no prior acts coverage.

When business was very slow and appraisers were almost broke, getting a low cost policy was an option to consider. But not now.

The only reason for purchasing this coverage is because your clients won't give you any work without it. That's okay, but only as a last resort, as it is very unlikely it will offer help if claims are filed.

Coverage with prior acts claims may also be offered for a higher premium.

You are basically self insuring. You will need to hire an attorney and pay court expenses, which can be expensive. See the next section for advice.

Some companies offer monthly payments on their standard policies, which is a good option to use if you can't afford to pay the full premium at one tie.

Damages vs. claims

Anyone can file a claim for any reason. Damages is when the person receives money. Few claims result in damages.

What is a claim?

A claim is any demand for money or services or a notice of breach of duty. What does "knowledge or information" mean? These terms are interpreted differently state by state, but it is reasonable to assume that if you've been sent a letter about a possible claim, you've been informed.

If you want to change insurance companies, but think you may have a claim filed against you, check with your attorney or current insurance company. You will not be able to change insurance companies until your claim is resolved.

Who files claims?

Now, most are filed by borrowers who did not get their loans due to "low" appraisals. This has changed from last year, when more were by lenders, FDIC, etc. for over-valuation during the boom years.

Damages for borrowers who did not get their refi could be as high as 30 years times the extra annual interest paid.

What total policy limit amount should you have?

For most appraisers, $300,000 is adequate. However, many lender/AMC clients require $1,000,000.

For most appraisers, clients tell you how much insurance you must have to work for them.

Why have any type of insurance, including E&O?

The purpose of insurance is asset protection so that you don't lose your home, savings, etc. Plus the cost of defense, which can be substantial.

You decide which level of risk to take. For example, auto insurance with no deductible or a high deductible. For appraisers, E&O with minimal coverage and many exclusions would be a high risk.

Don't ever let your insurance lapse

Claims made coverage is the only type of appraisal E&O insurance available now. In this type of coverage the claim must occur while the policy is in effect. The error or omission causing the claim may occur during the policy period, or if "prior acts" coverage is applicable, prior to the policy period. If you don't have prior acts coverage, both the claim and the error or omission must occur when the policy is in effect.

In contrast, many types of insurance, such as fire insurance on your home, is made on an occurrence basis. In this type of policy, the insurance company covers any act or omission that occurred during the period the policy was in force - whenever the claim is filed. This type of coverage is not available for appraisers' E&O insurance.

For most appraisers, unless they're just starting self-employment, prior acts coverage is almost mandatory as claims are usually filed long after the alleged error or omission. According to Bob Wiley of LIA, a study he did showed that, on the average, you are sued 30 months after the appraisal is done.

Prior acts coverage cannot go further back than the last uninterrupted claims made policy. Remember, if you have had a lapse in coverage, you cannot get prior acts coverage for any appraisals done prior to that time.

What about having no E&O insurance?

The reason for having any type of insurance is risk reduction. The risk is losing your assets (house, stocks, savings, etc.) plus paying defense costs. E&O is the same.

Without lenders' requirements, probably many appraisers would not have E&O insurance.

Many commercial appraisers don't have any, as their clients don't require it. A common reason is: If I don't have any insurance, I won't get sued." This is not correct.

If you don't have E&O coverage, I strongly recommend taking measures to protect your assets. Many appraisers say they don't have any assets. But, this applies to savings, retirement accounts, real estate, etc. etc.

The best way to protect your assets is to put them all into a trust, managed by someone else, such as a spouse. You will need an attorney to set this up. Another option is to put all your personal assets in a spouse's name. Unfortunately, changes such as a divorce, can make this messy.

Myth - "If I don't have E&O insurance, I won't get sued"

I have heard this from many commercial appraisers, as long as I have been an appraiser, almost 35 years now.

This is false.

Peter Christensen, before working for LIA, was a lawyer who sued people (probably few, if any appraisers) for various reasons. These attorneys typically work on contingency. Below is his advice.

Attorneys that sue individuals often look to the assets of the person, not necessarily their E&O coverage. For example, you are in a lawsuit with a $100,000 claim and you have no insurance. It is much easier for an attorney to get the money if they don't have to hassle with an E&O insurance company. The appraiser can pay them off using home equity, savings, retirement accounts, borrowing from friends and relatives, etc.

Commercial appraisals - the largest claims

Especially risky are development loans made during the boom times. They are very risky for banks. For example, a developer has a construction loan or credit line for $8,000,000 that is up for extension or for a new loan. The developer can't get a loan and loses the development and sues the appraiser for $8,000,000, well over the appraiser's E&O limit.

Some E&O companies will not cover any commercial appraisals because of their high risk.

Commercial appraisals are risky because the dollar amounts of the properties are often significantly higher than for residential.

A recent trend is borrowers suing the appraiser for under-valuation when they don't get their loans.

E&O prices for commercial appraisals is higher than for residential, but not that much. For example, I have a $1,000,000 policy (commercial and residential) that cost me $1,142 in 2012, down from $1,476 in 2010. In contrast, a $1,000,000 residential policy is around $700.

If you do many appraisals for development loans, or other loans that are well over your policy limits, you will have to pay whatever is over your policy limit.

FYI, commercial loans are typically for about 5 years, not 30 years. In my area, commercial properties declined about 50% from the peak in 2007. When a borrower's term is up, the bank often requires an appraisal. I do single family, apartments and small commercial. With values down by 50%, I seldom appraise any properties over $1,000,000. For residential only, the cost is about $700 for a $1,000,000 policy in California.

Very few of these lawsuits go to trial. Like other lawsuits they are settled.

What about incorporating? Another Myth.

Incorporation does not help reduce appraiser liability risk. You are sued directly as a professional appraiser.

What about AMC complaints

Very few complaints, if any, are filed by AMCs. This may change in the future.

What about Dodd-Frank's requirement for lenders/AMCs to turn in complaints on appraisers?

Very few lenders and AMCs are paying any attention to this requirement.

If this ever starts happening, there will be many, many complaints filed against appraisers to their state boards.

Policy exclusions

Check what your policy includes and what you can get for an additional fee.

Exclusions are increasing. Before renewing or changing insurers be sure to carefully check the exclusions. All policies have exclusions.

Risky exclusions include claims for financial damage and prior acts.

Some companies are excluding FDIC claims, plus the typical new construction, etc.

Certain years may be excluded, such as 2005-2008. This means the policy is almost worthless.

Ask for a sample policy and carefully check the policy exclusions before renewing or changing companies

Check out the policy. See what it excludes. They all have exclusions.

Other types of exclusions are claims based on discrimination, pollutants, mold, or waste. Call the broker or insurance company and ask for an explanation of any exclusions not mentioned in the application.

Most exclude appraisals for certain types of development.

Don't ever lie or misrepresent on an E&O application

Why? They may not cover you if there is a claim.

It's never a good idea to lie or misrepresent on an application. If there's a question you don't understand, call and ask them what they mean and why they are asking the question. If the questions could cause you problems, look for another insurer who doesn't ask that question. But, they all ask if you've had any claims filed against you, or know of any circumstances which may cause a claim to be filed, or if you have been disciplined by any professional organization, agency, or court.

What about getting insurance with previous claims or damages?

A prior claim or damages does not mean automatic denial. The appraiser may not have been guilty and the suit was settled out of court. Most cases are settled. Very few cases go to trial.

What if you are found guilty in court?

There are high risk policies with limited coverage, from a few companies for around $5,000, or more, per year. You can still keep appraising. $5,000 is cheap to keep your livelihood.

What about appraisers who are thinking about quitting appraising or retiring?

If you qualify, you can get lifetime coverage for free from some E&O companies. Requirements vary widely. Liability Insurance Administrators, the company I use, requires 3 years with them and 20 years of full time appraisal experience. Some require 5 years with the company and over 65 years of age. Check your E&O company.

Getting "tail coverage", which continues your E&O, is very important as the average time period for being sued, after you did the appraisal, is 0 to 5 years. The cost is typically 3 times the price of your last year's coverage.

Unfortunately, very few of the appraisers who are quitting the business because they can't make it financially get "tail coverage". They just let their insurance lapse. This means that they are self insuring for all claims for appraisals done before they quit paying for insurance.

What about trainees that you used in the past?

Unfortunately, many trainees were not covered by their supervisor's E&O policies and did not have their own policy.

The supervisor who co-signed the report is equally liable. The supervisor's E&O will have to pay.

If you have an appraiser or trainee that you co-sign for, be sure they are covered under your policy. Or, get a copy of the appraiser's policy.

Most frequent reasons for claims today

1. Over-valuation (Lenders from the boom years)
2. Under-valuation (Borrower doesn't get the loan.)
3. Septic vs. sewer (Borrower failure to disclose)

Borrowers usually file claims because of under-valuation and property defects. Septic vs. sewer is the most frequent. Appraiser says the home is on a sewer, but it is on septic. Be very careful to check if this is an issue in your area.

Number of claims stabilizing

Claims have been stable to slightly increasing, but are at a much lower level than even a year ago, looking at the number of claims per 1,000 appraisers.

How many claims go to court?

The vast majority just go away as they are not valid. For example, the value was too low and they didn't get their loan. 10% settle and relatively few go to court.

Almost all lawsuits, whatever they are for, get settled before trial, often just before the trial starts.

Appraisers who do litigation work see this regularly.

Many appraisers think that the E&O companies want to settle to avoid litigation costs. This may happen sometimes, but many appraisers just don't want to go to court and prefer to settle and "get on with their lives", so they agree to settle.

Which states have the most claims?

Claims come from all states. The states with the most losses are Arizona and Florida.

What about FDIC coverage?

Most of the FDIC complaints come from CA, AZ, NV, FL, GA, SC, IL, NY, MI, and MN. If you are in one of these states, consider getting FDIC coverage.

FDIC complaints are less common in other states, but do occur.

Why do appraisers get sued?

Shift from over-valuation (lenders) to under-valuation (borrowers)

As the claims from lenders against appraisers for over-valuation during the boom years winds down, it is being replaced by property owners saying the appraisal was too low and they didn't get their refi or purchase.

How to handle the first contact from a borrower

Sometimes it can start with a phone call, such as a nice or nasty borrower. Keep your composure. Your client is the lender. Don't say "Sorry, I made a mistake. How do we fix it?" You may not have caused the problem, such as a trashed foreclosure. Don't "do a favor" and offer to pay for the damage.

Your first contact can also be a letter.

Be sure to contact your E&O company. Don't ever try to handle it yourself.

State appraisal board cases - increasing

When Dodd-Frank passed, appraisal boards were very concerned about significant increases in complaints, but this has not happened...yet.

This type of coverage is becoming more important.

Coverage for state board complaints is very limited, as compared with other features of appraiser E&O policies. It only applies to attorney costs. You will need to hire your own attorney. Your E&O company hopefully can advise you on who to hire.

Per LIA, inquiries from appaisers about state board complaints is up from 39% in 2010 to about 45% of their inquiries.

Several companies provide from $2,500 to $5,000 to its insureds if a complaint is filed by their state boards, and offer to find attorneys to help with the state board complaints.

The number of complaints varies widely among the states, primarily depending on the state regulator.

There is concern about increases in state board cases due to the "mandatory reporting" requirement of appraiser "problems" in Dodd-Frank. But not much has happened yet.

If the Consumer Financial Protection Agency starts auditing lenders, they may require that the lenders file complaints.

Some other insurers offer limited coverage and/or assistance if your state appraisal board challenges one of your appraisals.

Check to see what your E&O provider offers.

What should you look for in a policy?

1. No deductible on defense expense ("First dollar defense")
2. Coverage appropriate for your past and current business. For example, covering trainees who used to sign on reports that you co-signed. There are still claims being filed for appraisals done during the "boom years" when there were lots of trainees.
3. Prior acts coverage for as long as you have had continuous coverage or been appraising. Mine goes back to 1991. I have had continuous E&O since 1986, but there was some sort of a problem when I changed to LIA in 1991.

What about deductibles?

No deductible for defense (see above), minimal deductible for damages, which applies only if you lose the case. Mine is $1,000.

If you have a claim will your E&O get cancelled?

"It depends" per LIA. The farther back in the past, the better. Whether or not you were at fault, and how you were at fault also matter, i.e., a mistake vs. intentional deception.

There are two larger E&O companies and several small ones that will cancel at your next renewal if you have a claim. Be sure to read your policy carefully and call them and ask about cancelling. I don't recommend getting insurance from them.

Typically, they don't immediately stop your coverage. Instead, they won't renew your policy. You must find another company, which can be tough if you have had a claim that resulted in damages. You may have to go to a high cost policy with a company that has them available at $5,000 or more per year.

Another major factor is if the claim is still open. Insurance companies don't know what they will be getting into if they insure an appraiser. So, you won't be able to change insurance companies until it is resolved.

If none of the regular appraiser E&O companies will insure you, there are companies of the last resort that will insure appraisers who have had a claim. The annual cost? One appraiser reported getting a policy for $5,000 a year.

Intercorp has a special SP Program for appraisers with claims. The cost is high, typically $2,500 to over $10,000, but it is available. Go to www.intercorpinc.com.

How can you reduce your risk?

• Check out your clients, particularly their financial health. You don't want to be dragged into a lawsuit.
• Adequate supervision of less experienced appraisers.
• Not relying on information provided by the owner, Realtor, or developer. Check it out.
• Document, document, document. Put it in writing. Take photographs.

Otherwise, you won't be able to remember, or prove, something that happened several years ago. Keep your photo negatives and digital images. Keep a diary of who you've called and what they said.
• Document all property deficiencies in your report.
• Don't attempt an assignment beyond your expertise. Split the fee with a more experienced appraiser.
• Investigate the qualifications and experience of a potential new hire or independent contractor. Be sure they're not in a lawsuit.
• Check for clerical errors. They can be very expensive. Flood zone, and as is/as completed boxes are a common source of errors.
• If you are unable to inspect something, such as the type of foundation or insulation, put down "unknown".
• Turn down high risk appraisal assignments.
• Carefully screen new clients.
• You get a "feeling" about a prospective assignment or client.

Most appraisers have them. I learned the hard way to just say no, after getting badly burned a few times.

For example, in mid-May, 2013 I took an estate assignment from the person handling the sale of her grandfather's home. They needed a value for 1/13, when he died. The pre-screening with the granddaughter went fine over the phone, so I accepted the assignment.

When I got to the property, a man was there. I identified myself and asked who he was. His name was on the front of his shirt, the same last name as the person who called me. So I asked if he was her husband. Then he started asking me a lot of questions about my qualifications I had already answered with his wife.

Then his wife showed up and he kept saying he needed a low value and wanted to know what it would be. I explained that I could not provide it and that it would be very difficult to determine as the home was a major fixer upper.

Plus, it would enter escrow as soon as it was listed with multiple offers in early June, so this would have to be explained in the report since it is for estate purposes to establish a new basis.

I said the January 2013 value would be less that the June sales price as prices were increasing about 3-4% per month in 2013. Then I asked if they wanted the appraisal and they said no.

As I was driving back to my office, I got paranoid about state board complaints, lawsuits, etc. I was writing up this article then. I was very, very glad the appraisal was cancelled.

What should you look for in a policy?

If you're a solo residential appraiser, price shopping is easy. Often, the rates our posted on the insurance broker's web site. Don't select the company on price alone. Be sure to evaluate the company as well as the policy.

Also check out:
- Prior acts coverage, if you are currently insured by another company. You will probably be sued for something you did in the past, not today.
- Number of occurrences. Some polices only offer coverage for two occurrences.
- Deductible, per occurrence, and aggregate dollar limits. Most policies lump together the defense and loss into one total dollar limit.
- Coverage for both the claim and the legal defense.
- Any exclusions. Be sure to investigate both the application, and the policy itself.
- Assistance if you have a question. This is the main reason why I have stayed with LIA. I have only called them a few times over the past 21 years, but I will never forget that they advised me on what to do. They also help with state board problems and have a full time attorney on staff, Claudia Gaglione, to help. She has many years of appraisal liability experience. I also knew they would not cancel my policy if I called.

Price, of course, is also a consideration. Be sure to get several quotes, especially for firm and commercial coverage, as there can be wide variations.

What insurance brokers should you use for E&O?

I always recommend using a company that specializes in appraiser E&O insurance. Most, if not all, advertise in appraisal publications.

Brokers who insure real estate agents and related professionals can also work. However, they are not always the best choice as they are not familiar with appraisal issues, which are very different than real estate agent issues.

A general insurance broker, who handles your auto, home, general liability, etc. is not a good choice, as they are not familiar with the issues. Of course, they could place your coverage with one of the insurance companies below, but would not be able to help you with questions and give advice on issues that come up when doing appraisals, such as strange AMC requests.

My E&O insurance

I stayed with LIA since 1991 because I knew if I had a claim, they would not cancel on renewal. Also, they gave good advice when I had a question, from an attorney very familiar with appraiser E&O issues.

They were never the cheapest, but the prices were reasonable for me as I do both commercial and residential.

My price has dropped over the past 3 years from $1,446 to $1,181 (res. and commercial).I also like the state board complaint assistance and the $2,500 coverage.

E&O Insurance Companies

Note on broker contacts: I have listed brokers who work with appraisers all over the country. Some insurance policies also are available through local agents. Be sure to check on which states are covered, as they change.

Alaska self-insures for appraisers.

For example, Lloyds of London is an insurance company. The Hobbs Group is an insurance broker. Two insurance brokers below use Lloyds.

Lloyds of London

Coverage is offered in all states. The Hobbs Group is a large, international insurance broker. **NO PRIOR ACTS COVERAGE.**

Contact:
The Hobbs Group, Inc.
118 S. Clinton St., Suite 450
Chicago, IL 60661
800-497-4644
www.5starappraisers.com

Navigators - all states except NY and LA.

Contact:
Herbert L. Landy Insurance Agency, Inc.
75 2nd Ave. Suite 410
Needham, MA 02494-2876
800-336-5422
www.landy.com

CNA (Continental Casualty Company)

NO PRIOR ACTS COVERAGE IF OVER 50% OF INCOME IS FROM APPRAISING

Victor O. Schinnerer
Two Wisconsin Circle
Chevy Chase, MD 20815
301-961-9800
www.schinnerer.com

Intercorp/Lexington and other insurers

John Pearl & Associates
1200 East Glen Ave., Peoria Heights, IL 61614
Phone: (309) 688-9000.
Fax: (309) 688-5444.
www.pearlins.com

Liberty Mutual Group of Companies

Liability Insurance Administrators
1600 Anacapa St.
Santa Barbara, CA 93102-1319
800-334-0652
www.liability.com

Genstar

Marsh Affinity Group Services
P.O. Box 8146
Des Moines, IA 50301-8146
Phone: 800-367-7950
Fax 515-365-3043
www.proliability.com

Lexington

Intercorp Insurance Program Managers
1438-F West Main Street
Ephrata, PA 17522-1345
Phone: 800.640.7601
www.intercorpinc.net

Lexington (through Intercorp)

Foundation of Real Estate Appraisers
4907 Morena Blvd. #1415
San Diego, CA 92117
Phone: (800) 882-4410
Fax: (858) 273-8026
www.frea.com

Navigators and other insurers

OREP (Organization of Real Estate Professionals)
6760 University Ave. #250
San Diego, CA 92115
Phone: 888-347-5273
www.orep.org

Other sources of E&O

Special coverage is available in a few states through an appraiser association or a state agency. Check with other local appraisers.

Datamaster - save time and data entry errors by importing UAD-compliant MLS data for sales and listings directly into your reports

In today's ever-increasing Scope Creep, lenders/AMCs keep asking for more listings and sales. Before the 2008 financial and mortgage crash most appraisers had 3 comps in their reports. Now, appraisers are being required to have 6-9 (or more) listings and sales in their reports, including bracketing of adjustments.

This has significantly increased the time and research required to complete appraisals. Not much can be done about driving the comps, but now the data entry time can be significantly reduced by using Datamaster. Plus, subject data is automatically imported, including MLS, if it has been listed or sold. Prior to HVCC and Scope Creep, Datamaster saved some time, but now the time savings is greatly increased due to increased number of listings and sales required by lender clients.

I have known about Datamaster since it started about 10-12 years ago. I have always wanted to use it, but my MLS still will not allow them to use the data.

My MLS does not work with Datamaster, so I recently traveled to Sacramento, a nearby city to attend a Datamaster presentation and got a demo of the product. I also spoke with several beta testers, as it had not yet been rolled out to all appraisers.

Datamaster imports both MLS and public records data. Per Datamaster, "Our primary purpose is to focus around the quality, verification, and completeness of data records on every property."

Appraisers report 1-2 hours of cost savings. If you purchase Datamaster per use at $6 per report, instead of $89 per month, it is worth the money. Your time is worth much more than $5 per hour. That is not even including the time and aggravation from stips and callbacks due to data entry errors.

Appraisers also said their reports were better as they were not reluctant to include additional comps due to the extra data entry. Analysis was also easier due to ability to display multiple possible comps and choose the best ones.

Public records data

Appraisers have been able to easily import public records data, when available, for comps into their form reports for many years.

In non-disclosure states or municipalities that did not release public records data, appraisers have to rely on MLS data. Even in some disclosure states, such as California, only large counties are required to release their sales data to the public and sell it to data companies. My county is under the population limit. I think the limit is 750,000 population.

In my county, we finally got an assessor who was an appraiser and allowed full access to the data. Before that time, I had to guess on property characteristics, particularly square footage, as the MLS data was not reliable as agents did not measure the properties.

Smaller counties do not have to release the information to anyone except the property owner and other authorized persons.

Getting access to the actual assessor's records can also be very difficult. In my county, it requires a letter from the owner, so you can not get direct access to comps, etc.

Why don't the counties release the data? So the assessor can get re-elected by saying he or she is keeping citizens data private.

Getting access to MLS data - before licensing

Everyone wants MLS data, but MLS' have always been very protective about their data, particularly sales.

Prior to appraisal licensing in the early 1990s, appraisers had to have a real estate broker or sales license to get "real time" MLS access, particularly listings. Since licensing, MLS' agreed to allow access to licensed appraisers.

When I started my appraisal business in 1986, I got my California broker license primarily so I would have full MLS access. Appraisers could get "comp books", printed books that had data on sales. They were available as monthly or weekly books or flyers.

There were appraiser data co-ops in several parts of the country, where appraisers shared subject data from their appraisals. No listing information was available, of course. Almost all these co-ops that shared appraisal data died off after licensing, when appraisers could get full MLS access. They were very valuable. Unfortunately, I don't know of any services that collect and share data from appraisals and sell it to appraisers. This is the data that everyone wants.

In the 1990s, the Appraisal

Institute started the National Residential Database, which never took off.

MLS information today on the Web

You can go to Realtor.com and get lots of listings. But, it is not in an easily usable format for appraisers. There is no listing history, which is very valuable, particularly in a changing market. Plus, it does not reveal all the listings that are available.

Some MLS' have been selling their listing data to data providers since the 1990s.

But, the MLS' have always been very protective of their sold property data.

Today, with the Internet, data is more readily available, although not in a format that is searchable and easy to use for appraisers. There are MLS "aggregators" who compile and resell the data.

Who can get full access to MLS data?

The only way to get access is for a licensed appraiser or real estate agent to be a member of the MLS.

Datamaster has agreements with MLS to pull the data and reformat it so it is easily usable by appraisers for 1004MC and sales and listing data for appraisals.

To use Datamaster, you must be an MLS member.

Who started Datamaster?

Similar to many services for appraisers, it was started by an Utah appraiser, Rick Lefferty. Utah is a non-disclosure state, so he started an appraiser data co-op in Salt Lake City in 1995, 18 years ago. About 10-12 years ago, he started working with Rick Foos, a California appraiser to develop the current generation of Datamaster, for use with any MLS that would agree to allow access. A few years ago, they had an amicable parting and Rick Lefferth remained the owner.

About four years ago, Rick Lefferth met a telemarking person and decided to hire his company to do sales. Later he hired the telemarketing company to do Datamaster sales. Then Datamaster started taking off.

Datamaster has changed over time. In 2008, 1004MC was added, then more custom formatting for UAD compliance.

Currently, there are 25-26 employees, including 6 programmers, tech support, sales and telemarketing employees.

What forms software does it integrate with?

10 years ago, ACI, Bradford, a la mode, and Software for Real Estate Professionals (Appraise-it) were integrated with Datamaster.

Unfortunately, it does not currently integrate with Total 2013, but does integrate with Wintotal Aurora.

What forms does DataMaster work with?

All UAD Forms, 1004 URAR, 1004C Manufactured, 1025, 1073, 1075, 2000 Field Review, 2055, AI Form, ERC 2003, ERC 2010, BPO, GPAR, 1073, GPAR Condo & 2055. *Some forms apply to various Appraisal Software Vendors.

Exceptions reports - data discrepancies between MLS and public records

An "Exceptions Report" is generated at the end of the export process. It is a list of discrepancies that were found between the MLS and Public Records data and which source were used in the report. This is very useful for appraisers, particularly to correct errors and explain discrepancies to avoid call backs.

What data source does Datamaster use for public records information?

DataMaster uses the public records source that is available through the participating MLS system.

Can DataMaster be shared through a server?

No. DataMaster is licensed to each individual computer. DataMaster does not work if it is installed onto a network drive. DataMaster can be shared through a server only if it is a remote desktop server. In that case, every remote desktop account using DataMaster will need a separate license.

How much time does it save?

Per Datamaster, it saves about 1 hour in report production time. However, this does not consider the time saved on call backs due to data discrepancies and data entry errors. Datamaster produces a report when there are discrepancies between public records and MLS data that can be included in your appraisal reports. Also, some users are better typists than others and were able to type in the data quicker.

Time saved depends on how many listings and sales you include in your reports, plus reducing those very annoying callbacks and stips.

MLS photos

Although I prefer to take my own MLS photos whenever possible, I sometimes have difficulty determining which is the correct photo when I have lots of photos on my camera before I download.

My office assistant has to check my photos and regularly finds that I have selected the wrong comp photo. (Very, very rarely the MLS has the wrong photo.)

Datamaster displays the MLS photos so I can more easily find them.

What do appraisers say that is negative?

The only complaint that I heard about or read was that Datamaster did not connect to their local MLS, and that it would not work with Wintotal 2013. I checked online and called appraisers who were using it.

I was not able to find any appraisers who tried it and didn't like it. There is a free 14 day trial to see if you like it. You can purchase it for $6 per report if you want to test it further.

How long does it take to learn?

It takes only a few hours to get started. Datamaster personal assistance is available. It definitely passed my test as I don't like to use software that takes a long time to learn. In contrast, how long did it take you to learn to use appraisal forms software or a sketch program?

Like any other software program, after you learn the basics, you can customize the software and use it faster as you get more comfortable using it.

I spoke with 4 beta testers who had used it for 10-15 reports. All were comfortable with the program and were going to do more customization when they had time.

How do you get the data from the MLS?

You do a search (just like you do now) and download it to an Excel file. You can uncheck comps you don't want, such as "outliers".

Then, Datamaster imports it and uses this data for the 1004MC and importing comps into your appraisal.

Customization to the way you work - a significant plus

Of course, appraisers like to "do their own thing", including myself.

Fortunately, Datamaster allows lots of customization that you can do yourself. For example, you don't like the words used on non-UAD fields or a comment section. Just enter what you want to use. Or, you want to modify the Datamaster "boilerplate" comments on the 1004MC.

I don't know of any other software that is reasonably priced that the vendor will help you set it up for the way you work.

For example, appraisers vary widely on what "boilerplate" comments they use for how heating is described.

For many of the non-UAD fields, appraisers can select which terms they want to use.

Datamaster works directly with each appraiser to get it set up they way they want it.

UAD compliance

Datamaster automatically formats your sales and listing data so it conforms to UAD formatting. No more changing and checking of those darn UAD codes.

How does Datamaster get set up with the MLS to get what appraisers need?

Datamaster works with the MLS to get it set up for appraisers.

Datamaster was started by an appraiser, Rick Lifferth, and is still owned by him, so it is very appraiser-friendly and knows the issues appraisers have with MLS - data accuracy, concessions, calculation of days on market, etc.

The hardest part, after getting an MLS contract, is setting up Datamaster to get what appraisers need from their MLS.

Datamaster works with the appraisers to see what they need. Every MLS is different on how it handles data and calculations of days on market, etc. Sometimes local appraisers are able to get the MLS to modify its interface or database.

The Sacramento, CA MLS is in beta testing with appraisers to see how local appraisers want the MLS data outputted.

A group of appraisers met with Datamaster and the local MLS to see how the appraisers wanted the MLS data exported, what data they wanted and how it should be formatted for both UAD and non-UAD fields. For example, there are many ways to type in a 2 car garage. The term used varies around the country.

How is 1004MC data handled?

Calculating for 1004MC is controversial and can be tricky. Datamaster uses MLS data that you select.

All the appraisers I interviewed really liked the 1004MC, which typically took 5-10 minutes to do.

There is a long explanation on their web site "An Explanation of How DataMaster Calculates the 1004MC" at http://www.datamasterusa.com/1004-mc-guide/

What about the subject page?

Datamaster pulls in the address, zip code, etc., but you fill in most of the subject page.

Which data is pulled into the report?

You choose which you want: public records or MLS. Datamaster keeps a record of what you did and did not use in your report.

What is not pulled into the comp grids?

Anything that is an appraiser's judgement call, such as condition and location.

What about problems with the data?

In some areas, public records are limited or inaccurate. You select whether to use MLS or public records.

We all know about how agents can describe properties. Datamaster pulls it in from the MLS and you decide to accept it or replace with with the correct data.

Using Datamaster for final comp selections?

Datamaster allows for 9 sales and 3 listings.

All the appraisers I interviewed mentioned doing the final comp selection by pulling in possible comps/listings and then checking the ones they wanted to use in their reports. If you want to preview more than comps/listings than that, you can set up a separate datamaster file.

What about bracketing comps?

Datamaster works well for this.

What about graphs?

Datamaster has 18 graphs to choose from. You check which ones you want and they are automatically imported into your report.

Some appraisers want other graphs. You can do them the way you always have and import them into your reports. But, most appraisers are not that picky.

Free 14 day trial

A free 14 day trial is available so you can see if you like it.

They do not automatically charge you after the end of your trial. They will contact you to set up your billing account.

What does it cost?

• $6 per appraisal - good if you don't do many appraisals
• $89 per month (may vary by location)
• Volume discounts if you have multiple appraisers in your office

There is only a month to month agreement. You can cancel at any time.

Is there an annual support contract?

No. Customer support is always free.

Why are some MLS' reluctant to sign up with Datamaster?

Their main customers are real estate agents. A relatively small percent, about 4% are appraisers. So, the MLS' spend most of their time and resources on what agents need.

Fortunately, Datamaster does not typically require a lot of time from the MLS to set it up.

Getting MLS approval and contract for using Datamaster - the biggest problem

They have been trying for many years to get cooperation from my local MLS, which has not been willing to cooperate. Almost all the other local MLS have Datamaster access, so hopefully, I will have it soon.

Another issue is how many local real estate associations/boards are in a regional MLS. The more Realtor associations that are members, the more difficult the decisions.

It can take years sometimes to get a contract with the MLS.

How can you get your MLS to work with Datamaster?

The owner of Datamaster, Rick Lefferth, contacts the MLS directly.

First contact Datamaster and say that you want it. Get other local appraisers to contact Datamaster.

Giving Datamaster the name of the person to contact can help. That's what I recently did.

For the new Sacramento, CA Datamaster implementation, Datamaster contacted the regional MLS. The MLS manager had not heard of Datamaster, so he contacted a local appraiser group, which did a posting on their very active yahoo group. Of the 80 respondents, 75% said they were interested. You could also do a poll of local appraisers. This convinced the MLS to go ahead.

If you have connections at your local MLS, here is some advice:

• You need to focus on how it will help their real estate agents, not on what appraisers need.
• Datamaster can help agents close their deals faster by:
• AMCs don't know anything about your local market, so appraisals must give them all the information they need to allow the appraisal to be approved. Datamaster provides graphs, explanations, etc.
• UAD errors can hold up appraisals. Datamaster automatically formats data for UAD.
• Fewer data entry errors causing delays because of corrections. This is the most important reason.
• Appraisals take less time

Where does Datamaster offer service?

DataMaster is now available in more than 20 MLS markets (35-40% of the top 100 MSAs across the United States and is adding more markets.

Here is the current list:

California
Los Angeles Metro Area-CRMLS, CLAW, ITECH
San Diego-Sandicor
San Jose-MLSLISTINGS
Sacramento-MetroList

Arizona-Phoenix-ARMLS, Tucson-TARMLS
Colorado-Denver-METROLIST
Idaho-Boise-IMLS
Indiana-Indianapolis-MIBOR
Kansas-Kansas City-Heartland
Maryland-MD-MRIS
Michigan-Detroit-REALCOMP, Flint-FAAR
Minnesota-Minneapolis/Western WI-Northstar/RMLS
Missouri Kansas City-Heartland
Nevada Las Vegas-GLVAR
New York Long Island-MLSLI
Ohio Cleveland-NEOHREX
Oregon Portland-RMLS
Texas Dallas-NTREIS
Tennessee Nashville-MTRMLS
Utah Salt Lake/Wasatch Front-WFR
Virginia Northern VA-MRIS
Wisconsin Western WI-Northstar/RMLS
Washington Southern WA-RMLS
Washington D.C.-MRIS

Will Datamaster be coming to your area?

Setting up and programming is expensive for Datamaster, so they concentrates on larger regional MLS'. For example, New York City has a large population, but many MLS, so coverage is much more expensive and difficult to set up. See above for how to get Datamaster hooked up with your MLS.

How to get more information on Datamaster

Call them at 888.362.9222. They will set up a live demo accessing your own MLS so you can see how it works and what it can do for you. They use gotomeeting software.

www.datamasterusa.com

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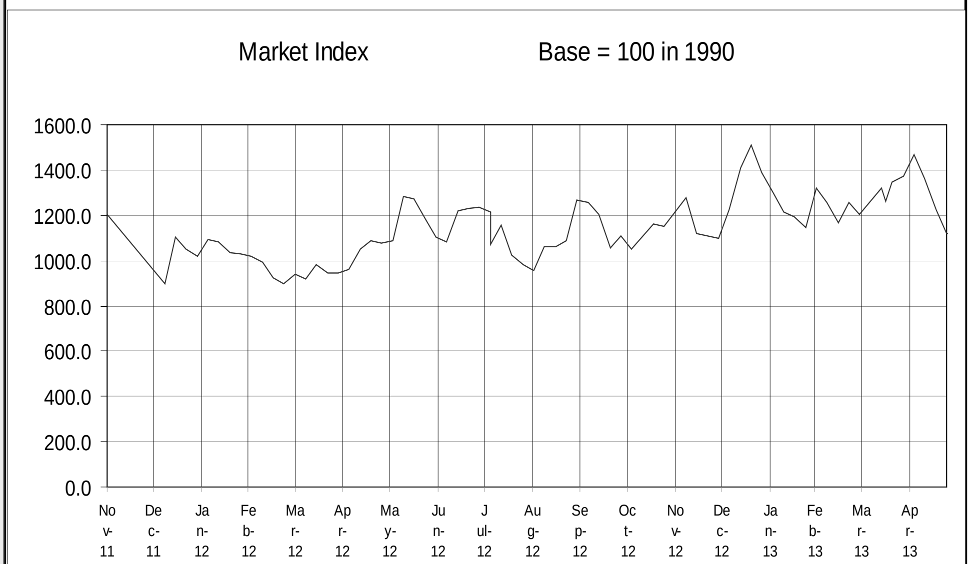

How to provide support for adjustments

By Doug Smith, SRA

Editor's comments

I have been appraising for over 30 years and have done two 200+ page demonstration appraisal reports for my SRA and MAI designations. I carefully selected my subject so I could have matched paired sales for only one adjustment.

I am lucky if I have support for a few adjustments. I have never been able to provide support for all my adjustments. I often use broker surveys. They don't often know the exact adjustment amount, but they do know if buyers are willing to pay more (or less) for a property feature.

Fortunately, there are some newer techniques now that help support some adjustments.

I worked for two assessors offices in California in the late 1970s who were converting to regression analysis. I have been using regression analysis since the late 1970s, for various research purposes.

Regression on single family homes shows that there are typically a few variables that are significant, such as sq.ft. of the subject (somewhat difficult when land sizes and values differ) and number of bedrooms.

Market conditions adjustments (time) are, of course, the easiest to prove.

I have spoken with many knowledgeable appraisers about how to support all adjustments. No one knows how to do it for all adjustments. Appraisals I have seen say "matched paired sales". Not likely, unless there are a very few adjustments, such as sq.ft.

Unfortunately, I am hearing appraisers say that if you can't prove an adjustment, don't make one. To me, this results in a misleading appraisal if the adjustment affects value.

Even worse, some state boards want to see support for adjustments when reviewing a complaint.

Comparables vs. sales

There is a big difference!! Another issue is providing sales that are not comparables in appraisal reports. I have always stated in my reports: Sales provided at the request of the client and given no weight. Some say this is not correct, but at least I made it clear that they were sales, not comparables. If you only have a few good comps, how do you handle including 6 or more comps/listings that don't relate to the subject?

I have always wondered why 3 comps are required? Why not 2 or 10. The best solution is to let the appraiser decide. Maybe three are required because that is what fits on the Fannie forms. On my commercial appraisal reports I decide what is a comp, and only include what is relevant. Sometimes I have two comps, sometimes 10.

I will be including more ariticles on how to support adjustments.

End of Editor's comments

As if the scarcity of directly similar comparable properties was not enough of a challenge for residential appraisers, major appraisal management companies are now requiring an increase in the required scope of work. Certain lender clients require including not only two listings but a total of five comparable sales.

One major AMC sent out a bulletin that appraisers would be required to submit five comparables and two listings to satisfy their client's underwriting process. Appraisers on various forums complain that the requirement may be an intrusion on the appraiser-derived scope of work process and that in the absence of sufficient reasonably similar comparables, some sales submitted might be considered simply examples of sales rather than true comparables.

Appraisers will recall when comparables were plentiful and three comparables were sufficient to base an opinion of value. Appraisers sought to bracket the subject using three comparables.

Like the bedtime story of Goldilocks and Three Bears, appraisers sought to identify three comparables like the porridge Goldilocks finds in the home of the three bears: one hot, one cold and one just right.

Now, appraisers must expand their search and find more than the three reasonably similar comparables. While some appraisers have already expanded their scope of work to include more than the traditional three comparables, all appraisers under current market conditions must expand their scope of work to include additional comparables and these are likely to stray from comparables that are reasonably and directly comparable.

The real challenge for appraisers,

whether due to scarce comparables or the requirement to provide more comparables, is adapting to the need for greater attention to the adjustment process.

Like Goldilocks, appraisers are finding lumpy and watery porridge in the search of porridge (Comparables) that are just right.

Market conditions, then, require the appraiser place more emphasis on the adjustment process as more comparables differ in material ways from the property being appraised.

21 possible elements of comparison on the URAR

Appraisers are finding they must test the logic behind extracting and supporting adjustments.

Underwriters are demanding support for adjustments. State Regulators are looking more carefully at reports turned in with complaints, running them through a review process that finds illogical, random adjustments with inadequate explanations.

There are twenty common elements of comparison on the typical 1004 ranging from real property rights conveyed to porches/patios/decks. There are twenty-one or more, if an additional item is added in the space provided.

Advice on adjustments from Mark Ratterman's book

Mark Rattermann, in his book, Using Residential Appraisal Report Forms, sets out a strategy for approaching the adjustment process. In each case, Rattermann offers the generalized format of discussing the main avenues to extract adjustments: the income approach, the sales comparison approach and the cost approach.

For some adjustments, Rattermann points out the helpfulness of surveys or interviews. This part of the book is essentially a confidence builder for appraisers because of the openness of the process as it clearly avoids settling on one way of deriving adjustments.

Rattermann's approach to methods for extracting and supporting adjustments for the gross living area considers alternatives such as the cost approach and income approach. These approaches, according to Rattermann, are possible, but the cost approach is very labor intensive as it is based on differences in costs less depreciation between the subject and comparables. There may not be good data readily available for the income approach calculating differences in GRM.

The paired data analysis method will work well for the GLA and Rattermann's emphasis in this section is the sensitivity analysis in which the appraiser enters the attributes of the subject and the comparables on an adjustment grid and then tries various rates of adjustment until the range in indicated values narrows. Examples of this type of analyses are set out in the text.

New practical regression class - how to use small data points

In the late months of 2012, the Appraisal Institute introduced a new two-day course entitled "Practical Regression Using Microsoft Excel". Developed by John H. Urubek, MAI. This course is winning excellent reviews and comments.

Essentially, this course fully explodes the myth of the need for extensive sample data and shows in example after example how a minimum number of data points can produce meaningful results and how these results can be included in a report in a comprehensive and understandable form. In this new environment of ever expanding demands for more information and support, this course is an essential addition to an appraiser's skill and knowledge base.

In the introduction of this excellent course, there is a reminder from USPAP U16(lines 464-468)

From USPAP: "In developing a real property appraisal, an appraiser must:
(a) Be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal; Comment: This Standard Rules recognizes that the principle of change continues to affect the manner in which appraisers perform appraisal services."

With this course, appraisers have an opportunity to finally come to grips with the necessary statistical background needed to adopt higher levels of quantitative analysis now required in reports and the necessary skill sets to perform regression analysis and use other statistical tools.

There has been no other course like this new course that in it a carefully guided step-by-step method efficiently instills a body of knowledge and techniques that allows an appraiser to integrate statistical tools immediately into their day-to-day work.

With all candor, I urge appraisers seek out this course for picking up some meaningful CE credit in their area. In Montana, the course was so well received that the local AI Chapter is working to repeat the course so that a greater number of appraisers can experience and learn from this important new Appraisal Institute offering.

Adjusting for date/time

There are two items that require more attention in the present market. Home values in some markets continue to decline over time and with scarce comparable sales, some reasonably similar properties may be located outside of the defined neighborhood. Therefore, adjustments for Date of Sale/Time and Location require increased attention.

Improvement in market conditions is said to be on the horizon and there are positive signs in some markets. Statistical analysis is essential to the process of recognizing these changes in the market. Therefore, appraisers benefit from quantitative analyses that focus on market trends.

Some adjustments, like Date of Sale/Time, are straight forward and are based on the contract date (meeting of the minds) per Fannie Mae guidelines.

Lenders are demanding comparables sold in the last 90 days and some are requiring sales in the last sixty days. These "ideal" sales are not always available. Appraisers must use methodology to determine an accurate market condition adjustment. The sales comparison approach is the most likely way to determine an adjustment.

The introduction of the 1004MC sets off a new interest in using Excel to solve appraisal problems. Some appraisers, rather than using a series of sales for extracting market change, have turned to a simple regression analysis to derive the change. Changes in sales by square foot are the most common way to analyze the present market.

Location adjustments

The primary emphasis for selecting comparables is that those properties that are considered represent the highest and best use of the site. Comparables that are the same size, age, quality and condition can be compared outside the neighborhood with careful attention to site value as the more recognizable variable.

Many appraisers consider that location is aligned with the site value and, therefore, apply a strict cost approach. Site value may be determined by sales, by extraction and by allocation.

The most common approach, however, is to compare two identical homes in the differing locations, comparing prices to establish the adjustment derived for one location versus another.

One proviso is in order. The word "land" and "site" have differing meanings. A site is a parcel that is improved and ready for development. Land is raw unimproved land. Underwriters toss around the word "land" when they mean "site". Note that the word "land" is not to be found on the 1004. All references to a parcel refer to a site.

Site adjustments

According to Rattermann, most appraisers use this line to compensate for the size of the site. Appraisers are finding comparables that are otherwise similar, but have differing site sizes.

Most appraisers use the sales comparison approach to support an adjustment for site size. Rattermann cautions against using one pair of sales since the motivation of a buyer may be different. The comparison of improved property sales with small lots versus improved property sales with large lots could give an indication of the correct adjustment on this line.

Again, a simple regression analysis is an effective way to derive this adjustment, if sales are available. The HP-12C can do simple regression analysis that may be helpful in calculating a site value for a parcel. I will use this example:

If a lot of 1,787 square feet sold for $257 per SF and a lot of 7,200 square feet sold at $118 per SF, then what should a 3,000 square foot lot sell for per square foot (all other factors equal)?

Clear (Yellow Key and SST)
1787 ENTER
257 ?+ (the key located to the left of "+")
7200 ENTER
118 ?+ (the key located to the left of "+")
3,000 g (the blue key), 1
=$225.85

Many site sales can be entered that improve the closeness of fit.

Of course, the more efficient way is to plot the sales in Excel and derive a slope.

Actual age/condition

Condition is not the same as age.

In reviews I have completed, many appraisers in the past used the effective age in place of actual age. Appraisers listed actual age and then noted estimated effective age on the Actual Age line and then made some illogical adjustment such as 1% of the sales price per year for the difference in effective age or a common amount such as $1,500 per year. This illogical method vanished with the onset of UAD that allows nothing but the actual age on the Actual Age line.

Now, if there is to be an adjustment for condition, then this adjustment belongs on the line for condition. UAD has prescribed a ranking for this line that identifies differing condition ratings. While using effective age as a numerical rating, it was not logical to replace actual age because it offers a second condition variable to the form.

Fannie Mae essentially did a great service by bringing standardization to condition ratings. Fannie Mae focuses on this area and this standardization of the reporting requirements which directs the adjustment process. Newer homes sell for more than older homes and deriving an adjustment is best accomplished with a set of paired sales.

The cost approach is difficult to use for an actual age adjustment due to differing short and long lived items. Therefore, the sales comparison approach using paired sales or using the variation of a sensitivity analysis, using alternate adjustments bringing the indicated adjusted sales price into line with the other comparables is the most common way to derive this adjustment.

Adjustments for building condition are common in older properties and as the market disintegrates must be applied for homes that are foreclosed on or have been rented.

Appraisers are using the cost to cure in deriving adjustments for condition. It is based on the logic that the typical buyer would adjust for a better or worse condition related to the cost of bringing the property up to acceptable condition.

Support for a condition adjustment may be accomplished by estimating the cost plus profit for bringing a property up to acceptable standards. If the cost to cure is used, appraisers must be careful to identify the typical buyer, insuring that if investors are active rather than an owner-occupied buyer, the issue of profit is taken into account. If a property requires substantial work and updating, the average retail buyer may not represent the typical buyer for that property. Who the buyer is likely to be, must be determined.

Unfortunately, some lenders attempting to market an REO property do not select a real estate agent appropriate to the type of buyer that is likely to purchase the property. Clients must expect an accurate description of the needed repairs and improvements on which to make a judgment as to the most appropriate representative to market the property.

The key to making condition adjustments is the degree of analysis and explanation. The narrative section should include a discussion of recent remodeling work that would warrant noting the subject as somehow superior to the comparables. The discussion must include remodeling work completed for each comparable and /or required work for the subject or comparables.

Conclusion

Most appraisers agree that comparable selection is at the heart of producing a credible appraisal.

In the current economic downturn, comparable selection is more difficult with lenders adding to the challenge by requiring more recent and a greater number of comparables.

Comparable selection is straining the limits of what makes up a comparable property and what makes a property reasonably similar.

Therefore, it is reasonable that appraisers must challenge their previous assumptions about adjustments.

The analysis must reflect market behavior and adjustments must be consistent with the three approaches to value.

Paired sales remain the preferred method, but appraisers are expanding their outlook to include data analysis and regression analysis using Excel.

Understanding depreciation, however, is becoming critical in this market with the onset of more and more REO properties in less than typical condition.

Again, the Appraisal Institute has stepped up with an important new course, Practical Regression Using Microsoft Excel that is likely to have a great effect on how appraisers approach the adjustment process.

Mark Rattermann offers a common sense recipe when considering the overall adjustment process: "All adjustments should be logical, consistent and supportable."

About the author

Doug Smith has an appraisal practice in Missoula, Montana, and is a certified general appraiser doing both residential and commercial appraising with a specialty in hotel appraising and feasibility studies. He has an MBA from the University of Montana and the SRA designation from the Appraisal Institute. He can be contacted at hotelman@montana.com.