

# APPRAISAL TODAY

## Mein Comp: The Last Appraiser, Book Review

**Book author:  
David Samnick**

This book is dedicated to all who have been silenced, ignored, or pushed aside. It belongs to those who carry truth even when the cost is heavy. May these pages remind you that a single voice can still break the noise, and that courage is never wasted when spoken with conviction.

*Editor's Notes: I read this book, plus material from the author's Amazon writeup. There were very interesting reviews on Amazon by appraisers who read the book.*

*I have reviewed many appraisal books since I started this newsletter in 1992. Most were from the Appraisal Institute and were like "textbooks". They were okay, but dull reading.*

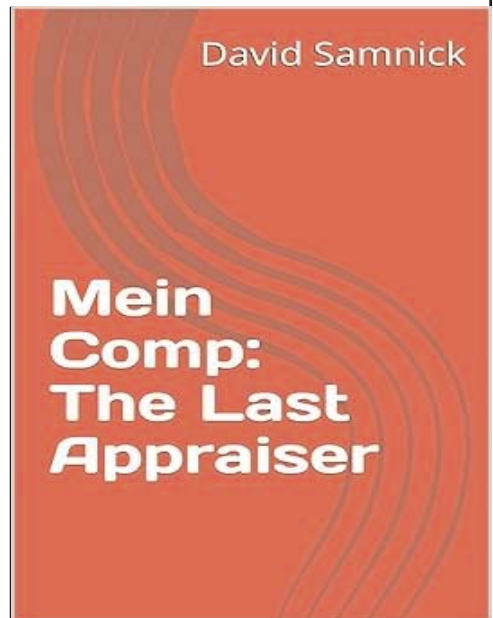
*When I started reading this book, I could not put it down for many hours. Finally, I took a break and then finished it later. It was like reading a very good fiction book. Easy to read and chapters tell the history of what caused the "Last Appraiser".*

*This appraisal book is very interesting and an excellent read with a very good format and layout. It was written in "novel style". It explains the situation in each chapter, writing it from the affected appraiser's point of view.*

*I also interviewed the author for more detailed information on some of the topics.*

*The book has 9 chapters. Each chapter has a different sequential appraiser story. The dates are events from 2009 (AMCs) through 12-31-29.*

***All of the 10 pages in Chapter 1 are included as a separate PDF so you can see why I could not stop reading the book!***



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### About the Title

The title is very unusual. Some say the use of Hitler's manifesto is offensive. Mein Kampf is a 1925 autobiographical and political manifesto by Adolf Hitler.

When I was searching online for info, Mein Kampf kept coming up. Be sure to look for *Mein Comp: The Last Appraiser*, written by David Samnick.

"The concern raised about the book's title is understood, but it may overlook the deeper intent behind its construction."

"*MEIN COMP: The Last Appraiser* is not a careless provocation, it's a deliberate metaphor chosen by a Jewish author to reflect the gravity of what has happened to the appraisal profession. **Comp = Compliance** "

"The title is designed to provoke thought, not offense, and serves as a warning about systemic erosion of professional autonomy."

(From book author's Amazon comments) "To dismiss the work based solely on its title is to miss the urgency of its message. This is not a book about Hitler. It's a book about how appraisers were targeted, fragmented, and ultimately sidelined. The discomfort the title evokes is intentional, because the consequences it describes are real."

"Those willing to engage beyond the cover will find a powerful, timely account of a profession under siege."

### Mein Comp - My Compliance

From the last Chapter: "That was what they had all become in the end. Not independent professionals exercising judgment, but compliance machines following rules designed to eliminate them."

### Book reviews on Amazon

There are 24 reviews on the book's Amazon page. All ratings were 4 and 5 star. 86% 5 star rating and 14% 4 Star ratings. No lower ratings. Almost all were from appraisers. Go

to [www.amazon.com](http://www.amazon.com) search for Mein Comp: The Last Appraiser.

### A Review of MEIN COMP: The Last Appraiser (Excerpts)

By Desiree Mehbod

Published September 8, 2025 ·

Updated October 30, 2025

Excerpts: "If Orwell moonlighted as an appraiser, and Kafka had a side hustle in compliance, "*MEIN COMP: The Last Appraiser*" by David Samnick would be their love child.

But this isn't dystopian fantasy. It's a forensic autopsy of a profession that was methodically dismantled while regulators smiled, and algorithms sharpened their knives."

"As an appraiser, I read this book with a mix of recognition and rage. As a colleague, I'm proud to see our story told with clarity, grit, and zero sugarcoating. And as a citizen, I'm alarmed by how easily this same playbook is now being deployed against other professions, accountants, engineers, teachers, lawyers, even doctors. The tactics change. The strategy doesn't: regulation, accusation, automation, elimination."

*MEIN COMP: The Last Appraiser* is not just the story of how a profession dies. It's a warning to every skilled worker who thinks their judgment can't be replaced by code. Read it carefully. Your profession may be next."

To read the blog post and the appraiser comments, go to [www.appraisersblogs.com/a-review-of-mein-comp-the-last-appraiser/](http://www.appraisersblogs.com/a-review-of-mein-comp-the-last-appraiser/)

### Author's comments (from Amazon)

"They came for the appraisers first. Tomorrow it could be you."

*MEIN COMP: "The Last Appraiser* exposes how one hundred twenty thousand independent professionals were wiped out by corporate greed, government compliance, and algorithms disguised as progress. Fact wrapped in fiction, it tells the story of appraisers who fought back against

middlemen, scapegoating, and machine driven control only to be silenced banned or broken.

"This is not just about real estate. It is about every profession under attack. Teachers, doctors, lawyers, engineers. No expertise is safe when profit and automation call the shots."

"If you think your career cannot be replaced, think again."

### About the book format

The author sent a review copy to Jeremy Bagott, who writes books for appraisers (see his article in this newsletter) and non-appraisers.

Jeremy suggested the current format, with each appraiser in a separate chapter/topic. He also suggested copyrighting and including a forward, chapter list, etc.

Desiree Mehbod, [www.appraisersblogs.com](http://www.appraisersblogs.com) suggested using character development. This is what makes the book so good and similar to reading a novel. Very, very different than any other appraisal book.

### How long did it take to write the book?

"The book was written over roughly two years. It started as notes and turned into something I could no longer ignore. Some parts came quickly. Some took months to get right"

### Are the appraisers in the book real or fictional?

"While the book is fictional in form, its stories are grounded in reality."

"The characters and events mirror actual experiences faced by appraisers: compliance overreach, fee siphoning by AMCs, retaliatory tactics, & the replacement of expertise with automation. These are not satirical exaggerations, they are dramatized truths told through fictional lenses."

The author did not include his own personal experiences, but used his

ideas and experience to decide what to include in the book.

#### **Why is the printed price \$10.04?**

Appraisal form name = 1004!  
Book length: Published 9-3-25 (paperback)- 114 pages. Kindle - Published 9-3-25 96 pages. I got the free Kindle Unlimited version.

#### **Foreword (Excerpts)**

**"What you are about to read is the story of how 120,000 independent professionals** were eliminated from the American economy over the course of twenty years. How their expertise was deemed worthless."

The 120,000 figure is derived from publicly available licensing data comparing the number of credentialed appraisers pre-HVCC versus today, cross-referenced with AQB and ASC reporting trends over time. It is not a metaphor. It is an approximation grounded in real attrition.

"How their judgment was replaced by algorithms. How their voices were silenced by accusations they could not defend against. How their livelihoods were stolen by middlemen who added nothing but took everything."

"*This is not fiction disguised as fact. This is fact disguised as fiction to protect the victims whose stories inspired these pages.* The names have been changed, but the suffering is real. The tactics are documented. The timeline is accurate."

"The companies are fictional, but their methods are drawn from the actual playbook used to destroy an entire profession."

"These chapters follow the chronological destruction: from the first parasitic insertion of middlemen in 2009, through the systematic compliance strangulation of the 2010s, the scapegoating campaigns of the 2020s, to the final algorithmic coup de grâce in 2029."

"Each chapter represents a phase in

the campaign. Each character represents thousands who lived through that phase. Each injustice represents a strategy that has been used before and will be used again, against other professions, until someone finally says enough."

"The Home Valuation Code of Conduct. The PAVE Task Force. Appraisal Management Companies. Automated Valuation Models. These were not separate, unrelated policies. They were coordinated attacks on professional independence, designed to transfer wealth and power from individual practitioners to corporate entities."

"Their elimination was not mourned because it was disguised as modernization. Their expertise was not missed because it was replaced by the illusion of algorithmic precision. Their independence was not valued because it was portrayed as an obstacle to efficiency."

#### **Chapter List**

*Editor's note: I included brief excerpts from each chapter so you can see how the Chapters flow. I put 1-2 words after the title to describe what the chapter discussed.*

*Topics in the chapters (and relevant years) are listed. The book is written in "novel style format" and is informal.*

***All of the 10 pages in Chapter 1 are included as a separate PDF. so you can see why I could not stop reading the book!***

#### **Chapter One: The Insertion (2009) Lisa Redding and the Birth of the Parasites (AMCs)**

Brief Excerpt: "Lisa Redding was hanging Christmas lights in July when the neighbor called the police. It wasn't madness that drove her to string "MERRY EXTINCTION" across her front lawn in blazing red letters on that sweltering Colorado

morning."

"It was the final stage of grief: acceptance mixed with defiance. After eight months of watching her seventeen-year career dissolve into bureaucratic quicksand, Lisa had decided that if she was going to die professionally, she would at least die with a statement."

#### **Why the author wrote this book**

David Samnick got upset. He would talk to homeowners whose appraisals were not done well. Awareness is important. He wanted people to be aware of and understand what appraisers do and their issues.

His primary focus was not making money selling his book. It is his first book.

#### **Chapter Two: The Squeeze (2015-2019) Marcus Webb and the Compliance Stranglehold (CU and excessive review compliance changes)**

Brief Excerpt: "2015 had marked a turning point. That's when Fannie Mae launched their Collateral Underwriter system"

#### **Chapter Three: The Race to the Bottom (2018-2020) Maria Delgado and the Auction of Souls (Fees)**

Brief excerpt: "Maria Delgado's phone buzzed at 11:47 PM on a Tuesday in March 2019 with a notification that would define her next eighteen months of professional hell..."

"The race to the bottom had officially begun."

#### **Chapter Four: The Scapegoat (2021-2022) John Bold's Trial by Media (Bias)**

Brief excerpt: "John Bold was spreading hay for his cattle when his phone started buzzing with notifications that would destroy his life. It was 6:30 on a November morning in 2021."

"The post had been shared 1,247 times in six hours..."

**Chapter Five: The Community Sacrifice (2022-2023) Robert Fields and the Betrayal of Trust (Bias)**

Brief excerpt: "The cruelest irony was that Robert's case became a blueprint for attacking minority professionals in any field."...

"The PAVE Task Force had identified minority professionals as a particular threat to their automation agenda."

**Chapter Six: The Final Squeeze (2024-2025) Henry Lawson and the Compliance Death Spiral**

Brief excerpt: "19 pages of single spaced review questions for a simple ranch house."

"The industry had reached its endgame. After the PAVE Task Force had successfully scapegoated the profession through 2022 and 2023"...

"The AMCs had implemented what they called "Enhanced Quality Assurance Protocols" in 2024."

**Chapter Seven: The Desert Resistance (2026-2027)**

Angela Torres and the Last Rebellion Chapter (Appraisers Fight Back)

Brief excerpt: "The email explained that participating appraisers would use ValuNation's new "SmartAppraise" system, which would pre-populate reports with algorithmic value estimates, comparable sales selections, and standardized narrative language."

"The industry had reached its endgame..."

**Chapter Eight: The Gathering Storm (2028) Sarah Chen and the Final Countdown Chapter (AI Takes Over)**

Brief excerpt: "Final Implementation Notice: The Automated Valuation Modernization Act (AVMA) will take effect January 1, 2029. All residential appraisals for federally related transactions must utilize AI-validated systems beginning that date."

**Chapter Nine: Mein Comp (December 31, 2029) The Last Report**

Brief excerpt: "Sarah Chen's hands were steady as she typed the final words of the last residential real estate appraisal that would ever be completed by a human being in the United States of America."

"Mein Comp. My Compliance. "That was what they had all become in the end."...

**About the author: David Sannick**

Sources: Author's website, his LinkedIn profile, and my interview

I am the author of *Mein Comp: The Last Appraiser*, a book that tells the untold story of how corporate interests are dismantling one of America's most critical professions. It is both a warning and a call to action for appraisers and professionals across industries whose independence is under threat.

I have over 25 years of experience in residential and commercial real estate appraising across North Georgia. As the founder of Blue Chip Appraisers, I have completed thousands of valuations for estates, tax appeals, divorces, REO properties, and litigation support. My work is defined by precision, independence, and a commitment to protecting clients' financial interests.

My background also includes management, mentoring, and marketing, giving me a broad perspective on the profession and its future. Earlier in my career, I served in the US Army during Desert Shield and Desert Storm, an experience that shaped my discipline and determination.

My mission is to deliver trusted valuations, support my clients with integrity, and advocate for the long-term survival of the appraisal profession.

Since 2001, I've provided unbiased, detailed residential appraisals across Georgia. As a veteran and former combat soldier, I bring discipline, precision, and integrity to every

assignment. I understand that most of my clients are going through major life events—divorces, inheritances, or property disputes. That's why I treat every report with urgency and empathy. You deserve clarity and fairness. I deliver both.

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**Where to purchase this book**

On Amazon, free kindle unlimited (96 pages). Published on September 4, 2025.

\$10.04 paperback (114 pages).  
Search for book title. Published on September 2, 2025



# Book is Required Reading for Credulous Fannie, Freddie Investors

## Review of Mein Comp: The Last Appraiser, Written by David Samnick,

### Reviewed by By Jeremy Bagott, MAI, AI-GRS

*Editor's comments: I have been reading Jeremy Bagott's regularly published emails for many years.*

*He has written 4 books and sends regular email articles on many topics.*

*For more info, go to about the author at the end of this article. He has written 3 other books (On Amazon) and sends regular free emails with interesting comments.*

VENTURA, Calif. (Oct. 17, 2025) - Freddie Mac's share price fell this week after Federal Housing Finance Agency chief Bill Pulte implored investors to read the fine print in Freddie's annual filing with the Securities and Exchange Commission. The palaver in its 10-K report does its best to mask an orgy of risk-taking the mortgage giant has been engaged in since the pandemic.

It's a case of déjà vu all over again. In 2008, common shareholders in Freddie and promiscuous big sis, Fannie Mae, were wiped out, left with essentially worthless shares, while U.S. taxpayers were called upon to bail out the twins for a combined \$200 billion.

But rather than wading through Freddie's SEC filing, readers would be better served by reading David Samnick's recently released book, "Mein Comp: The Last Appraiser." Available on Amazon, it's a short read - a mere 114 pages - and is written as a series of fictional vignettes that describe what the housing lobby, technocrats and

identity-politics zealots have done to subvert a corner of mortgage underwriting in America.

While no one was looking, these odd bedfellows worked to eliminate independent real property appraisers as a critical guardrail in government-backed mortgages, allowing home loans to become the newest government giveaway (think the recent unconstitutional student-loan forgiveness craze). Freddie and Fannie's vision: to convert collateral values in government-backed loans to social scores. (Editor's comment: Google Fannie Mae Social Scores for more info.)

Although Samnick's vignettes focus on the institutional harassment of independent, third-party appraisers, it's the American homebuyer who is being hornswoggled. Soon the American taxpayer will be called upon anew to bail out the twins and the financial institutions that have fed their insatiable appetite.

The elimination of appraisers in government-backed mortgages is about manipulation. It has resulted in home prices soaring beyond affordability for most young American families. Home prices have risen in lock-step with the new ease of government mortgage financing, creating something no longer recognizable as a market.

Government-backed mortgage giants Fannie Mae and Freddie Mac both monopolize the market and then claim dishonestly to rely on its free functioning. The twin fiefdoms are a key part of the current manipulation. Sadly, their role in the affordability crisis is not well understood by the public (though it would surely be

understood by the whipsawed character Marcus in Chapter 2 of Samnick's book.)

Mark Calabria, a former Director of the Federal Housing Finance Agency, lamented recently to podcaster Phil Crawford that the widescale waiving of appraisals by Fannie and Freddie was never meant to be permanent. He's been issuing mea culpas (Editor's Note: acknowledgment of one's fault or error) for having opened the floodgates during Covid.

To understand why appraisals are critical to control housing inflation, think of a limit on a credit card. The appraised value of the home acts like a credit limit. It creates a hard stop as to what the borrower can borrow and, in turn, how much can be paid for the home without the buyer going out of pocket (Editor's Note: paid from an individual's own funds).

Since Covid, appraisal waivers and dubious related activities by the mortgage giants have been highly inflationary with the results predictable.

"A conventional appraisal is anti-inflationary," said Barry Colen, a former member of a Maryland task force that investigated the use of algorithms by Freddie and Fannie to value properties in the Old Line State. "Waived appraisals and reliance on automated valuation models keep appraisers from flagging unsustainable values or bubble behavior. The appraiser's role is as an early warning signal. The appraiser is a referee position. The appraisal protects the integrity of the process."

Colen believes so-called "black box" valuation systems have caused an incrementally inflated feedback loop, resulting in synthetic values that have set inappropriately high borrowing limits for millions of individual

borrowers - something podcaster Crawford has dubbed "data cancer." This has put constant inflationary pressure on home prices nationwide.

But back to Samnick's fictional work. It paints a grim picture of a reality playing itself out before our eyes. For investors in the twins, it's strictly caveat emptor. Samnick considers you warned.

### **Become my Patron!**

My name is Jeremy Bagott. I'm a licensed real estate appraiser, author, and former newspaper editor.

I investigate the shadowy intersection where federal guarantees, sponsorships, and grants meet private enterprise - a space rife with self-dealing, cronyism, and taxpayer exploitation.

Each week, I expose corruption and abuse in the federally backed housing sector - stories often ignored by mainstream media. I don't hide my reporting behind paywalls or offer exclusive content, but this work requires time, independence, and resources.

**I rely solely on readers who believe truth-telling still matters. If you'd like to support this effort, please consider supporting me on Patreon here:**

[www.patreon.com/jeremy\\_bagott](http://www.patreon.com/jeremy_bagott)

**I accept no support above \$5.00/month from any patron.**

### **About the author**

Source: Amazon author description.

Jeremy Bagott was born and grew up in a lower-middle-class neighborhood in the San Fernando Valley, that sprawling, smog-choked Levittown of the West. After an adolescence marred by frequent family moves -- never outside the San Fernando Valley -- fights with local toughs and run-ins with the gendarmes, he left home weeks after his 17th birthday in a van bound for the Armed Forces Examining and Entrance Station, Los Angeles.

After a four-year tour in the Marine Corps, college, and stints as an embassy translator and a part-time editor at a European business newspaper, he was hired as a copy editor at the Los Angeles Daily News, where he penned headlines, wrote photo captions, proofread galleys and edited news copy during the closing days of the 20th century.

Today, Bagott writes about land use, agriculture, finance and public policy, and holds the MAI and AI-GRS designations from the Chicago-based Appraisal Institute.

Books written by the author (on Amazon)

*Dispatches from the Cosmic Cobra*

*Breeding Farm*

*The Ichthyologist's Guide to the*

*Subprime Meltdown*

*Guaconomics: Dipping a chip into*

*America's besieged party bowl*

*The Compact Real Estate Appraiser*

### **How to get Jeremy's regular emailed articles**

To sign up for Jeremy's regular emails go to [mailchi.mp/2a23230963ef/jeremy-bagott](mailto:mailchi.mp/2a23230963ef/jeremy-bagott) (copy and paste link)

Past columns going back to 2020 can be accessed on X here. Each new column will be posted on X prior to noon on the day of release. Please follow me on X. Go to [x.com/jbagott](https://x.com/jbagott)

### **To purchase Jeremy's books on line go to Amazon.**

Books are available in print or kindle unlimited.

# The Cost Approach for Appraisers is not popular among appraisers.

**We use the Cost Approach because it helps us to analyze markets, recognize trends, and credibly appraise real property.**

**By Tim Andersen, MAI,  
MSc., CDEI, MNAA**

*Editor's comments: I started appraising at a California Assessor's office in 1975. At that time, the Cost Approach was the standard method used for homes for decades. In the 1970s Assessors had started looking to the Sales Comparison Approach. My county had started with a simple approach based on price per square foot. I don't remember the details. They may have been looking at using neighborhood or quality adjustments. We had more quality categories than lender appraisals today.*

*Assessors are required to make sure every property owner pays their "fair share" of property taxes. I was trained to do this in every area that I was assigned. This is very different than non-assessment appraisals. The lender wants a value on a home. The estate wants a value of the home on date of death, etc.*

*Often, where you start appraising significantly affects your later appraisals. When I started doing non-assessor appraisals, I learned the value of the cost approach, mostly for new construction.*

*This article expands my "attitude" and I better understand the issues of where the Cost Approach can be helpful. I overcame my somewhat negative opinion of the Cost Approach.*

## **Why is the Cost Approach unpopular with appraisers?**

If a popularity poll were to be taken among real estate appraisers, on a scale of 1 - 10, it is likely the Cost Approach would show up as a negative number.

There are numerous legitimate reasons for this poor score. It is true this approach is not one the market understands. However, that's irrelevant since what the market does or does not understand about this, or how any other approach works, is not our concern.

It is also true that the market does not trade single family residences based on their replacement costs. Again, this is irrelevant since we measure what the market did, not the analytics by which the market got there. And it is true that the cost approach rarely tells us anything more than what the sales comparison has already told us. Is there any wonder why this approach scores so low on popularity polls?

But since the credibility of our value opinions has nothing to do with how popular any particular approach is, to omit the analytics of the cost approach, when they are necessary to the formation of a credible value opinion, is self-defeating as well as potentially misleading. It is also to admit that an AVM, which has no analytics whatsoever via the cost approach, is a viable alternative to a more traditional appraisal. Is that the story we want to continue to tell? If it is, we're doing a fine job at it.

## **But, "Fannie Mae does not require the cost approach to value..."**

Yes, it is true that, when appraising a traditional single-family home, "...Fannie Mae does not require the cost approach to value..." However, this sentence is not as clear as it should be. It should read, "...Fannie Mae does not require the cost approach to value to be part of the appraisal report...", meaning it would be part of the appraisal's analytics leading to a credible value conclusion. The reason for this is the next sentence in the *Sales Guide*. "However, USPAP requires the appraiser to develop and report the result of any approach to value that is *necessary for credible assignment results...*" (italics added).

### Credible Assignment Results and USPAP

Hold that thought about "...credible assignment results..." as you consider this bon mot (In French, good word) of fundamental appraisal theory: it is a logical and ethical impossibility to quantify the subject's effective age and accrued depreciation without having first engaged in the analytical protocols of the cost approach.

If this seems like a lot of ivory-tower poppycock, consider first that the reason people lived in towers of any sort was to avoid both the stench and the soft under-foot squish of the poppycock. Then consider what USPAP says about accrued depreciation. SR1-4(b)(ii, iii) makes it clear that

"[w]hen a cost approach is necessary for credible assignment results, an appraiser *must*... analyze such comparable data as are available to estimate the cost new of the improvements [and to] analyze such comparable data as are available to *estimate the difference between the cost new and the present worth of the improvements (depreciation)*" (italics added).

Please notice that USPAP, in this reference, does not limit itself solely to physical depreciation, nor does it limit itself solely to the subject. Rather, this reference is to that of accrued depreciation, which is the arithmetic summation of physical, functional, and external obsolescence factors. And this applies to both the subject *and* the comparable sales.

### What the *Selling Guide* says

Let's return to the *Selling Guide* to excavate whatever other billets-doux (In French "sweet note" or "love letter.") it holds concerning this matter.

"[The cost] approach, then, measures value as a cost of production. It may be appropriate to use the cost approach when appraising... [properties] that *feature[] functional depreciation...*" (italics added).

It is safe to say any house (even brand-new construction) can suffer from functional obsolescence if the improvements to the site are not the ideal improvements as dictated by the appraiser's highest and best use analysis.

It is equally safe to say that any house not constructed to meet current building codes and land use regulations suffers from functional obsolescence. Most houses are not new, are they?

### ***Selling Guide* and Functional obsolescence**

Since the median age of owner-occupied homes in the US is 40 years, it is equally safe to say the typical owner-occupied house in the US has functional obsolescence (see [www.residentialdesign-magazine.com/the-age-of-the-u-s-housing-stock](http://www.residentialdesign-magazine.com/the-age-of-the-u-s-housing-stock)

if, for no other reason, than that may not meet current building codes and land use regulations.

And what does the *Selling Guide* say about the cost approach and houses with functional obsolescence?

In addition to the above, the *Selling Guide* also advises appraisers to use the cost approach to support the sales comparison approach

analysis.

This statement just hangs out there, since the *Selling Guide* fails to put it into a context of how and why it supports the sales comparison approach. For example, if the sales comparison approach reliably comes in at \$410,000, does the cost approach support that value when the latter comes in at \$375,000? At \$463,500? Should the two approaches be within five percent (5%) of each other to accomplish that support? Twenty-five per cent (25%)?

There is absolutely nothing on this in the literature, thus the questions remains the polka-dot rhinoceros in the living room: we all know it is there, but nobody will talk about it.

Spoiler Alert: since the sales comparison approach and the cost approach both measure the value of the underlying site, as well as the market value of what the improvements contribute to it, then the two value opinions *should be the same numbers*. If they are not, *ceteris paribus* (constant), there is a mistake somewhere - and the cost data source did not make it.)

### Replacement vs. Reproduction Cost - another reason for lack of popularity

Another reason for its lack of popularity is this approach has two (-2-) perfectly legitimate calculation protocols, *replacement cost* and *reproduction cost*.

Typically, we use the replacement cost in the cost approach since it assumes the replacement of the existing improvements with new ones, built to current building codes, land use specifications, and market demand factors.

But that's not what the *Selling Guide* says. Quite clearly it advises the appraiser that, "[t]he reliability of the cost approach depends on valid *reproduction cost estimates...*" (italics added), among other criteria.

But let's ignore all that.

### Why use the Cost Approach?

What, therefore, is the glory of the cost approach? We've covered all this. It is logically and ethically impossible to conclude a credible value conclusion to real property without analyzing and understanding three (-3-) aspects of both the subject and the comps.

Following the order of the cost approach on the 1004 form:

**First** is the subject's site value as if vacant and available to be put to its highest and best use. Not its current use. Its highest and best use.

**Second** comes the subject's *effective age*, since that is a component of the **Third** criteria, that of *accrued depreciation*.

### Remaining economic life

When this logic comes to thoughtful appraisers for the first time, it is common for them to respond that whatever accrued depreciation there is, is already built into the comparable sales. This is quite true.

However, using nothing more than the comparable sales, to conclude remaining economic life is a logical impossibility. Those same appraisers also thoughtfully respond that remaining economic life is not important to value conclusion. Frankly, this is true.

But when the client is a GSE, they will not make a 30-year mortgage loan if the collateral property will not last at least 30 years and one day. So, yes, under certain circumstances the appraiser's estimate of effective age is of Everest-like importance.

### Selling Guide and functional obsolescence

Just to show that a new house can have functional obsolescence, consider this sentence from the *Selling Guide*: "...if the improvement analysis indicates that it is necessary to go through one bedroom to get to another bedroom, *lenders should expect to see an amount indicated for functional depreciation*" (italics added). Even a new house can have such a bedroom configuration.

Notice there is no limitation nor conditionality on this statement, nor does it apply exclusively to the subject. It also applies to the comps.

According to the folks at Fannie Mae, this design/layout is a functional depreciation issue, how well the market may accept such a floorplan configuration be damned.

### Restricted Appraisal Report and proprietary software

Now we must consider the cost approach and a restricted appraisal report.

First, notice there is not now, nor has there ever been, a restricted appraisal. Under the current edition of USPAP, there is *merely an appraisal*. There are no other analytical options. However, the appraiser indeed has the latitude to *report* to the client a summary of the appraisal in (i) an appraisal report, (ii) a restricted appraisal report, or (iii) an oral report.

It is a fact of life, however, that there are clients with their own proprietary software on which the appraiser *must* summarize and report the results of the appraisal.

It is common for such software to omit a summary of the protocols of the cost and income approaches. In and of itself, this is ethically acceptable.

However, it is of utmost importance to remember how clear the Scope of Work Rule is that "...[a]n appraiser must not allow assignments conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use."

**Omitting approaches - no room on form**

Therefore, omitting an approach(es) from an appraisal report is ethically acceptable.

Keep in mind, though, that SR2-2(a)(x)(ii) requires the appraiser to state the reasons for excluding any approach the appraiser did not develop.

In other words, there is a difference between developing, say the cost approach, but not including it in the report, versus not even engaging in those protocols at all.

If the client's proprietary software does not contain space for the cost and/or the income approaches that, too, is fine, since the appraiser has no control over the client's software.

However, if the appraiser's rationale for omitting an analytical protocol(s) is no more logical or persuasive than "...Fannie Mae says I don't have to do the cost approach, and there was no room to report it (or the income approach) on the form..." the appraiser has let "...assignment conditions...limit the scope of work to such a degree the assignment results are not credible in the context of the intended use."

This will raise all sorts of red flags with a state appraisal board (should the appraisal and report ever get that far).

**Close the Logic Loop of Popularity**

So, let's close the logic loop on this monograph by going back to popularity polls.

Simply put, the cost approach is not popular. Appraisers do not understand it (mostly because the instruction they get on it in "appraisal school" is so dismal and inept that it borders on incompetence).

The market does not understand it, which means there is very little of the cost approach built into the sales prices appraisers use to divine market value.

CE classes on the cost approach get lost in the details of construction type/quality and building materials, as well as the mechanics of making sure the cost calculations are complete down to the last tube of caulking.

This obsession with minutiae is fine for building contractors, but a scam when applied to appraisers. Our job is to measure the value a particular items adds to the overall value. Our job is not to measure cost.

**Why we need the Cost Approach in the Sales Comparison Approach**

We appraisers need the cost approach, but not to tell us how many 6-penny nails the final installation of the kitchen cabinets will require. Rather, we need it for its ability to deconstruct the sales comparison approach.

If we assume a 65-year total economic life, then the average, straight-line depreciation is 1.538% per year. If the analyses of sales prices show a depreciation rate *slower* than this, then it is safe to conclude the market is generally healthy, property is generally affordable, first-mortgage interest rates are generally manageable, and so forth.

However, under this assumption, when accrued depreciation exceeds 1.538% per year, it is likely there is an *external obsolescence* factor in the market (despite the mindless boilerplate rodomontade to the contrary with which appraisers love to lard their appraisal reports).

In other words, one of the rewards of using the cost approach as part of the *appraisal* is its ability to tease trends out of the sales comparison data. Consider this benefit in light of the Comment to SR1-3(a), which makes it clear the "...appraiser must avoid making an *unsupported assumption* or premise about *market area trends*, effective age, and remaining life" (italics added).

It is ironic that, just as with the houses we appraise, an appraisal has myriad component parts. And, just as with our appraisals, those components, in and of themselves, are trivial until they become a house. So, the irony is that the bricks and sticks, the nails and screws, the concrete and the drywall, do not make a house until the contractors and subcontractors bring them together to form a unified whole.

Yet rather than working to make our appraisal and report into a unified whole in the context of the purpose of the appraisal and its intended use, we leave it disassembled. A disembodied hodge-podge of facts and information. Which is one reason appraisers don't use or like the cost approach.

### Why are appraisers not using Cost Approach for accrued depreciation

Therefore, we do not use the cost approach to conclude a value opinion, since it is so poor at that task.

However, we do not fail to use it merely because "...it is difficult to calculate accrued depreciation accurately".

In reality, calculating accrued depreciation is a simple three-step process outlined in full on page 571 of the 15th ed. of *The Appraisal of Real Estate*.

Nor do we fail to use it because "...the market does not use the cost approach." That conclusion is Olympic-class, grade-A poppycock unless the appraiser making it has surveyed the entire market to reach that conclusion (and has the data to back it up). Since appraisers are not trained in conducting and interpreting mass-market surveys, to make such a statement raises competency issues, a door most of us would otherwise choose to keep shut.

### Final Author's Statement - Why do we use the Cost Approach?

We use the cost approach because it helps us to analyze markets, recognize trends, and credibly appraise real property.

So, if this is its limited applicability, and it is so *straightforward* to use, why does it remain so unpopular?



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