

# Qualified Appraisal Requirements

In order for the appraisal report to be considered a qualified appraisal, the IRS rules require that the appraiser be a qualified appraiser. So, what does that mean? It means that for the property type the appraiser has earned an appraisal designation, or the appraiser is licensed or certified, having met minimum education and experience requirements. So, if you've earned an appraisal designation, you probably are licensed or certified in a state, so a lot of the time, this actual requirement to be a qualified appraiser is covered by many appraisers anyway. The appraiser must regularly prepare and be paid for appraisals—in other words, this is their regular job. The appraiser will declare in the report that he or she has education and experience in valuing the type of property being appraised and is qualified based on his or her background, experience, education, and memberships. And the appraiser, finally, must not have been prohibited by the IRS and is not an excluded individual. We'll talk a little bit about that.

These are the requirements found on Publication 561, pages 9, 10, and 11. Go take a look at Publication 561 and make sure you understand where this information is—page 9, 10, and 11—and read through that yourself.

The owner of record and (if practical or available) copies of deeds, plot maps, blueprints, and surveys—so maybe a little bit more in depth than what lending assignments are required—history of the property (including any sales within the 5 years preceding the valuation date or any sales since the valuation date to the present)... So, if it's a retrospective appraisal, they want to know any sales since the valuation date to the time you are actually preparing this—to the present time. And pay attention to that '5 years.' What does USPAP require? USPAP requires the common 3 years, so you need to disclose and analyze a bit more of the sales history of the property. If it was rented during any of those periods we just talked about, then the dates and the terms and copies of the rent history and income and expenses need to be collected and analyzed.

IRS Publication 561. "Fair market value is the price that the property would sell for on the open market. It is the price that would be agreed on between willing buyer and willing seller with neither being required to act, and both having reasonable knowledge of the relevant facts."

\*\*For a retrospective value, the definition of value must be from the "Treasury Dept.\*\*

USPAP Advisory Opinion 34. Remember that in retrospective appraisals an extraordinary assumption is being used, so we're basically saying, "I'm assuming the property was like this, based on interviews with the homeowner, MLS historical entries, and a physical inspection."

The IRS guidelines are very clear. They're not expecting a quick, short report. They're looking for a good, thorough appraisal report to be developed and reported.

## About Fiduciary

The Professional Fiduciaries Bureau (Bureau) was created when Senate Bill 1550 (Figueroa) was approved by the Legislature and signed into law by Governor Arnold Schwarzenegger in 2006. The Bureau's mandate is to license and regulate non-family member private fiduciaries, including conservators, guardians, trustees, personal representative of a decedent's estate, and agents under durable powers of attorney as defined by the Professional Fiduciaries Act.

Professional Fiduciaries provide critical services to seniors, disabled persons and children. They manage matters involving their clients' daily care, housing and medical needs, and also offer financial management services ranging from basic bill paying to being responsible for estate and investment management.

To protect this consumer population, the legislation creating the Professional Fiduciaries Bureau requires that all Professional Fiduciaries be licensed by July 1, 2008. In order to be licensed, Professional Fiduciaries will be required to pass an examination and to complete 30 hours of qualified education courses, and to complete 15 hours of continuing education each year in order to renew their licenses.

In addition, Professional Fiduciaries must abide by a new Code of Ethics which establishes professional guidelines to ensure that the decisions they make are in the best interests of their clients, and that personal information regarding their clients is protected.

**WHAT YOU SHOULD KNOW BEFORE HIRING A PROFESSIONAL FIDUCIARY** Before hiring a professional fiduciary, you should interview at least three licensed professional fiduciaries. The following are examples of interview questions to ask before becoming a client. c What types of services do you provide? c Are you insured for errors and omissions? c What credentials do you have? c What are your office and phone hours? c If there is an emergency after hours, how do I reach you or your staff? c What are your internal controls? How is my confidential information protected? c What happens to me if something happens to you? What is your succession plan? c Do you have a disaster-recovery plan for my data? c What fees do you charge and when? c If you use other professionals (certified public accountant, attorney, caregiver, etc.), what are their fees? c Do you work alone or have a staff? c If you have a staff, what types of services do you delegate to them? c What is the fee for services provided by your staff? c How often will you provide me with an accounting? c Can you provide me with references of past or current clients or other professionals you have worked with who I can contact? **PROFESSIONAL FIDUCIARIES BUREAU MAILING ADDRESS:** Professional Fiduciaries Bureau 1625 North Market Blvd., Suite S-209 Sacramento, CA 95834 Phone: (916) 574-7340 Fax: (916) 574-8645 PDE\_22-015

Assisting Realtors,

Prepared by John R. Hooks

Real Estate Appraiser

310-791-1444

This brief form is designed to assist a Realtor in the preparation of relevant comparable sales, pending sales and current listings that will quite likely be used by an appraiser when an agent meets the appraiser at a property for a pending sale

This information is intended to be used primarily for Single Family Residences and Condominiums.

Most information provided by realtors and or assistants is not necessarily applicable to the needs of an appraiser and the lender requirements that will have to be met by the appraiser.

\*\*\*Please note, since an appraiser typically must finish the appraisal and deliver it within 24hrs of seeing the property, the Realtor must be prepared prior to the appraisal appointment.

The most successful agents spend 15-20 minutes preparing relevant comparable sales information prior to the appointment. When this is done properly, the Realtor has significantly increased the likelihood of insuring that the contract price has the highest likelihood of being supported by an appraisal.

The following "guidelines" will assist all parties to the sale with the increased probability of successful transactions when providing information that will be used by an appraiser.

1. Lenders will look for comparable sales within 180 days or six months. \*\*\*Please note, sales up to "TWO YEARS" old may be used if they have a specific similar feature to the subject property.
2. Comparable sales, pending sales and listings should be within approx. 20% of the contract price of the subject property. Provide sales both above and below the contract price of the subject property.
3. Comparable sales should be within 20% of the size of the subject's square footage.
4. Comparable sales provided by the realtor should have similar bedroom and bath counts. Again, both above and below the subject's totals.
5. This also applies to the parking features of the subject property.
6. If the subject property has a specific amenity such as a pool, pool and spa, spa or guest qtrs. At least one comparable must have a similar feature so that the appraiser may provide support for the value of this amenity.
7. If a property has a view, provide a comparable with a view to again prove to the lender the additional premiums paid for this feature.
8. If a property sides, fronts or backs to a "nuisance" such as a traffic nuisance, school, business, provide a similar sales comparable.
9. By spending 15-20 minutes preparing and printing this information out for an appraiser, the Realtor "SIGNIFICANTLY" increases the chance of influencing the report by the inclusion of useful information that will most likely be used by appraiser and relevant information that will be used by a lender to make a lending decision.

#### MLS GUIDELINES FOR REALTORS ASSISTING APPRAISERS.

1. KEEP COMPARABLES WITHIN THE SAME MARKET AREA AND IDEALLY WITHIN ONE MILE OF THE SUBJECT PROPERTY.
2. "BRACKET" (PROVIDE SALES COMPARABLES) THAT ARE SLIGHTLY LARGER AND SMALLER THAN THE SUBJECT IMPROVEMENTS. THIS IS IMPORTANT!!
3. FOR EXAMPLE, IF A PROPERTY HAS APPROX. 2,000 SF, THE LENDER WILL EXPECT THE COMPARABLE SALES TO HAVE BETWEEN 1,600 TO APPROX. 2,400 SF.
4. "BRACKET THE ROOM COUNTS WITH COMPARABLES THAT HAVE IDEALLY SIMILAR ROOM COUNTS AND THEN PROVIDE FOR EXAMPLE IF A PROPERTY HAD 4 BEDROOMS, SALES COMPARABLES WITH 3-5 BEDROOMS. THIS WOULD BE IDEALLY THE SAME FOR BATHS, GARAGES, ETC.
5. \*\*AS A REMINDER\*\* NO LENDER WILL "EVER" LEND ON A PROPERTY ON A PRICE PER SQUARE FOOT BASIS.

CLOSING THOUGHTS,

If as the result of a bidding war for a property (such as often happened during the spring season), consult with a senior realtor regarding the waiving of an appraisal contingency. If there is not precedent of a series of higher sales that the appraiser can present to a lender to justify a high sales price, in most instances the "appraised value may not support the result of a bidding war".

Remember, realtors cannot provide estimates of values for Estates or date of death valuations or divorces. The IRS requires a "QUALIFIED APPRAISER" to provide such services.

As of July 30<sup>th</sup> 2018 all "APPRAISALS" for any cash or non-cash trust related opinions of value must be completed by a "Qualified Appraiser" and meet the USPAP standards.

NEW MEASUREMENT STANDARDS ARE HERE.

NEW APPRAISAL TYPES ARE COMING.

ERC= EMPLOYMENT RELOCATION APPRAISALS

Hooksappraisals.com

Imeasurehouses4you.com

Lastly, if for any reason, you have a real estate appraisal related question, call me at #310-791-1444. I can usually answer most questions quickly and effectively, "IF" you call me prior to the appraisal. I take these calls every day from Rookies to the most experienced realtors throughout Los Angeles.

Respectfully,

John Hooks