Inside This Issue

From the Director's Desk
An update on the commission and its activities from the director, Dee Jones Noordermeer.

Letter from the Chairman

Licensees Places on Inactive Status

Error & Omissions Insurance Due

Advertising Survey
Results from the recent survey regarding current advertising practices

New Licensees

Continuing Education Information for Appraisers/Real Estate Brokers

Spring Caravan Dates

Appraiser's Update

With bounteous cheer, conclude the year. Be always at war with your vices, at peace with your neighbors, and let each new year find you a better man.

--Benjamin Franklin

Happy New Year from the
A Letter From the Chairman

Rather than making a comment on the past year in the Real Estate Commission, I thought that this would be a good time to write about one specific change that occurred in 2006. This past March, the real estate educators in South Dakota were invited to Pierre to attend a meeting with the Commission and a representative from Applied Measurement Professionals, Inc. (AMP). This time was used to introduce a new testing format for those wanting a broker associate license.

This exam, which students began taking in October, provides a scenario and several “answers” that you may select based upon your interpretation of the situation. These answers have been given a weighted point value, meaning that the more correct your answer is, the higher the points you will be credited, the less correct your answer the lower the points. During this meeting the educators were allowed to see simulation examples and participate in answering the questions. While the group viewed the samples presented, they were able to ask questions of the AMP representative about how questions were formulated, who wrote the situations/questions, etc. Since the AMP representative worked hands-on in developing this exam, he had first-hand knowledge of the culmination of this exam – from the initial concept stage through the product release.

It is still too early to determine how the new testing format is doing as there has not been a large number of people taking the test. I think, for the most part, that the educators have adapted their teaching styles to assist the student in preparing for the exam. If there are some who haven’t, I encourage you to do so as currently this format is gaining popularity and is not likely to go away. We anticipate inviting the educators and the AMP representative back to meet again this spring or early summer to allow AMP to inform us of how this format is working in other states, hear concerns, and discuss any issues that may have risen since implementation. For those of you who may be interested in seeing or trying this new format, you may visit www.goamp.com/PRODUCTS/REPsimtests.htm and take a free sample exam.

Lastly, during our most recent meeting I was informed that when the Real Estate Commission was originally formed, the licensing test consisted of story problems, much like the testing concept we now have. The main difference is technology, which has eliminated the need for pen and paper. Wishing all a prosperous 2007.

Sincerely,

Brian

From the Director’s Desk

The beginning of a new year is here and with that, all active licensees renewing in 2006 should have met all the requirements to maintain active status. Failure to do so, results in either the license being placed on inactive status or not being licensed at all. If a licensee continues to practice real estate in those instances, severe penalties may result. These penalties can also be assessed against a responsible broker who continues to be associated with a licensee who does not hold an active license. Responsible brokers — please check the licenses of your associates to make sure they are licensed to do business in 2007. And while you’re at it, you might want to check your own, as well!

As most of you know, the Real Estate Commission is attached to the Department of Revenue and Regulation. Recently, Gary Viken retired after serving eleven years as the Department Secretary. Governor Rounds has appointed Paul Kinsman to fill this position. The Commission extends a warm farewell and best wishes to Secretary Viken and a heartfelt welcome to Secretary Kinsman.

Oprah Winfrey is quoted as saying, “Cheers to the New Year and another chance for us to get it right.” The Real Estate Relationships Disclosure Statement has been in existence for quite some time now, but the auditors are continually finding that licensees are completing the forms incorrectly. It is imperative to mark all brokerage options offered by the responsible broker, not just the option offered to a particular customer. So here’s your chance “to get it right” and prevent audit exceptions — if the responsible brokers would pre-mark the form and make copies of it for the associates, the form will stay consistent with the broker’s office policy.

Another problem that has been brought to the Commission’s attention via the complaint process is how agency paperwork is completed on transactions that a licensee has a personal or financial interest in. At no time can the licensee represent the other side of the transaction when directly involved personally or financially. Those of you that attended the Spring 2005 Caravan may remember Lynn Madison’s scenario about showing buyers her daughter’s house that was on the market. She said, “I walked up to the door with my buyers and knocked on the door. Normally, I would have just walked in, but since I had my buyers with me, I wanted to keep a professional appearance. As soon as I got inside with my buyers, my grandchildren ran up to me and hugged me asking, ‘Nanna, what did you bring us’? I knew right then there was no way my buyers could think I was representing them.” Lynn’s example shows so well how agency can be perceived by clients when their agent is personally or financially involved. There was no way Lynn could represent those buyers. I’m sure the buyers were thinking that “Nanna” wanted a better deal for the seller which would ultimately affect those darling grandchildren. So if you ever find yourself in a similar situation, please think before you act.

As you embrace another year, I wish you a year of wonderful opportunities and dreams turning into reality.

DjN

SOUTH DAKOTA Real Estate VIEW 2
Disciplinary Action

Jeffery T. Dougan, Rapid City, Broker Associate. Summary Suspension of license, violation of SDCL 36-21A-71 (15) and (32). Mr. Dougan entered a plea of guilty to sexual contact without consent, SDCL 22-27-7.4. The plea of guilty was entered in open court in the Seventh Judicial Circuit Court. Findings of Fact, Conclusions of Law, and Order. Defendant’s actions constitute unprofessional conduct in several ways. Defendant was convicted of a misdemeanor involving moral turpitude, a violation of SDCL 36-21A-71(6). Defendant’s actions constitute “sexual contact” under SDCL 22-22.7.1. Defendant’s actions constitute dishonesty, a violation of SDCL 36-21A-71 (15). Defendant’s actions constitute or demonstrate bad faith, incompetence or fraudulent dealings, a violation of SDCL 36-21A-71 (32). Revocation of license and $2500 monetary penalty.

Licensees Placed on Inactive Status

The Commission office still has several licensees who have not met the requirements in order to keep their licenses on active status for 2007.

If you recently renewed your license but have not yet met the continuing education requirements – your license is INACTIVE. SDCL 31-21A-62 requires that proof of continuing education must be submitted to the Commission office. It is not enough to have simply completed coursework by December 31. Proof of completion must be on file with the Commission office in order for continuing education credit to be granted and the license renewed.

This also applies to Errors & Omission Insurance. Proof of coverage or enrollment in the group policy for the 2007 calendar year must be on file with the Commission office by December 31. If it is not, those licensees will be placed on INACTIVE status.

If the responsible broker has not met these requirements, not only will his/her license be inactive, but also ALL of the associates in the office as well.

Conducting business with an inactive license is a violation of license law which may result in disciplinary action. The Commission office is currently notifying all responsible brokers who have associates that are not in compliance with the license laws.

If you have any questions regarding the status of your license, contact the Commission office at (605) 773-3600.

New Licensees

The South Dakota Real Estate Commission would like to welcome the following new licensees.

Broker
Bowen, Craig C – Sioux Falls
Chivers, John “Jack” F – Detroit Lakes, MN
Good, April L – Long Pine, NE
Link, Jr., Robert N – Cherry Hills Village, CO
Link, Steven S – Casselton, ND
Moore, Timothy M – Bismarck, ND
Potter, Patricia – Sioux City, IA

Broker Associate
Bang, Andrew – Sioux Falls
Buri, Melissa A – Redfield
Davis Laurie K – Aberdeen
Dunham, Scott A – Nemo
Gage, Rachel A – Sioux Falls
Grimsrud, Robert – Rapid City
Hanson, Brent D – Rapid City
Haviland, Brenda K – Sioux Falls
Hepper, Jamie M – Spearfish
Holwegner, Reed – Hermosa
Kaul, Rhub – Rapid City
Kimmel, Thomas A – N Sioux City
Reddel-Dorsey, Lisa G – Rapid City
Sawvell, Jr., Ricky R – Sioux Falls
Weaver, Heidi R – Rapid City
Youngberg, Mark – Sioux Falls

Property Manager
Rasmussen, Anne – Sioux Falls

Registered Home Inspector
Zimmerman, Kent – Lawton, IA

Residential Rental Agent
Andersen, Lee D – Sioux Falls
Martinell, Ann – Tea
Piper, Sandra D – Sioux Falls

Salesperson
Addison, Deborah K – Hartington, NE
Blumenstock, Nancy E – Cody, NE
Davenport, Dagan – Sioux City, IA
Schorg, Rick J – Lawton, IA
Thaemert, Dennis K – Omaha, NE
VanDyke, William E – Sioux City, IA

South Dakota Real Estate VIEW

Official Publication of the South Dakota Real Estate Commission
221 West Capitol Ave., Suite 101
Pierre, South Dakota 57501

Telephone: 605-773-3600
Facsimile: 605-773-4356
Website: www.state.sd.us/sdrec
E-mail: drr.realestate@state.sd.us

Editor-in-Chief: Dee Jones Noordermeer
Editor: Karen Callahan

THE COMMISSION AND STAFF

Brian Jackson, Chairman.....Sioux Falls
Eileen Fischer, Vice-Chair..........Pierre
Charles Larkin, Member...... Watertown
Dennis Eisnach, Member ..........Pierre
Paula Lewis, Member..........Rapid City
Dee Jones Noordermeer,
Executive Director ............Pierre
Karen Callahan,
Education Director ............Pierre
Norma Schilling, Licensing.......Pierre
Michelle Metzinger, Auditor ......Pierre
Angela Madsen, Auditor .....Sioux Falls

Articles by outside experts express the author's particular viewpoints. These opinions are not necessarily shared by the Commission, nor should they be mistaken for official policy. The articles are included because they may be of interest to the readers.
Advertising Survey Results

The following is a culmination of opinions and concerns resulting from a survey conducted by the Commission targeted toward broker/owners regarding current advertising practices.

Are you concerned about associates and teams whose names appear larger than the firms’ on advertising? 
28 yes; 12 no; 1 don’t care

Are you concerned about the use of terms such as “real estate”, “realty”, etc. being a part of the name of a team? 
24 yes; 16 no; 1 don’t care

Do you think the firm’s phone number should appear on advertising? 
27 yes; 12 no; 1 not concerned, provided brokerage is well defined on ad

Should the responsible broker’s name appear in an associate’s or team’s ad? 
17 yes; 23 no; 1 unanswered

Should unlicensed staff appear in pictorial advertising? 
13 yes; 26 no; 2 don’t care

If yes, should disclosure be made as to licensing status? 
14 yes 3 no

Do you feel a need for the Commission to impose more restrictive advertising guidelines? 
11 yes; 11 no; 17 unanswered; 1 unsure; 1 possibly

The following are additional comments from some of the broker/owners:

“The team and agent advertising has gone too far and created a problem. The public is confused as to whom the agent is associated with. The public has no knowledge that all agents have a responsible broker. The public does not know who to go to if when they have a problem with an agent.”

“Team advertising takes away from the brokerage firm. The firm name should be clearly visible.”

“Firm name should be same size as associate’s or team’s name. A statewide policy should exist so all ad services get them and are the same; consumer would see correct forms for paper, mail, flyers, radio, television and Internet ads.”

“Firm name should be larger than associate’s or team’s name. Firm phone number should appear on advertising.”

“The only reason for more restrictive advertising guidelines is to clarify to the public that associate’s or team’s name is not the real estate firm. The size of the firm’s name needs to be the same size or larger which is one way of implying that the firm is the umbrella.”

“Some agents are so concerned with personal promotion that the firm name and phone number almost appears nonexistent. We also have franchise guidelines.”

“I think that if the team uses a logo of any type, the logo of the brokerage must also be used in the ad in an equal manner, including color. If a logo is not used by the team, then the team name should be the same size or no more than one font larger than the font used for the brokerage name. Under no circumstances should the firm name be illegible. I agree that terms such as real estate and realty may easily lead a consumer to believe that the team is actually an independent real estate office and should not be used as part of the team name. However, a slogan or tag line containing these terms would be acceptable.”

“A firm phone number does not need to appear, as long as steps have been taken to make it clear that the team is associated with a particular brokerage. I think it is okay that unlicensed staff appears in pictorial ads, but they MUST be identified as unlicensed assistants. I hate the word restrictive, but I do believe more clarification of the rules is necessary and more enforcement is definitely necessary. I also believe, however, that the broker should be responsible for policing their associate’s/team’s ads and they should be held accountable by the Commission if they are not enforcing the rules (as they currently exist or as they are modified). Our company rules drill down to two things: Company name must always be included regardless of media (e-newsletters, websites, printed ads, TV ads, etc.). Our administrative staff must review, approve and place all printed media ads (newspapers, inserts, flyers, etc.).”

“These issues just serve to confuse the public, especially the “team” issues.”

“I have just reviewed two of our publications and found that the name of the office was very small or non-existent on some of the ads. I definitely feel that the phone number for the office needs to be in the ad. It would appear that the firm name should not be less than half the size of the “team” name.”

“Some clear definite guidelines would be okay.”

“The use of “real estate/realty” with teams is misleading to the public. Assistants should be noted as being licensed or unlicensed.”

“I think the name of the broker or broker’s company should be on all advertising by broker associates.”

“We haven’t set any policies other than they have to acknowledge the company in the ad. The teams in particular are coming up with all their own logos, which is fine. But their ads then have a huge team logo and a barely noticeable company logo. I think it gets confusing to the consumer to see so many different logos.”

“From a consumer stand point, I think the designated broker’s name should also be included since that discloses to the consumer who to get in touch with should any problem arise.”

“Firm names should be foremost. Teams should not be allowed to advertise as if they are an office with the actual office hidden down in a corner. Listings belong to the main office and broker/owner is held responsible.”

“I feel the company name needs to be as large as the team name or agent name. All the team names are very confusing to the public.”

“Commission should monitor for existing abuse of law. Brokers need to be responsible for all their agents, including teams. Being the responsible broker means making sure all their agents follow all the rules (SD and Codes of Ethics). If not, they need to be disciplined along with their agents. We don’t need more rules; just enforce the ones we have!”

“The broker’s name and telephone number should appear on all advertising and web pages, as well as the firm name. Since we are held legally responsible for these people, we should be the first to know if a customer or client has a problem — not wait until after the closing and hear, “you’re the broker” when the only recourse you have is to pay the client or go to court resulting in legal fees.
Latest Court Decisions

The following case reports are from the Association of Real Estate License Law Officials (ARELLO) Case Law Report

Contracts, Requirement of Arbitration


Facts: Lynes entered into a contract to purchase a residential property based in part on the seller’s representation that the property was connected to the town’s sewer system. Lynes contacted with Tiger, to perform a home inspection. Lynes later sued the seller, Tiger, and Calcagni, the listing firm, claiming that after the closing he discovered the property was not connected to the town’s sewer system. Tiger filed a motion to dismiss on the basis that the contract for the home inspection required that any dispute be submitted to arbitration prior to the commencement of a civil action and Lynes failed to pursue the matter through arbitration first. The motion was granted. Lynes appealed.

Issue: Whether the home inspection company was entitled to a motion to dismiss since the contract required all disputes be submitted to arbitration prior to the commencement of a civil action.

Held: Affirmed in part, reversed in part. Lynes argued that the arbitration clause was a contract of adhesion and should therefore be void and unenforceable. The court noted that although Connecticut has adopted a clear public policy favoring arbitration, an agreement can be void if its formation involved duress, fraud, or undue influence. Lynes cited no evidence that they were induced to sign the contract by fraud, duress, or undue influence. The court did note, however, that because Mrs. Lynes did not sign the contract with Tiger, the motion to dismiss was not applicable to her.

Brokerage Practices

Stewart v. Sisson, 711 N.W.2d 713 (2006) Iowa Supreme Court

Facts: Sisson, a restaurant owner, contacted Stewart, a real estate broker, about selling the restaurant. Sisson said he would pay Stewart a 10% commission if he sold the property, but requested that Stewart not list the property. Sisson was afraid that his business would suffer if people knew the restaurant was for sale. Stewart contacted Walter about buying the restaurant and had Walter sign an agreement to keep information confidential and not to negotiate directly with Sisson. Sisson sold the restaurant to Walter without notifying or involving Stewart. Stewart contacted Sisson for his commission and Sisson requested that Stewart send him written documentation verifying the agreement. The agreement was oral and there was no writing. Stewart filed a breach of contract claim against Sisson. The district court dismissed Stewart’s claims and Stewart appealed. The court of appeals reversed the district court and remanded the case. On remand, the district court granted summary judgment in favor of Sisson. Stewart appealed.

Issue: Whether an agreement to procure a buyer without listing the property is a listing agreement which had to be in writing.

Held: Reversed and remanded. The court held that the agreement between Stewart and Sisson was not a listing agreement. The court held that a listing contract contemplates a public sale. The Sisson-Stewart agreement was nevertheless an enforceable agency contract. Not all contracts for brokerage services are listings. In Iowa, an oral listing cannot be enforced over the objection of the seller. The court noted that under Iowa’s Real Estate Commission rules, a brokerage agreement had to be in writing, but that Sisson’s failure to raise this defense at the trial court level barred him from raising it for the first time on appeal.

Mark Your Calendars!
Spring Caravan Is Just Around the Corner

The 2007 Spring Caravan has been scheduled. The featured speaker will be Carmel Streeter, PhD of Baton Rouge, LA. The exact course information will be featured in the next issue of the newsletter, but will include fair housing as well as other liability/legal responsibility issues.

Registration information and forms will be in the February/March issue of the SDREC Newsletter.

Each session is approved for 6 hours required continuing education. Registration will begin at 8:15 a.m. with the course starting at 9 a.m. and will conclude at 4 p.m.

Dates/Locations
Tuesday, April 17
Sioux Falls Ramkota

Wednesday, April 18
Sioux Falls Ramkota

Thursday, April 19
Watertown Ramkota

Friday, April 20
Aberdeen Ramkota

Monday, April 23
Rapid City Ramkota

Tuesday, April 24
Spearfish Holiday Inn

Wednesday, April 25
Pierre Ramkota

The SDREC Office will be closed January 15 in observance of Dr. Martin Luther King, Jr. Day

SOUTH DAKOTA Real Estate VIEW 5
APPRAISER UPDATE

This section of the South Dakota Real Estate Review is the responsibility of the South Dakota Department of Revenue and Regulation Appraiser Certification Program. Articles are printed here to communicate pertinent information to those appraisers who receive this newsletter and are licensed under the Certification Program. Appraiser certification inquiries can be directed to Sherry Bren, Program Administrator, 445 East Capitol, Pierre, SD 57501, 605-773-4608

Appraiser Certification Program Mission – Purpose – Intent

The Appraiser Certification Program was implemented July 1, 1990, pursuant to enactment of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) by Congress. The mission of the Program is to certify, license and register appraisers to perform real estate appraisals in the state of South Dakota pursuant to Title XI (FIRREA). The purpose of the Program is to examine candidates, issue certificates, investigate and administer disciplinary actions to persons in violation of the rules, statutes and uniform standards, and approve and continue education courses. Title XI intends that States supervise all of the activities and practices of persons who are certified or licensed to perform real estate appraisals through effective regulation, supervision and discipline to assure their professional competence.

Appraiser Certification Program Advisory Council

Council members provide recommendations to the Secretary of the Department of Revenue and Regulation in the areas of program administration in order to sustain a program that is consistent with Title XI. The Council meets quarterly in public forum. See the website for meeting information. www.state.sd.us/appraisers

USPAP Q & A

USPAP Q & A
Vol. 8, No. 10, October 2006

Disclosure of the Intended User in a Report

Question: USPAP requires that each appraisal, appraisal review, or appraisal consulting report state the intended users of the assignment results. How can one determine if the intended user statement in a report is adequate?

Response: USPAP requires disclosure of the intended users in order to ensure that:

1. The client and any other intended users can recognize their relationship to the assignment and report; and
2. Unintended users will not be misled by "putting them on notice" that they are neither the client nor an intended user.

Therefore, the statement regarding the intended users must be sufficient to accomplish these objectives. The appraiser is not obligated to identify an intended user by name. If identification by name is not appropriate or practical, the appraiser may identify an intended user by type.

STATEMENT 9, Identification of Intended Use and Intended Users, provides an example of a statement that may be appropriate for inclusion in a report:

This report is intended for use only by (identify the client) and (identify any other intended users by name or type). Use of this report by others is not intended by the appraiser.

Disclosure of the Intended Use in a Report

Question: USPAP requires that each appraisal, appraisal review, or appraisal consulting report state the intended use of the assignment results. How can one determine if the intended use statement in a report is adequate?

Response: USPAP requires disclosure of the intended use to avoid misleading parties in possession of an appraisal, appraisal review, or appraisal consulting report. For additional clarity, one might also state that other uses are not intended. The use description provided in the statement must be specific to the assignment.

STATEMENT 9, Identification of Intended Use and Intended Users, provides an example of a statement that may be appropriate for inclusion in a report:

This report is intended only for use in (describe the use). This report is not intended for any other use.

Personal Property Appraisal Requirements

Question: I’m a personal property appraiser and I’ve been asked to donate my professional services to help raise funds for a charitable organization. The charity wants to hold an event where anyone can bring in their personal property items and, for a nominal fee (paid to the charity), receive my opinion as to the value of their item(s). This appears to be similar to television shows where people bring in their personal items to be valued. If I decide to participate, would my opinions be considered appraisals and if so, how could I comply with USPAP in performing these assignments?

The answer to the above question can be found at: www.appraisalfoundation.org
Vol. 8, No. 11, November 2006

Appraisal Fee Paid at Close of Financing Transaction

Question: I have a potential lending client that wants to arrange for my appraisal fees to be paid at the closing of each financing transaction. Does USPAP permit this fee arrangement?

Response: USPAP does not address the time frame for payment of fees. In the situation described there must be a clear agreement that the fee cannot depend on the closing of the financing transaction. Accepting an assignment where the appraisal fee is paid only upon successful closing of the transaction is a violation of the Management section of the ETHICS RULE:

It is unethical for an appraiser to accept an assignment, or to have a compensation arrangement for an assignment, that is contingent on any of the following:

1. the reporting of a predetermined result (e.g., opinion of value);
Question: Some of my clients include a condition in engagement correspondence that addresses future assignments for the same subject property. Specifically, my acceptance of the assignment requires that I agree to obtain client approval before I accept future assignments related to the subject from another party. Advisory Opinion 27, Appraising the Same Property for a New Client, states that USPAP does not require a release to accept the new assignment. Can I accept assignments where the client requires a release for future assignments related to the subject?

Response: Yes. Appraisers are often subject to agreements that exceed the requirements of USPAP. These additional client requirements are permissible so long as they do not conflict with the requirements of USPAP. Although USPAP does not require obtaining approval from a prior client before accepting an assignment to appraise the same property for a new client, a client can establish such a requirement.

Communicating Assignment Results Without a Written Report

Response: Yes. USPAP defines “report” as follows:

Any communication, written or oral, of an appraisal, appraisal review, or appraisal consulting service that is transmitted to the client upon completion of an assignment.

Therefore, verbally communicating assignment results constitutes an oral report under USPAP. The use of an oral report must be appropriate given the intended use of the assignment results, and the report must comply with the applicable reporting requirements (i.e. Standards Rules 2-4, 3-4, 5-4, 8-4 and 10-4). The Record Keeping section of the ETHICS RULE also requires that the appraiser’s workfile for an oral report include a summary of the oral report and a signed and dated certification.

USPAP Q&As can be found at: www.appraisalfoundation.org

Information Regarding Disciplinary Actions

Public information regarding disciplinary action taken against an appraiser is available upon written request to the Department of Revenue and Regulation, Appraiser Certification Program, 445 East Capitol Avenue, Pierre, SD 57501 or e-mail – Sherry.Bren@state.sd.us. Include in the request for information the name of the appraiser and the appraiser’s city and state of residence. (Disciplinary action may include denial, suspension, censure, reprimand, or revocation of a certificate by the department. (ARS 20:14:11:03))

Review of Cases – January 1, 2006 through November 16, 2006

For the period January 1, 2006 through November 16, 2006 the Department has received 16 upgrade applications and initiated 11 complaint investigations.

New Licensees – October/November

Ryan P. Johnson, State-Registered – Eagan, MN
David A. Lawrence, State-Registered – Sioux Falls, SD
Adam L. Lalim, State-Registered – Watertown, SD
Barbara J. Young, State-Registered – Mitchell, SD
Ted C. Goslinga, State-Certified General – Cedar Rapids, IA
Brad A. Flemming, State-Registered – Sioux Falls, SD
Wade A. Becker, State-Certified General – Bismarck, ND

Upgrades – 4 pending, 10 issued, and 2 agreed disposition
Complaints – 2 pending, 6 disciplinary actions; 1 voluntary surrender, and 2 closed with no action
Too often reports contain “boiler plate” information within the neighborhood section, site description and improvement sections. Each property has unique characteristics about it (i.e. neighborhood, specific zoning, lot size/shape, remodeling, recently replaced systems, deferred maintenance, to-be-completed items, distinctive amenities, etc.). These sections provide a great opportunity for the appraiser to really let the client know about the property, neighborhood and site.

By customizing these portions of the report to the subject property, it will enhance the clients’ idea of the real property being appraised and assist in understanding your thought process. Another comment related to this section is a not of consistency. Many times a comment is made about the property, but the effects on value are not carried through within the approaches to value. Inconsistency breeds questions. Always take the extra time to re-proof the report before it is sent to the client.

The Sales Comparison Approach is the meat of the report and the sales selection is critical. Comparables that are clearly not similar in neighborhood, location, size, age, style, etc. should be avoided. There may be cases where comparables are scarce and the appraiser has no choice but to go outside a defined neighborhood or use an older/newer sale. If so, it only makes sense to comment on your reasoning to assist the reader in understanding your thinking.

Most appraisers perform a good job in providing the details as it relates to making adjustments (i.e. reasoning for an adjustment, dollar amount, etc.). Keep up the good work! In some cases, no adjustment might be made, where it would seem on the surface, one might be warranted. In these instances, it is just as important to comment on your consideration as it relates to not making an adjustment. As always, all adjustments must be market derived/support. This is crucial to aid the reader in following the appraiser’s analysis.

Also within the Sales Comparison Approach, is the section that considers current listings/sales or prior sales history of the subject property. In some cases, it is only noted. It is imperative that the appraiser analyze the historical/current sale or listing as it relates to the estimated value. Again, let the client understand your opinion and how the listing or sale may or may not affect the estimated value. The Cost Approach deserves some added attention. Again, it is important to note consistency here as it relates to the source(s) used in deriving the cost approach numbers, use of depreciation/REL within the report, comments supporting the opinion of land and site value, etc. If the cost approach is developed, it is the appraiser’s responsibility to make sure that it is accurate, consistent and market supported.

Lastly . . . the Reconciliation. This is the closing opportunity for the appraiser to tell the client about the approaches to value that were or were not developed and why. Which approach deserves the most emphasis and why. And finally, lead the reader down your analysis path to the final concluded value.

We all know time is of the essence in getting reports to clients in a timely manner. The more the client understands your thoughts behind the analysis, the fewer questions they will have, and save all parties time in the long run.