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Connections

Official Publication of the
Association of Texas Appraisers, Inc.



Ace "Curt" Myrick, ATA-R
ATA President

I am writing this letter a week removed from Thanksgiving and still do not feel like my blood sugar or cholesterol are back to normal levels. I hope everyone enjoyed their holiday as much as I did.

It is good to reflect with friends and family while keeping an eye on the present and future. There are many adversities Appraisers face on a daily basis, but 2016 appeared to me, and the feedback I have received, to be a really good year for our profession. However, there are still hurdles out there we must get over together as Appraisal professionals.

This past September I was privileged to represent you as your President in Las Vegas at the annual Appraisal Summit & Expo, which was co-hosted by the National Association of Appraisers (NAA). The Summit is an industry-wide event and draws professionals from the entire country. The ATA sits on the Board of Governors of NAA, which I was elected as Chair to represent you and the State of Texas. There were many topics discussed during our State Appraisal Organizations meeting pre-conference, which were also discussed again at the Summit. The Summit is not only geared toward continuing education, but also an examination of the US appraisal industry and its future. It pains me to say many of the topics discussed are re-occurring themes in this industry.

One of the most discussed topics was the educational requirements to become a certified appraiser. The overwhelming consensus is the four

-year degree requirement and 2500 hours of apprenticeship is just too hefty. There are many professionals from the NAA and ATA making our voices heard on this topic and it does appear the AQB is listening. Other topics included state board regulations, turn time pressure, training the next generation of Appraisers, AMC's and of course, fees. These all lead to the main topic I want to touch on, Appraiser shortage.

There is a large divide on the topic of Appraiser shortage, many feel there is one and some do not. If there appears to be a threat to the consumer with regard to the present Real Estate Appraiser profession, then elected officials will make changes as they see fit. We can combat this by taking on trainees when able, diversifying the products we provide, educating ourselves more for future changes and making our voices heard. I feel very strongly that the Appraiser as a professional will be here for a long time.

The human element an Appraiser provides to the lending industry far outweighs any other product that is out there now or might be in the future. I feel the ATA's involvement with the NAA and the annual Appraisal Summit is very important to the advancement of the appraisal industry.

The ATA will also be providing additional CE courses in the upcoming new year such as Red Flags in Real Estate, Appraising Green Properties, and Introduction to Basic General Statistics. The upcoming meetings will be in Dallas in January, New Braunfels in February, Abilene in May and Houston in June.



I look forward to a very good year in 2017 for the ATA and the appraisal industry as a whole. Have a very Merry Christmas and a Happy New Year.

Curt

Upcoming Industry Meetings:

- Jan. 21—ATA DFW Meeting, Ft. Worth, TX
- Jan. 27—TAFAC, Washington, DC
- Feb. 3—ASB Public Meeting, Dallas, TX
- Feb. 24-25—ATA Mid-Year Meeting, New Braunfels, TX
- Apr. 7—AQB Public Meeting, Tampa, FL
- Apr. 7-9—AARO Meeting Tampa FL
- May 6—ATA Abilene Meeting, Abilene, TX
- May 17—NACAO, Palm Beach, FL
- June 10—ATA Houston Area Meeting, Houston, TX

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New Members

Welcome New Members

The ATA President and Board of Directors would like to welcome our newest members:

Sylvia Davila, Laredo

Gary Hall, Dallas

Etienne Quenneville, Grand Prairie



New Designated Members

Congratulations to those who were recently awarded designations:

Ed Gray, ATA-G

Steve Kahane, ATA-R

Jamie Wickliffe, ATA-G

If you are interested in applying for a designation with ATA, please go to our website, www.txappraisers.org, and click on the Membership link and download the Designation Application.

Third Exposure Draft of Proposed Changes for 2018-2019 USPAP

The Appraisal Foundation Appraisal Standards Board (ASB) is currently considering changes for the 2018-19 edition of USPAP. All interested parties are encouraged to comment in writing to the ASB before the deadline of **January 27, 2017**. Respondents should be assured that each member of the ASB will thoroughly read and consider all comments. Comments are also invited at the ASB public meeting on **February 3, 2017, in Dallas, Texas**.

Written comments on this exposure draft can be submitted by mail, email and facsimile.

Mail: Appraisal Standards Board
The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005
Email: asbcomments@appraisalfoundation.org

IMPORTANT NOTE: All written comments will be posted for public viewing, exactly as submitted, on the website of The Appraisal Foundation. Names may be redacted upon request.

If you have any questions regarding

the attached exposure draft, please contact Aida Dedajic, Standards Administrator at The Appraisal Foundation, via e-mail at aida@appraisalfoundation.org or by calling (202) 624-3058.

The Appraisal Foundation reserves the right not to post written comments that contain offensive or inappropriate statements.

The 3rd exposure draft addresses:

- *Definition of Report and Edits to the ETHICS RULE and the*
- *RECORD KEEPING RULE*
- *Definitions of Assignment, Assignment Conditions, Intended Use, and Intended User, and related edits to the COMPETENCY RULE*
- *Definitions of Assumption and Extraordinary Assumption Dividing STANDARD 3, Appraisal Review, into STANDARD 3, Appraisal Review, Development and STANDARD 4, Appraisal Review, Reporting*
- *Dividing STANDARD 6, Mass Appraisal, into STANDARD 5, Mass*

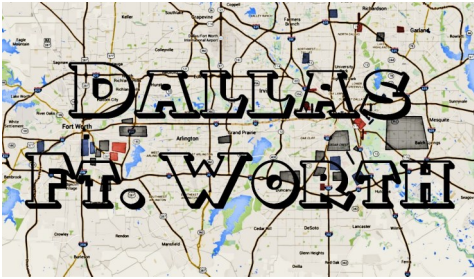
- *Appraisal, Development and STANDARD 6, Mass Appraisal, Reporting*
- *Removing the term Market Value from STANDARDS 7 and 8 Edits to the Personal Property Certification in Standards Rule 8-3 Advisory Opinion 37, Computer Assisted Valuation Tools Illustration in Advisory Opinion 21, USPAP Compliance Edits to Advisory Opinion 31, Assignments Involving More than One Appraiser*
- *Edits to Advisory Opinion 1, Sales History*
- *Edits to Advisory Opinion 32, Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*

For a copy of the exposure draft, go to www.appraisalfoundation.org, click on, Standards and Qualifications, Exposure Drafts and Appraisal Standards Board.

(ATA encourages all appraisers in the DFW area to attend the February 3 meeting.)

"When your work speaks for itself, don't interrupt." --Henry J. Kaiser

ATA Fort Worth Meeting



- environmental hazards, and much more.

The course will be held from 8 a.m. to 5 p.m.

Attendees will have the opportunity to network with fellow appraisal professionals.

Don't miss our **Ft. Worth Meeting**, Saturday, January 21 at the Hampton Inn & Suites, 4201 Reggis Ct., Ft. Worth, TX.

We will offer *Red Flags in Real Estate* an 8 hrs ACE/MCE* course. This course offers updated information for real estate professionals inspecting properties. Topics include:

- Asbestos
- hazardous vegetation
- structural problems

ATA has negotiated a \$109 sleeping room rate for this meeting at the Hampton Inn & Suites. To reserve your room, call (817) 952-3080. The **cut-off date for reservations is January 6**. Rooms will be available on a space/rate available basis after this date.

This course will also be offered in Abilene (May 6) and Houston (June 10).

To register for the DFW meeting, log on the www.txappraisers.org and click on the meetings tab.



ATA Mid-Year Meeting

Don't miss the **11th Mid-Year Meeting, February 24-25** at the Courtyard New Braunfels River Village, 750 IH 35 North, New Braunfels, TX 78130.

The following events will be held at this mid-year meeting:

- Friday morning - 8:00 a.m. - Noon - *TREC Legal I** (Separate Registration Fee)
- Friday afternoon - 12:30 p.m. - 1:00 p.m. - *Welcome and Association Update*
- Friday afternoon - 1:00 p.m. - 5:00 p.m. - *Appraising Green Residences, Part 1* (ACE and MCE* Approval Pending) - 4 hrs continuing education. This course will appeal to a wide variety of appraisers. It begins with an overview on green materials and techniques and



moves into relevant characteristics.

- Friday evening - 5:00 p.m. - 6:30 p.m. - *Networking Reception*
- Saturday - 8:00 a.m. - 5:00 p.m. - *Introduction to Basic General Statistics*** (ACE and MCE* Approval Pending) - 8 hrs continuing education. This course highlights core considerations of identifying the process by which appraisers analyze

comparable sales, rental, and discount rate/OAR data - via the use of basic general statistics. The Case Studies augment this process by making the appraisers think "out of the box" about the residential appraisal statistical issues in the case studies. This is a

hands-on curriculum requiring interactive participation throughout the entire eight (8) hours of the classroom experience.

- The ATA Board of Directors will meet Friday morning from 9:00 a.m. to 11:00 a.m.



A block of rooms have been reserved for ATA members at the Courtyard by Marriott River Village. Sleeping rooms are \$111 (plus tax) per night for single/

double rooms. **Reservations must be received by January 24**. After this date, reservations will be accepted on a space and rate availability basis. Call (800) 321-2211 and mention ATA to receive this discounted rate.

To register for either of these locations, log on the www.txappraisers.org and click on the meetings tab.

FannieMae Selling Guide Changes



Bobby Crisp, ATA-R
Chairman of the Board

Here's some new information provided by Diana Jacob & Bobby Crisp on a new update from Fannie Mae: Selling Guide An-

nouncement SEL-2016-09 dated December 6, 2016
Effective Date: Immediately!

EXCERPT:

Disclosure of Information to Appraisers: Currently, we require the lender to provide the appraiser with all amendments made to a sales contract, including amendments that are made after completion of the appraisal. With this update, we have clarified when the appraiser must be provided with updates to the sales contract and circumstances that warrant updates to the appraisal. For example, if the contract is amended in a way that affects the description of the real property used by the appraiser, then the lender must provide the updated contract to the appraiser and the appraisal should be updated. However, minor updates to the contract, such as changes to seller paid closing costs or changes to the contract price, do not require an updated appraisal. In addition, we have updated the policy to require disclosure of changes to financing information (such as loan fees and charges, and subordinate financing provided by interested parties) to the appraiser only for purchase transactions.

Effective Date: This policy update is effective immediately.

Conclusion: "changes to seller paid closing costs or changes to the con-

tract price, do not require an updated appraisal." This is a big deal...and effective immediately.

The new Selling Guide issued December 6, 2016, Section B4-1.1-05 goes into further detail (see pages 590-592)

B4-1.1-05, Disclosure of Information to Appraisers (12/06/2016)

Sales Contract Information

All financing data and sales concessions for the subject property that will



be or have been granted by anyone associated with the transaction must be disclosed to the appraiser, as appropriate. Typically, this information is provided in the sales contract. Therefore, the lender must provide, or ensure that the appraiser is provided with, a copy of the complete, ratified sales contract and all addenda for the property that is to be appraised.

Information Disclosed to the Appraiser

Financial Information

The list below includes items that must be disclosed to the appraiser on purchase transactions, if applicable:

- settlement charges,
- loan fees or charges,
- discounts to the sales price,
- interest rate buydowns,
- below-market-rate financing,
- terms of any subordinate financing provided by interested parties,
- credits or refunds of borrower expenses,
- absorption of monthly payments,
- assignment of rent payments, and
- any other information not listed above that impacts property value.

Property Information

The list below includes items that must be disclosed, if applicable:

- condo or PUD fees;
- non-realty items included in the transaction;
- any environmental hazard in or on the subject property or in the vicinity of the property that the lender is aware of or learns from the borrower, the real estate broker, or any other party to the transaction (see [B4-1.4-08, Environmental Hazards Appraisal Requirements](#)); and
- any other items that affect the safety, soundness, or structural integrity of a property of which the lender may be aware.

Contract Changes After the Appraisal is Completed

If the contract is amended after the

effective date of the appraisal in a way that does not affect the description of the property, then the lender is not required to provide the amended contract to the appraiser nor obtain a revised appraisal. Some examples of amendments that do not require the lender to provide the amended contract nor obtain revisions to the already-completed appraisal report include:

- sale price,
- transaction terms,
- financing concessions,
- seller-paid closing costs,
- names or initials,
- closing date, and
- correction of minor clerical errors such as misspellings.



The opinions and statements expressed herein are those of the individual authors and do not necessarily reflect the viewpoints of the Association of Texas Appraisers or of its individual members.

Sharpening Skills: Are Granny Flats Undervalued?



Kathy Price-Robinson
The Appraisers
Research Foundation

Whether you call them granny flats, in-law units, or something else, residential accessory dwelling units (ADUs) on residential properties excite municipal planners, homeowners, and others for social and environmental reasons. They are "green" by nature because of their small size and can provide great benefits to the owner.

But they can also perplex appraisers and other real estate professionals because of erroneous perceptions and various institutional policies that complicate lending on properties featuring ADUs.

To help clarify the estimation of value of residential properties with accessory units, researchers Martin J. Brown and Taylor Watkins conducted a study to test an income-based approach to valuation of properties with ADUs.

The research was supported by a grant from The Appraisers Research Foundation (TARF), a non-profit foundation that aims to facilitate the research, testing and report development of new methodologies and techniques or procedures to best serve the public who use, own or control property interests.

The study was based on 14 properties with ADUs in Portland, Oregon. Results indicate that an income approach yielded valuations considerably higher than actual sales prices, by 7.2% or 9.8% on average, depending on the formula used.

In total, ADUs contributed 25% or 34%, on average, to each property's appraised value. The conclusion is that valuation by income can increase appraiser insight as ADUs become more common.

Evolving Housing Landscape

Since 2000, dozens of U.S. municipalities have changed policies to encourage accessory dwelling units (ADUs), including Denver, Arlington, Santa Cruz, and Seattle. However, ADUs with legal permits remain relatively rare. In Portland, which is considered a leader in the accessory unit movement, a recent search showed only 431 permitted ADUs out of more than 148,000 properties where zoning would allow them. This is a market penetration of a paltry 0.3%.

Why the lack? Reasons may include restrictive local limits for size and density, parking requirements, and owner occupancy requirements. In some places there is local opposition to ADUs. Occasional news reports describe homeowner fears of crowding or loss of the "single family" feel.

Plus, recent pushback in communities of short-term rentals via AirBnB, VHBO (Vacation Homes By Owner) and other short-term rental companies may be a contributing factor. This leaves the appraiser who seeks comparables for properties with ADUs in a quandary.

"Perhaps as a consequence of this rarity," researchers Brown and Watkins noted, "we have observed frequent misunderstanding of this type of micro-development among appraisers, owners, brokers, and lending agents—as well as some spectacular variations in appraised values on the same property. There also appear to be variations among key national institutions in language and policy relating to ADUs. Real estate professionals at every level lack a consistent view of functional and monetary value of properties with ADUs."

To provide needed insight on the value of such properties, the researchers:

- Defined the qualities of ADUs.

- Described the complications of appraising such properties.
- Tested two income-based formulas for valuing properties with ADUs in Portland.
- Used elementary statistics to test several questions about the relationship of these valuations to actual sales prices.

Defining an ADU

An ADU is a small, self-contained dwelling, typically with its own entrance, cooking, and bathing facilities, which shares the site of a larger single unit home. It may be attached, as in the case of a basement apartment, or detached, as in the case of a backyard cottage. An ADU is not a separate property; it has the same owner as the primary dwelling.

Properties with permitted ADUs are similar to duplexes in that there are two independent dwellings on a property with single ownership, but whereas a duplex typically offers two roughly equivalent dwellings within a single building envelope, an ADU is usually significantly smaller and less prominent architecturally than the primary dwelling. In some jurisdictions, owner occupancy is required in one unit, while the other may be legitimately rented out. In other jurisdictions, such as Portland, both units may be rented.

ADUs are typically less than 800 square feet, and could be a significant resource for an aging homeowner. ADUs encourage informal caregiving and companionship, since in practice many are rented to friends and relatives. The potential to create legitimate income from rent is a crucial part of the ADU concept.

But while there are relatively few permitted ADUs, there are tens, or perhaps hundreds of thousands of illegal ADUs nationwide. A San Francisco study estimated more than 20% of residential buildings contained an illegal secondary unit.

The fact that there are so many unpermitted ADUs, the researchers noted, which are often the only kind local brokers and lending agents know about, real estate listings may downplay the

(Continued on page 6)



Are Granny Flats Undervalued? (con't)

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rentability of units that are, in fact, fully permitted.

Approaches to Valuation

The sales comparison approach for ADUs requires multiple recent sales of very similar properties. This kind of data is often difficult to find. The cost approach to value, which might be a useful alternative, can be problematic because of fluctuations in land values and the costs of construction in rising or falling markets. The result is a high degree of variation and perhaps subjectivity. The researchers noted estimates of the contributory value of the same permitted ADU range from \$10,000 to \$100,000.

Meanwhile, income-based valuations are the foundation of commercial and investment real estate valuation. This is true even for duplexes. "Any property that generates income can be valued using the income approach," says the Appraisal Institute, in which "an appraiser derives a value indication for an income-producing property by converting its anticipated benefits [i.e. cash flows] into property value." Income-based valuations rely on the relationship of market rents to sales prices, data that can be relatively abundant and tractable, since there is less need to find exacting sales comparables.

The majority of American mortgages are for single-unit properties and are originated by banks whose intention is to resell the loans to government sponsored enterprises such as Fannie Mae and Freddie Mac. Often these loans are supported by agencies such as the U.S. Dept. of Housing and Urban Development (HUD), the administrator of the FHA mortgage insurance program. These agencies have their own wording for ADUs and standards for properties, which the mortgage originator must heed for the loan to be marketable. This affects appraisals.

Fannie Mae does not use the term "ADU" in its single-family Selling Guide, however it will purchase loans on properties with illegal units — referred to as "accessory units" — a situation for which it provides detailed

guidance. It will also purchase loans on properties with legal accessory units, "if the value of the legal second unit is relatively insignificant in relation to the total value of the property." Freddie Mac's position is that: "a property may have an incidental accessory unit that is incidental to the overall value and appearance of the subject property." HUD uses the wording "accessory dwelling units," and also stresses their subordinate nature; if the ADU is too similar in size, it is a "secondary unit" requiring a different appraisal form, and more than likely a different lending program.

These guidelines suggest that if an ADU is encountered, it is likely to be illegal, and it may (and perhaps



should) be given only insignificant or incidental contributory value.

The case of a legal ADU, where an owner can receive market rent and the contributory value might be estimated with the income approach, is barely touched upon. Indeed, Freddie Mac states: "appraisals that rely primarily on the income or cost approaches to value in order to estimate market value are unacceptable."

This state of affairs may flow from a mismatch between the setting and legal use of properties with ADUs. A house with a legal ADU offers a seeming contradiction: a two-unit, income-producing property in single unit zoning.

In some cases, though local governments may permit the use of ADUs,

appraisers and loan originators tend to apply generic single-family-zone standards from national institutions. The originators and appraisers then struggle with topics such as HUD's distinction between a "second unit" and an ADU, and whether the income from rent can be included in qualifying the borrower for lending.

"We speculate that as a result of these dynamics, appraisers and originators are likely to be extremely conservative with contributory values for legal ADUs, to the point where the accuracy of valuations may be compromised," the researchers note.

Testing an Income Approach to Value

To estimate the true value of legal ADUs, the researchers searched the RMLS listings for properties with ADUs that had sold between late 2006 and summer 2011, found 14 that reflected low- to mid-level Portland properties, and applied income-based valuations to them. They then compared those results to actual sales prices.

In Table 1, the researchers provide a summary of the properties they studied and the key results.

Appraised values using the income approach were typically higher than sales prices. Using the rent discount formula, appraised values exceeded actual sales prices by an average of \$29,067 or 9.8%. Using the land discount formula, appraised values via income exceeded sales prices by an average of \$21,121 or 7.2%.

By either formula, ADUs provided a substantial proportion of appraised value. In the land discount scenario, contributory values for ADUs ranged from \$67,460 to \$152,157, or 17% to 38% of total appraised value. The average contributory value was \$99,706 or 25%.

In the rent discount scenario, contributory values for ADUs ranged from \$93,406 to \$210,679, or 23% to 48% of the total property value. The mean contributory value was \$137,183 or 34%.

Are Granny Flats Undervalued? (con't)

While both the land discount and rent discount formulas give similar total appraised values, the land discount formula assigns more of that value to the primary unit.

Practical Matters

When a working appraiser encounters a residence with an ADU, they should immediately consider the highest and best use of the property, and the format or institutional form their reporting will use.

"In our experience," the researchers note, "applying the income approach to a residence with an ADU creates a scope of work that is similar to the appraisal of a duplex."

Fannie Mae Form 1025 — For an income approach, the most appropriate form might be Fannie Mae form 1025, the Small Residential Income Property Appraisal Report, frequently used for 2-4 unit income-producing properties. It can describe the particularities of a property with an ADU and report the development and results of the income approach to value.

Fannie Mae form 1004 — As an alternative, it is commonly used for single-family-residence appraisals, but is flexible enough to adequately describe a house with an ADU.

Fannie Mae Form 1007 — This will be necessary to report the opinions of market rent, one for each home. Additional analysis and discussion can be included in the Income Approach section of the 1004 form as well as any type of Comment Addendum.

Conclusion

For working appraisers, an income approach to value can provide valuable perspective to the sales comparison approach when the property features an ADU. This should be especially useful when precise comparables are rare. Over the long term, though, given their growing popularity, appraisers may eventually find them common. For more information, contact the research project's co-author Martin J. Brown at <http://martinjohnbrown.net>.

Table 1. Statistical summary of properties	Mean	Std. Deviation	Minimum	Median	Maximum
PROPERTY CHARACTERISTICS					
Square footage of primary unit (finished sf)	1,552	424	912	1,536	2,111
Square footage of accessory unit (finished sf)	608	230	420	487	1,176
Sale Date	2/16/2009	n/a	12/7/2006		6/3/2011
Sale Price	\$379,557	\$99,489	\$198,000	\$384,950	\$506,500
LAND DISCOUNT FORMULA					
Monthly GRM for primary unit	197.9	35.7	147.9	194.6	268.3
Monthly GRM for ADU (incorporates land discount)	126.5	34.8	87.8	114.5	210.9
Corrected rent for primary dwelling	\$1,520	\$321	\$1,005	\$1,568	\$1,971
Corrected rent for ADU (\$)	\$802	\$129	\$556	\$847	\$1,000
Contributory value of primary (based on income)	\$301,601	\$81,827	\$159,427	\$318,486	\$417,629
Contributory value of ADU (based on income)	\$99,076	\$21,833	\$67,460	\$94,605	\$152,157
Property value by income (V)	\$400,678	\$91,839	\$256,778	\$433,730	\$503,485
Difference between valuation and actual	\$21,121	\$40,982	(\$32,056)	\$16,024	\$116,733
Difference between valuation and sale price	7.2%	12.5%	-6.7%	6.0%	33.4%
RENT DISCOUNT FORMULA					
Monthly GRM for primary unit	197.9	35.7	147.9	194.6	268.3
Monthly GRM for ADU	194.6	53.5	135.0	176.1	324.5
Corrected rent for primary dwelling	\$1,368	\$289	\$904	\$1,412	\$1,773
Corrected rent for ADU	\$722	\$116	\$501	\$762	\$900
Contributory value of primary (based on income)	\$271,441	\$73,645	\$143,485	\$286,637	\$375,866
Contributory value of ADU (based on income)	\$137,183	\$30,230	\$93,406	\$130,991	\$210,679
Property value by income (V)	\$408,624	\$88,939	\$272,660	\$440,890	\$508,098
Difference between valuation and actual	\$29,067	\$44,207	(\$29,322)	\$21,410	\$128,182
Difference between valuation and sale price	9.8%	14.2%	-5.9%	5.1%	37.7%

(Reprinted with Permission from WorkingRE: Editor's Note: This story, funded in part by The Appraisers Research Foundation (TARF), shows appraisers how to more accurately appraise an accessory dwelling unit.)

Possible vs. Probable



Dustin Harris
The Appraiser Coach

Recently, there was a news story out of Atlanta, highlighting an appraiser who had refused to 'rubber-stamp' a purchase price with an appraised value to

what an individual is willing to pay for it. Market value, rather, is defined in part as, "...the most probable price which a property should bring in a competitive and open market" (Fannie Mae Selling Guide). In other words, an appraiser is looking at value from the standpoint of what the average buyer would most likely pay given current market conditions – not what a single or even a select few are willing to pay.

What is possible, is not always what is probable. A good way to look at this is not from the perspective of how high a price a property might sell for, but how low. If you were a potential buyer, would you be willing to purchase the current house you live in for \$1? Of course you would. Does that mean it is only worth a \$1? Of

match. What followed was an increasingly disturbing trend to find another appraiser who would. According to the story (which was full of holes and unknowns), the second appraiser ignored comps in the subject's neighborhood and found sales in a superior location to help support the purchase price.

This situation was talked about on social media and a man who identified himself as a real estate agent commented, "The value is what the buyer is willing to pay. The appraiser gets the contract and it is their job to find data to support whatever THE BUYER agreed to pay." Hmmm. Why hire an appraiser in the first place then? If this agent is correct (which he is obviously not), a buyer should be able to show the purchase contract to the bank and a loan should be issued on the spot.

Though the agent's shortsighted comment was blatant (frankly, I question the authenticity as it just seems so completely nuts to me), this kind of thinking is not isolated to a few individuals. It is often played out as I speak with agents and homeowners, and it is not confined to purchases. Many people mistakenly believe that value for a property is based on

Value is not based off of what a single person is willing to pay, but rather what is MOST LIKELY given the law of substitution (a buyer's agency to pick another, competitive property).

course not as you would be unwilling – as the owner – to sell for that price. Likewise, you would likely be willing to sell your current residence for \$10,000,000, but good luck finding a willing buyer at that price. Value is not based off of what a single person is willing to pay, but rather what is MOST LIKELY given the law of substitution (a buyer's agency to pick another, competitive property).

This principle also plays out, not just with total property values, but with smaller components as

well. I work in a fairly rural area. It is not uncommon to have a homeowner ask me, "I am thinking of building a shop on my property? Will that bring my value up?" Well, in most cases the answer to that question is, "yes." However, it is very unlikely that the value gained by the shop will exceed the cost to build it. That fact does not always dissuade them from forking out the cash to build their shop however (because the utility to them is high), but the typical buyer will not pay a dollar-for-dollar value increase because the 'average buyer' will fall somewhere in the continuum between the person who loves shops more than the house itself and one who despises shops and wishes they were all burned to the ground.

Appraising is all about market conditions. Market conditions are all about probabilities and not necessarily possibilities. So no, it is not the appraiser's job to find the comps to support whatever a single buyer is willing to pay.

www.appraisercoach.com

Dustin Harris is a successful, self-employed, residential real estate appraiser. He has been appraising for nearly two decades. He is the owner and President of Appraisal Precision and Consulting Group, Inc., and is a popular author, speaker and consultant. He also owns and operates The Appraiser Coach where he personally advises and mentors other appraisers helping them to also run successful appraisal companies and increase their net worth. His free podcast can be listened to on iTunes and Stitcher. He and his wife reside in Idaho with their four children. He has recently relapsed on his addiction to Swedish Fish.

**POSSIBLE VS.
PROBABLE**

Association of Texas Appraisers - Meeting Registration Form

DFW Meeting—January 21

Ft. Worth, TX

Name: _____ Name for Badge: _____

Address: _____ E-Mail: _____

_____ Phone: _____

Early Bird Fee (January 6):

Member	\$100
Non-Member	\$200
Guest Lunch (not for attendees)	\$20

After January 6:

Member	\$120
Non-Member	\$240
Guest Lunch (not for attendees)	\$20

Member TREC Legal I	\$30
Non-Member TREC Legal I	\$40

Total Due \$ _____

Mail Registration and Payment:

Association of Texas Appraisers

13530 Escort Drive
San Antonio, TX 78233

Register and Pay On-line:

www.txappraisers.org (Scroll down on the home page and select the appropriate meeting. Go to the bottom of the meeting page and it will take you to Pay Pal.)

Registration form and payment must be received by Jan. 16. No refunds after Jan. 16.

For more information, contact:
Teresa Walker at (210) 837-7123
(info@txappraisers.org)

Schedule

Saturday, Jan. 21

7:30 a.m.	Breakfast
8:00 a.m. - Noon:	<i>Red Flags in Real Estate</i>
Noon - 1:00 p.m.	Lunch (included with your registration fee)
1:00 p.m. - 5:00 p.m.	<i>Red Flags in Real Estate (con't)</i>

Don't forget to make your **Hotel Reservations.**

ATA has negotiated a \$109 sleeping room rate for this meeting at the Hampton Inn & Suites. To reserve your room, call (817) 952-3080. The **cut-off date for reservations is January 6**. Rooms will be available on a space/rate available basis after this date.

Association of Texas Appraisers - Meeting Registration Form

11th Mid Year Meeting—Feb. 24-25

New Braunfels, TX

Name: _____ Name for Badge: _____

Address: _____ E-Mail: _____

_____ Phone: _____

Early Bird Fee (on or before Feb. 10):

Member	\$130
Non-Member	\$260
Guest Lunch (not for attendees)	\$20

After Feb. 10:

Member	\$150
Non-Member	\$280
Guest Lunch (not for attendees)	\$20

Member TREC Legal I	\$30
Non-Member TREC Legal I	\$40

Total Due \$ _____

Mail Registration and Payment:

Association of Texas Appraisers

13530 Escort Drive
San Antonio, TX 78233

Register and Pay On-line:

www.txappraisers.org (Scroll down on the home page and select the appropriate meeting. Go to the bottom of the meeting page and it will take you to Pay Pal.)

Registration form and payment must be received by Feb. 20. No refunds after Feb. 20.

For more information, contact:
Teresa Walker at (210) 837-7123
(info@txappraisers.org)

Schedule

Friday, Feb. 24

8:00 a.m. - Noon	<i>TREC Legal I</i>
11:30 a.m.	Registration
12:30 p.m. - 1:00 p.m.	Welcome and ATA Update
1:00 p.m. - 5:00 p.m.	<i>Appraising Green Residences, Part 1</i>
5:00 p.m. - 6:30 p.m.	<i>Networking Reception</i>

Saturday, Feb. 25

7:30 a.m.	Breakfast
8:00 a.m. - Noon:	<i>Introduction to Basic General Statistics</i>
Noon - 1:00 p.m.	Lunch (included with your registration fee)
1:00 p.m. - 5:00 p.m.	<i>Introduction to Basic General Statistics (con't)</i>

Don't forget to make your **Hotel Reservations.**

A block of rooms has been reserved for attendees at the Courtyard by Marriott River Village. Sleeping rooms are \$111 (plus tax) per night for single/double rooms. Reservations must be received by Friday, January 24. After this date, reservations will be accepted on a space and rate availability basis. Call (800) 321-2211 and mention ATA to receive this discounted rate.

TALCB Corner

Mark Your Calendars:

The next TALCB meeting is scheduled for February 10 at 10:00 am. The meeting will be held at:

Stephen F. Austin Building, Room 170
1700 North Congress
Austin, TX 78701

live streaming
button.

If you are not able to attend, log on to www.talcb.texas.gov and click on the



ATA Awards/Scholarship

Don't forget ATA's **Regional Outstanding Service Awards**. If you feel someone is deserving of one of the Awards, you can nominate them for an Outstanding Service Award. The DFW Outstanding Appraiser nomination is due by January 6 and South Central Texas Outstanding Appraiser by February 10. Here is a link for the guidelines and application form. <http://www.txappraisers.org/ATA%20Awards.pdf>. You can also self-nominate.

Also, if you'd like to nominate (or even self-nominate) for the **Pospisil Scholarship**, please click on this link for the guidelines, procedures and application. <http://www.txappraisers.org/Scholarship.pdf>. It only takes a couple of seconds to nominate someone.



From ATA Board of Directors and Staff

ATA 2016-2017 Board of Directors

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Teresa Walker, Executive Director