

Appraisal Review What and Why?

Presented by
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2012 AASHTO Subcommittee on Right of Way and Utilities Conference

*Marriott Waterfront Hotel – Portland, Oregon
April 29 to May 3, 2012*



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Introduction

- Issues
- Regulatory Component
- Review of Mortgage Loan Appraisals vs. Acquisition Appraisals
- Practical Issues

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Issues

- Why do we appraise the appraisal?
- Why not review the engineering work or other contractors?
- Is it required?
- Even so, is it practical or necessary

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Regulatory Component

- What does the Uniform Act say?
 - The Agency shall have an appraisal review process and, at a minimum: (a) A qualified review appraiser shall examine the presentation and analysis of market information in all appraisals to assure that they meet the definition of appraisal found in 49 CFR 24.2(a)(3), appraisal requirements found in 9 CFR 24.103 and other applicable requirements,

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Regulatory (cont)

- Uniform Act goes on to say
 - The review appraiser shall identify each appraisal report as recommended (as the basis for the establishment of the amount believed to be just compensation), accepted (meets all requirements, but not elected as recommended or approved), or not accepted.

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Regulatory (cont)

- Does USPAP require a review?
 - Silent on the issue of need for review
 - Does set standards for the process
 - Scope of Work
 - Extraordinary Assumptions
 - Certification

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Mtg Loan vs. Acquisition Appraisal Review

Mortgage Review

- Serves audit function
- Mortgage Appraisals are whole property
- Subject to USPAP, Banking Regs

Acquisition Review

- Serves audit function
- DOT App. may include:
 - Partial Acquisitions, Damages, Larger Parcel issues, Easements
- Subject to Uniform Act, USPAP, Court Precedent, State Regs, Agency Policy

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Mtg Loan vs. Acquisition Appraisal Review

- Bank reviewer may never see or speak with appraiser, may not ask for corrections
- DOT Reviewer should discuss scope, work with appraiser to arrive at acceptable report.

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DOT Reviewer Acts as Bridge

- Between technical appraisal process and agency policy
- Keeps appraiser aware of issues unique to this type of appraisal, precedent, etc.
 - Noncompensable items, Cost to cure, Larger parcel, Access, Damages, Enhancement
- Provides appraisal interpretation to agency personnel and attorneys

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Practical Issues

- Graying of Appraisal Profession
 - Higher entrance requirements, lower reward
- Even good appraisers not always familiar with unique challenges of this niche (DOT appraisals)



Practical Issues (cont)

- What about non-complex appraisals? Is a review really necessary for them?
- No. That is why FHWA devised the Appraisal Waiver which does not require a review.

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Practical Issues (cont)

- Mistakes can cause big problems further down the road.
- Better to get it right at the outset.
- With increasing outsourcing, oversight responsibilities leave little choice but to have well trained review cadre

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Conclusions

- Appraisal Review is required by the Uniform Act
- Professional Appraisal process is essential to protect both the property owners affected and the taxpayers
- DOT Appraisals are often complex. The guidance and oversight provided by review is a prudent response to our obligations.

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