BOR and the Independent Fee Appraisal

In the past the independent fee appraisal was a valuable tool for the BOR to consider as it examined the valuation of a parcel of real property. The appraisers were generally "independent" and worked for a firm who, in turn, worked for a local financial institution. The appraisal documents could, generally, be depended upon to represent a reasonable estimate of the market value of the subject parcel of property.

This is no longer true. A number of factors have entered the equation which render the "independent fee appraisal" of little value for Board of Revision use. This brochure sets forth some of the changes, and the reasons the independent fee appraisal has very little value for the BOR.

Factor 1 - the independent fee appraiser no longer works or is a client for the local financial institution who is making the loan. All appraisal assignments come through what is known as Appraisal Management Companies (AMC). There are basically less than 50 AMC's operating across the United States.

The AMC is a profit-making enterprise. They solicit a wide variety of appraisers to complete the projects which they have available. The appraiser is required to submit a bid relative to the dollars and time to complete the assignment. The assignment is given to the lowest bidder, whether the individual has knowledge of the area or market in which the subject parcel exists. Therefore, you have a substantial loss in jurisdictional knowledge and competence.

Factor 2 - the bidding process has substantially reduced the fee of the independent fee appraiser. Consequently, they simply don't have as much time to spend on developing the value as they once did. It was very common in years gone by that an independent fee appraiser would be able to accomplish two appraisals per day. The standard is much higher today because the fee is so much lower and the turnaround time is also very short for completing the project and submitting it to the appraisal management.

Factor 3 - each AMC has a series of underwriting guidelines that the appraiser must comply with in order to complete the project. The AMC guidelines are comprised of 22 pages of do's and don'ts that each appraiser must agree to before they receive any assignments from that AMC. In addition, each financial institution has a series of underwriting guidelines they must comply with in the completion of an appraisal. The underwriting guidelines can make a very substantial difference in the value developed by the independent fee appraiser.

An example of the control over value is to require an estimate of selling time. If they, for example, ask the appraiser to complete an independent fee appraisal and tell said appraiser they need to estimate the property will sell in 180 days, the appraiser will develop a value under that concept. If the request is to give an estimate of value for the property to sell in 30 days, the value will be substantially different. Therefore, the financial institution and the AMC have the opportunity to control the general range of value to be developed by establishing underwriting guidelines and requirements.

Factor 4 - there are also a series of rules and regulations promulgated by the federal government and requirements for the completion of any appraisal for a federally financed transaction, which most transactions are today. Those rules and regulations are substantially different than the laws in the administrative code of the State of Ohio for establishing market value as of the tax lien date.

Factor 5 - with no access to the underwriting guidelines from which the independent fee appraisal was conducted, we do not know the required selling time given to the appraiser, or the other terms and conditions under which the appraisal was completed.

Conclusion - these factors substantially lessen the value of the independent fee appraisal to the Board of Revision (BOR). The BOR is charged with the evaluation of the evidence presented by the complaining party to determine whether they have met their burden of proof. The values contained on the Auditor's tax list and Treasurer's duplicate are presumed to be correct unless upset by weight of evidence. Once the BOR determines that the property owner has met their burden of proof then the property owner has a further burden to demonstrate what the values should be by presenting evidence, facts, income and expense statements, comparable properties, and other similar "proof" that the BOR can evaluate.

Oftentimes, in recommendations, the technical advisor may suggest that the property owner presented no competent or probative evidence upon which the BOR may rely. In today's world that almost always includes the residential independent fee appraisal.

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