



APB Valuation Advisory #8

Voluntary Guidance on Recognized Valuation Methods and Techniques:

Collection and Verification of Residential Data in the Sales Comparison Approach

This communication is for the purpose of issuing voluntary guidance on recognized valuation methods and techniques.

Date Issued: 11/1/2016

Application: Residential Real Property, One to Four Unit

Issue: As part of its ongoing responsibilities, the Appraisal Practices Board (APB) is tasked with identifying where appraisers and appraisal users believe additional guidance would be helpful. One issue identified by the APB is the *Collection and Verification of Residential Data in the Sales Comparison Approach*.

The purpose of this document is to provide guidance to appraisers who are collecting and verifying data to be used in the sales comparison approach for residential properties. This Valuation Advisory (Advisory) is one of two that will be issued by the APB on collecting and verifying data. The APB is in the process of developing a companion advisory on the *Collection and Verification of Data used in the Sales Comparison Approach for Non-Residential Properties*.

Subject Matter Experts: The APB established a Subject Matter Expert (SME) Panel to assist on this topic. The APB members express their sincere gratitude to the following SMEs for volunteering their time and expertise in contributing to this document:

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Collection and Verification of Residential Data in the Sales Comparison Approach

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Section I: Introduction and Outline

1 Whether developing a single-property appraisal or utilizing a mass appraisal system to develop
2 opinions of residential property values, the collection and the verification of sales data are two
3 very important aspects of the appraisal process. Collection and verification of sales data may
4 occur during all phases of appraisal, however, it occurs most often after an acceptable scope of
5 work has been developed. While this Advisory will briefly discuss the scope of work, the main
6 focus will be on the collection and verification of sales data. Disclosing, retaining, reporting, and
7 analysis of data will not be discussed in any detail.

8 This Advisory contains:

- 9 • A limited discussion on *scope of work*
- 10 • An introduction to *data*
- 11 • A limited discussion on the *collection* of sales data
- 12 • A detailed discussion on the *verification* of sales data

13 *Note: while the concepts addressed herein may apply to many different types of property, this*
14 *Advisory is focused on data collection and verification for residential real property (in both*
15 *single-property and mass appraisal).*

Section II: Scope of Work

16 The amount of data collected and how that data is verified are directly related to the scope of
17 work. *Scope of work*¹ defines the amount and type of work necessary for data collection,
18 confirmation, verification, and analyses for each appraisal assignment. This Advisory, however,
19 will only discuss scope of work as it relates to the collection and verification of sales data.

20 The SCOPE OF WORK RULE was introduced into USPAP effective July 1, 2006, with three
21 steps: (1) problem identification; (2) scope of work acceptability; and (3) disclosure obligations.
22 Problem identification and scope of work acceptability are covered in this Advisory, while step
23 three, disclosure obligations, is not.

24 2.1 Problem Identification

25 To determine the appraisal problem to be solved for each assignment, identify the following six
26 elements:

- 27 • client and any other intended users;
- 28 • intended use of the appraiser's opinions and conclusions;
- 29 • type and definition of value;
- 30 • effective date of the appraiser's opinions and conclusions;
- 31 • the subject of the assignment and its relevant characteristics; and
- 32 • assignment conditions.²

33 Each of these six elements is discussed below.

34 2.1.1 Client (and any other Intended Users)

35 A client may be an individual, a group of individuals, or an entity. Since clients have different
36 appraisal problems they need solved, proper identification of the client is necessary to help direct
37 the type and amount of sales data needed, as well as the appropriate amount of verification for
38 that sales data.

39 2.1.2 Intended Use

40 An appraisal is developed for a specified intended use. Some uses require minimal amounts of
41 easily verifiable data (for an explanation of the various types of data, see Section III). Other uses
42 require substantial amounts of data, which may or may not be verifiable. For example, a
43 litigation assignment may require extensive verification of very specific sales data, while an
44 assessment office for a very large metropolitan city may only be able to randomly verify their
45 data due to the time constraints and staffing levels.

46 2.1.3 Type and Definition of Value

47 Different types of value include fair market value, market value, actual value, marketable cash
48 value, replacement value, disposition value, liquidation value, value in use, value in exchange,
49 and others. It is necessary to identify the type of value used in an assignment because each has its
50 own definition.

¹ Page 4, lines 128-129 of the 2016-2017 *Uniform Standards of Professional Appraisal Practice* (USPAP) defines scope of work as "the type and extent of research and analyses in an appraisal or appraisal review assignment."

² This includes extraordinary assumptions and hypothetical conditions (neither of which are covered in this advisory).

51 Consider some of the differences between liquidation value and market value:³

| Liquidation Value | Market Value |
|--|--|
| Consummation of a sale will occur within a severely limited* future marketing period specified by the client. | The consummation of the sale will occur in a competitive and open market under all conditions requisite to a fair sale. |
| The seller is under extreme compulsion to sell. | Buyer and seller are typically motivated . |
| A limited marketing effort and time will be allowed for the completion of the sale. | A reasonable time is allowed for exposure in the open market. ⁴ |

**Any bold emphasis in this chart was added for illustrative purposes only.*

52 Liquidation value assumes a seller is under extreme compulsion to sell and will accept a price
53 below the typical market, while market value assumes normal market conditions and
54 motivations. Collection and verification of sales data will vary depending on which data points
55 are most relevant to the opinion of value being sought.

56 *2.1.4 Effective Date of Appraiser's Opinions and Conclusions*

57 Value is not static; it continually changes as the many different market forces (see 3.1.1) interact.
58 To translate these shifting forces into an opinion of value, appraisers (in concert with the client)
59 select a specific date called the “effective date,” which is similar to taking a snapshot of the
60 market at that time. The effective date can be a retrospective date (including the distant past), a
61 current date, or a prospective date into the future. Effective Dates are important because what
62 may be relevant to a property on one specific day, may not be on any other day.

63 Because data constantly changes over time, the verification process is greatly impacted by the
64 effective date. Typically, the less current the effective date, the more the data or the data sources
65 become unavailable. As such, some appraisals can only be completed using the lowest levels of
66 verification (see 5.4) while others may require higher levels of verification. Thus, the effective
67 date impacts the quality and quantity of data available as well as how much and to what level
68 sales data can be verified. However, an older effective date in and of itself does not relieve an
69 appraiser of the obligation to perform appropriate due diligence verifying data wherever
70 possible.

³ Both definitions are adaptations from www.investopedia.com.

⁴ Not all definitions of market value require a reasonable exposure time. An example of this is Treasury Regulation §1.170A-1(c)(2), which defines fair market value for noncash charitable contribution purposes as “the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts.”

71 *2.1.5 The subject of the Assignment and its Relevant Characteristics*

72 Appraisers determine which property characteristics are relevant based on the market segment
73 applicable to the assignment. The four categories of property characteristics are legal, physical,
74 locational, and economic. Examples of each include:

| Legal: | Physical: | Locational: | Economic: |
|--------------------|------------------|------------------------|-----------------------------|
| Building Codes | Square Footage | View | Taxes |
| Zoning | Outbuildings | Neighborhood | HOA Dues |
| Historic Districts | Updating | Street Access and Type | Rental History |
| Deed Restrictions | Floorplan | Proximity to Highway | Income: Photovoltaic System |

75 It is not possible to develop an adequate scope of work without being able to distinguish relevant
76 property characteristics from those that are minimally relevant to value. Therefore, when
77 collecting and verifying sales data, it is reasonable to concentrate more on those data points
78 related to a property's relevant property characteristics and attempt the highest levels of
79 verification (see 5.4) for those property features that relate most directly to solving the appraisal
80 problem.

81 *2.1.6 Assignment Conditions*

82 Assignment conditions may include:

- 83
- 84 • published and nationally recognized requirements and/or guidelines (Internal Revenue
85 Service, Fannie Mae, Department of Transportation, Employee Relocation Council,
86 Federal Housing Authority [FHA], International Association of Assessing Officers
87 [IAAO])
 - 88 • conditions specific to one client or one appraisal assignment
 - 89 • regulations (including laws or orders that have legal force and are issued by a regulatory
agency)

90 Some assignment conditions may address the verification process (see **TABLE 1** below).
91 Therefore, if there are assignment conditions addressing the verification process that are
92 considered applicable by the appraiser, the appraiser must comply with those assignment
93 conditions (provided compliance allows for credible assignment results). If such assignment
94 conditions are mandatory for the assignment but do not allow for credible assignment results, the
95 appraiser must decline or withdraw from the assignment as required by USPAP.

TABLE 1- Examples of Specific Requirements and/or Guidelines Regarding Verification

Secondary Market Requirements and/or Guidelines (examples)

Fannie Mae Selling Guide B4-1.3-07 (Dated 04/15/2014)

“Examples of verification sources include, but are not limited to, the buyer, seller, listing agent, selling agent, and closing documents in certain situations. Regardless of the source(s) used, there must be sufficient data to understand the conditions of sale, existence of financing concessions, physical characteristics of the subject, and whether it was an arms-length transaction.”

Uniform Appraisal Standards for Federal Land Acquisition, Section B-4, Page 38

“Verification must be accomplished by competent and reliable personnel, and if the case goes into condemnation, the sale must be personally verified by the appraiser who will testify.”

FHA Handbook 4000.1 (Effective 09/14/2015)

“The appraiser must verify the characteristics of the transaction (such as sale price, date, seller concessions, conditions of sale) and the characteristics of the comparable property at the time of sale through reliable data sources.

The Appraiser must verify transactional data via public records and the parties to the transaction: agents, buyers, sellers, Mortgagees, or other parties with relevant information. If the sale cannot be verified by a party to the transaction, the Appraiser may rely on public records or another verifiable impartial source.

MLS records and property site visits alone are not acceptable verification sources.”

Veterans Affairs Pamphlet 26-7 (Revised), Chapter 11: Appraisal Requirements, Section 7: Selection and Analysis of Comparable Sales (Effective October 1, 2008, Change 8)

“A single data source is adequate if it provides quality sales data verified by closed transactions. Sales data provided by a party to the sale or financing of the subject property must be verified by a secondary data source or a party without an interest in the transaction.”

Fannie Mae Form 1004/Freddie Mac Form 70, Appraiser’s Certification #10 (Effective March 2005)

“I have verified, from a disinterested source, all information in this report that was provided by parties who have a financial interest in the sale or financing of the subject property.”

State Requirements and/or Guidelines (examples)

Colorado Real Estate Manual (Adopted July 11, 2003), Chapter 3, #CP-30

“An appraiser can facilitate...safeguards by adherence to the following:

- Research and confirm subject property and comparable sales, including obtaining details of the contract and financing terms.
- Research and confirm all relevant information about a transaction, including determination of seller paid costs....”

Oregon Administrative Rules 161-025-0060(5)

“All licensees must disclose in all appraisal reports whether the comparable sales analyzed in the appraisal report were or were not confirmed by a party to the transaction or an agent or representative of a party to the transaction.”

Professional Association Standards (examples)

International Association of Assessing Officers (Approved November 2010)

The IAAO has a 35-page document titled the “Standard on Verification and Adjustment of Sales.” It is therefore, not reasonable to quote their lengthy guidelines for verification beyond their introductory statement of “sales should be verified to determine whether they reflect the market value of the real property transferred.”

Laws (examples)

State of Colorado Statute 38-1-118

“Any witness...may state the consideration involved in any recorded transfer of property...which was material and relevant, which was examined and utilized by him in arriving at his opinion, if he has personally examined the record and communicated directly and verified the amount of such consideration with either the buyer or seller.”

“Best Evidence Rule” (the following is a general statement which indirectly addresses verification)

“The best evidence rule applies when a party wants to admit as evidence the contents of a document at trial, but that the

original document is not available. In this case, the party must provide an acceptable excuse for its absence. If the document itself is not available, and the court finds the excuse provided acceptable, then the party is allowed to use secondary evidence to prove the contents of the document and have it as admissible evidence. The best evidence rule only applies when a party seeks to prove the contents of the document sought to be admitted as evidence.”⁵

Specific Client Requirement (example of an Assignment Condition)

RELS, effective March 18, 2014 via an email to all appraisers

“When validating the date and actual sale price of a new construction comparable sale, you may encounter instances where the public records have not yet been updated to reflect this information; especially when using recently closed sales. In these instances, an appraiser may verify this information by reviewing an executed copy of the HUD-1 Settlement Statement from the builder’s file. Similar to when public records are utilized, all comparable sales information should be verified by a minimum of two independent verification sources. All of which must be properly disclosed within the appraisal report.”

96 **2.1.7 Conclusion**

97 The six elements of problem identification summarized above are used to identify the appraisal
 98 problem. Once the appraisal problem is identified, a scope of work can be developed. Scope of
 99 work includes the verification process, which may vary by assignment. Not every assignment
 100 will require every data point to be verified to the highest level (see 5.4).

101 To demonstrate how different appraisal problems may each require a different scope of work as
 102 well as a different level of verification, refer to **TABLE 2**. While **TABLE 2** does not address
 103 verification in great detail (instead, it focuses on scope of work), it is provided to demonstrate
 104 that different levels and amounts of verification are appropriate and acceptable for different
 105 assignments involving the same property. When reading the following examples, keep in mind
 106 that each scenario builds on the preceding scenario and is therefore presented in chronological
 107 order.

**TABLE 2:
 How Different Appraisal Problems Impact
 Scope of Work**

| Example 1 | | | | | |
|---|--|--|---------------------------|---|---|
| Client: An Estate | | Effective Date: Two months in the future from November 15, 2014 | | | |
| Client: | Intended Use: | Type of Value: | Effective Date: | Subject: | Assignment Conditions: |
| An estate (via a personal representative of the estate). There are four siblings who are beneficiaries of the estate. | To make decisions regarding selling the residence in the immediate future. | Disposition value (with prospective value). | Two months in the future. | Conforming tract residence. Homogenous, stable subdivision. | Client restrictions (noted below) on amount and type of data to be collected. |

The client lives out of state and has a limited understanding of the subject’s market area. The client knows the property is located in a very homogenous subdivision and marketing times are well over six months. The client’s goal is not to necessarily sell the residence at market value but to sell the residence in less than two months. The client requires an oral appraisal report, an indication of value range for the subject, and only a minimal amount of data and verification of the data. The appraiser concludes a credible appraisal can be produced with these assignment conditions and the client understands the limitations of the final value opinion.

⁵ https://www.law.cornell.edu/wex/best_evidence

Some specific elements of the acceptable scope of work for this assignment include emphasis on:

- data related to current active and under contract properties
- data related to forecasting values into the near future
- understanding how limited marketing times impact property value
- examining the range of values, marketing times, and price trends in the subdivision for similar residences

And less emphasis on:

- historical sales data
- a highly detailed verification process and, instead, performing a lower level of verification of MLS data

Example 2

Client: Conventional Lender Effective Date: January 20, 2015

After the four siblings receive a market value range of \$139,000 to \$155,000 from the appraiser, they compare this range to a \$140,000 cash offer they received from a buyer who was willing to close in one week. The siblings accepted the offer because they were motivated to sell. This new buyer purchases the residence on January 15, 2015, for \$140,000 cash and then decides to finance the residence with a conventional loan. In this instance, the client is the lender.

For this assignment, the lender has specific requirements regarding what data points to verify and with whom the appraiser should verify those data points. The lender also has guidelines such as the minimal number of comparable sales the appraisal will report, and a time frame within which those comparables sold. The appraiser accepted the lender's specific requirements and produced credible assignment results within these parameters. The final opinion of market value was \$150,000, with an estimated exposure time of six months.

Example 3

Client: Relocation Company Effective Date: May 30, 2016

After the owner purchased the residence, he was relocated. Now, the client is the relocation company. The relocation company does not want a market value appraisal; rather, they request an "anticipated sales price" appraisal, with an estimated marketing time of no more than four months.

In this instance, the appraiser is more concerned with where the market is going and less concerned with where it has been. As such, the data points verified will focus more on details that involve pending sales, active listings and available financing. The final opinion of the anticipated sales price is \$148,000.

Example 4

Client: New Homeowner Effective Date: January 2, 2017

The relocation company places the residence on the market on June 15, 2016, with a list price of \$148,000. The residence sells on June 29, 2016 for \$146,000. On January 2, 2017, the new homeowner discovers the residence had undisclosed major sewer backup issues. The homeowner is now the client. The homeowner requests the appraiser to appraise the residence as-is (i.e., with its now-known defect) for potential litigation purposes.

The data collection will now include locating sales of residences that sold with defects. The verification process is very intense and involved. The appraiser interviews sellers, buyers, listing agents, and repair contractors of the various damaged residences. The final opinion of market value is \$120,000.

Example 5

Client: County Treasurer Assessment Date: January 1, 2017

The property now needs to be assessed; however, a Municipal or County Assessor is not usually a "client," but instead the valuation specialist for each jurisdiction's ad valorem taxation system. The client is often the government or taxing authority, or may be specifically outlined in state laws. The assessor's appraisal information is often used by municipal or county treasurers to determine and notify property owners of property tax liability. Since this type of assignment is different than the examples listed above, further explanation and detail is being provided.

The assessing office maintains a database of detailed property data, parcel and plat information, sales data, transaction information, ownership records, and other useful information. Many assessor offices employ appraisers, data collectors, analysts, administration personnel, geographical information system (GIS) technicians, and other

professionals to gather, analyze, and process information to be entered into a computer assisted mass appraisal (CAMA) system for mass appraisal application. The level of verification by each assessor office varies. Procedures, laws, funding, processes, and other variables may influence the type and amount of data collection and verification. Verification of sales data may be limited to reviewing sales lists or conveyance documents, or can involve a comprehensive sales confirmation program including conversations with market participants, brokers, agents, developers, builders, as well as gathering information from additional professional networks.

In our example, the assessor will likely review the recorded transfer or conveyance documents and process ownership changes. Some states may require a transfer declaration that will help the assessor understand the conditions and details of the sale, and in some cases indicate if any personal property was included. Declarations may be confidential or contain confidential data. Contact with property owners and market participants is not uncommon to confirm arm's-length transactions to be used in the mass appraisal valuation system and may lead an appraiser to ignore unqualified transactions. Information is detailed and a higher level of verified data may exist. In many markets, limited data exists to value each and every type of residential property in designated regions, counties, municipalities, or areas.

Information from the two sales of the subject will be included in the assessor's database. Data collection period specifications will indicate whether or not the sales may be used for ad valorem valuation for a given tax year. In the subject property's jurisdiction, the statutory data collection period ends on June 30, 2016, while the appraisal date for property assessment is January 1, 2017, the assessment date. Dependent on the conditions of sale or improvements or changes to the property, the sale most representative of the market on the appraisal date will generally be given more weight in the valuation model and included in time trend analyses. Often it is the sale closest to the appraisal date, which is usually the end of the data collection period.

The first sale on January 15, 2015, for \$140,000, falls within the data collection period, but will likely be disqualified as a sale under duress or a liquidation sale. Where limited data exists to value similar properties, the sale may need to be used for valuation with possible market adjustments for conditions of sale. In our case, higher quality data exists closer to the appraisal date with the sale of the subject on June 29, 2015, for \$146,000. The transaction is arm's length, but should be noted as a relocation sale, which may or may not impact sale price. Additional analysis will indicate if further research is necessary to determine a distinct impact based on this relocation condition.

When the defect is discovered, an inspection may be performed and a cost-to-cure adjustment to the property record may be applied. State and local tax laws will impact whether a property tax adjustment will be applied for any given assessment year or prorated for part of a year based on the date of discovery. Depending upon the applicable jurisdiction, the subject would be valued as if the defect did not exist.

The subject is valued for assessment based on market indicators that are combined into the valuation model. There is not enough information provided to estimate a precise value. Changes in market conditions between the date of sale and appraisal date will need to be accounted for. Based on the information given, it is likely the assessor's actual value for 2017 will fall between \$140,000 and \$160,000. In the subsequent year an adjustment for the defect may be applied, likely reducing the value to between \$110,000 and \$130,000.

108 **2.2 Scope of Work Acceptability**

109 In the most simple terms, “the scope of work is acceptable when it meets or exceeds: the
110 expectations of parties who are regularly intended users for similar assignments; and what an
111 appraiser’s peers’ actions would be in performing the same or a similar assignment.”⁶ An
112 acceptable scope of work is developed based on the identified elements (i.e., any other intended
113 users, intended use, type of value, effective date, subject of the assignment, and assignment
114 conditions), and on information discovered during the course of the assignment. As illustrated in
115 the previous examples, the scope of work may vary as the assignment elements change. This
116 includes the part of the scope of work that pertains to the verification process.

117 Because the range of possibilities for scope of work is broad and thus impractical to cover in
118 their entirety, three examples are provided: **TABLE 3** provides information related to general
119 scope of work options, while **TABLE 4** and **TABLE 5** provide more assignment-specific scope
120 of work examples.

⁶ The Appraisal Foundation, *2016-2017 Uniform Standards of Appraisal Practice* (Washington, DC: The Appraisal Foundation, 2016): 15.

TABLE 3: Scope of Work – General Options

General Scope of Work Options to Consider

This table shows a small sampling of the innumerable options an appraiser has to create an acceptable scope of work.

Not every available option is noted in this table, nor are all appropriate for every assignment.

Property Identification Options

- The appraiser visited the property on a specific date and viewed the interior and exterior of the residence. By inspecting the property, the appraiser was able to perform a more detailed identification of the property than by merely referencing information that could have been obtained from reliable sources without an inspection, such as address, location, etc.
- The appraiser never visited the property and relied on one or more of the following:
 - a prior appraisal completed by the appraiser
 - an appraisal completed by another appraiser
 - assessor property data
 - MLS listings of the property
 - interviews with the homeowner
 - plans and specs from the builder
 - historic information from a historical society
 - photo and/or video depiction of the subject property

Physical On-Site Inspection of the Property Options

- The appraiser never inspected the property.
- The appraiser inspected the property in one or more of the following ways:
 - by physically measuring the property
 - interior / exterior photographs
 - viewing (or not viewing) a crawl space and attic
 - by walking (or not walking) the entire site
 - by opening (or not opening) all closed doors
 - from the air only
 - from the front only

Type of Data Researched Options

- The appraiser researched only sales in the immediate subdivision.
- The appraiser researched sales in the appraiser-defined neighborhood
- The appraiser checked for area land sales with one or more of the following:
 - in the MLS
 - directly with the county assessor office
 - via a local builder
- The appraiser checked cost data with one or more of the following:

- cost data service provider
- local contractor

Extent to Which the Data was Verified Options

- All (or some) listing and/or selling agents for the comparable sales were interviewed.
- None of the real estate agents for the comparable sales were interviewed.
- The sales data reported with the assessor office was considered reliable and not further verified.
- The sales data reported with the assessor was verified with the original documents from the clerk and recorder’s office.

TABLE 4: A Scope of Work with Lower Levels of Verification

Scope of Work Decisions for a Specific Assignment - Simple

Summary of the Appraisal Problem: Developing an Opinion of How Zoning Impacts a Property’s Value

As part of a current day, market value appraisal for a federally regulated lending client seeking to make a conventional loan on the property, the appraiser is to determine the subject’s zoning designation and definition.

The subject is a typical, conforming single-unit residence located on a 6,000 square foot lot in a very large, platted subdivision. The subdivision consists of all similar lot sizes and only four different models of residences, all of which were built by the same builder between one and four years ago. During a visit to the subject property, the appraiser observes the lot is similar in size, shape, terrain, and utility to all other lots in the subdivision. The residence has normal setbacks and no readily observable or disclosed adverse conditions, easements, or encroachments. The property sold a year ago for \$360,000. The residence is currently listed for sale for \$375,000 and is under contract for \$374,000.

Scope of Work:⁷

Minimal research is anticipated. The appraiser plans a scope of work that will include researching the zoning designation and definition for the subject. Fannie Mae requirements apply. *Uniform Standards of Professional Appraisal Practice* (USPAP) applies.

Data Sources Utilized to Verify Zoning Conformity:

- 1) The plat map of the subject’s subdivision to verify site size
- 2) The county or municipality’s online interactive zoning map
- 3) The county or municipality’s land use handbook with the definition of the identified zoning designation

Verification Process: The appraiser noted every lot in the platted subdivision has an identical zoning designation of “Residential, 5,000 square foot lot size minimum.” Every lot has a residence that is similar in design, quality, size and age. Having geographic competency in the area, the appraiser has no apparent reason to suspect the subject’s zoning compliance is anything other than legal and conforming. Thus, when nothing unusual was noted, the appraiser concluded that no further verification was necessary. The appraiser went on to: (1) report the

⁷ Because these are very broad, generalized examples, the presented solutions are not set forth as recommendations but are reasonable solutions for this example. The information presented may not represent the only solution and the solution provided may not be applied equally to similar situations.

specific zoning class of the property; (2) provide a general statement as to what the zoning permitted (i.e., one-unit properties); and (3) disclose the extraordinary assumption⁸ made about the property being legal and conforming (and the fact that this could impact the conclusions and opinions reached).

Conclusion: The zoning was verified (see 5.4) using only the four sources listed above. The appraiser did not go on to interview land use employees, request a zoning determination letter or study the zoning manual in great depth as it would be beyond the necessary scope of work for this specific assignment. This was an acceptable level of verification for this assignment. This could be considered a lower level of verification compared to the next example.

TABLE 5: A Scope of Work with Higher Levels of Verification

Scope of Work Decisions for a Specific Assignment – More Complex

Summary of the Appraisal Problem: Developing an Opinion of How Zoning Impacts a Property's Value

As part of a current day, market value appraisal for a federally regulated lending client, the appraiser must determine if a vacant site is buildable. The vacant site is the subject property.

The subject is the smallest (1.9 acre) vacant lot in a subdivision that was platted in the year 1910. The subdivision consists of 30 lots that range from 1.9 to 5 acres in size, with the average lot being 3 acres. Of the 30 lots, 28 have 80- to 90-year-old residences built on them. The only two vacant lots are the subject's 1.9-acre lot and the contiguous 3-acre lot. The subdivision is located on the west slope of a mountain, and all of the lots vary greatly in shape, terrain and views. The subject site has the best view in the subdivision, yet it has always been a vacant lot. The lot was listed for sale one year ago for \$30,000 (and did not sell). It is currently listed for sale for \$1,200,000 and under contract for \$1,000,000.

Scope of Work:

Extensive zoning research is anticipated. The appraiser anticipates the scope of work will include completing research to answer questions such as the following:

- Why has this lot remained vacant?
- Does the lot have an unusual shape, or improper and/or inadequate access?
- Does the terrain impact use in any way?
- Has the zoning designation ever changed in the subdivision? Should it be? Can it be?
- Why did the list price increase so dramatically in a short time? Are there zoning issues that need to be resolved or that have been resolved?
- Is the lot buildable according to the land use and/or building department requirements?
- If this is an unbuildable lot, is assemblage with the contiguous lot a reasonable possibility to create a buildable lot?

Data Researched:

- Zoning designation and legal description for the subject's lot and subdivision
- Effective date for zoning land use regulations/restrictions for this specific property. Do they restrict residence size? Are there driveway requirements (steepness, width, etc.)?
- Proximity to utility hookups (if any)
- Land use/zoning for the area
- Land use assemblage possibilities, procedures and costs
- Details of the sale – contract review (if available in the ordinary course of business), deed review, contact with buyer/seller, motivations of the buyer/seller
- Interview with land owners and neighboring property owners
- Interview with land use department employees
- Survey of lot

⁸ In this example, an extraordinary assumption is necessary since this particular zoning municipality requires properties to undergo formal zoning reviews before they will guarantee a property is legal and conforming. Since this is a lengthy process and was beyond the scope of work in this example the situation warranted making this extraordinary assumption.

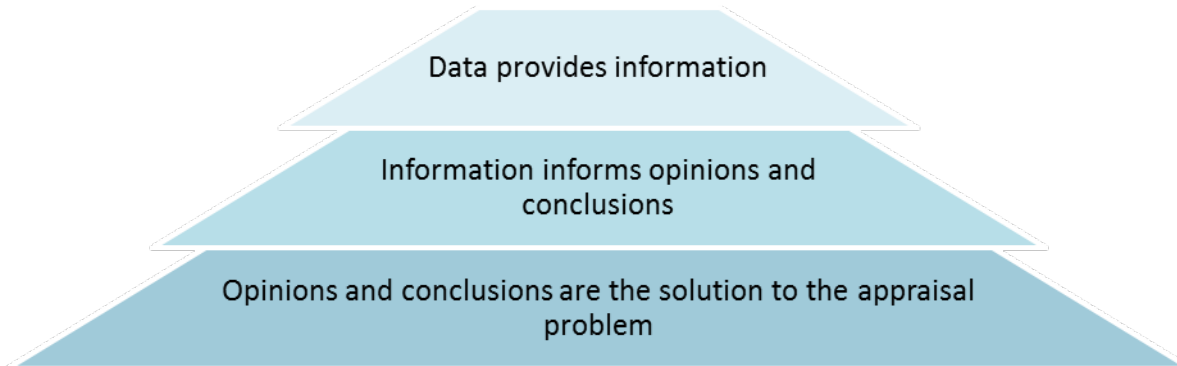
- Property owner's records and paperwork pertaining to the lot

Conclusion: After some preliminary research, considerable evidence was uncovered indicating this lot was not likely to be buildable without first being assembled with the neighboring lot. The \$30,000 list price was before assemblage was possible. The \$1,000,000 sales contract stipulates that the lot will be assembled with the neighboring lot and that assemblage must occur before the sale is consummated. In this case, a general scope of work was planned, but the scope of work remained fluid as the appraiser performed research and analysis related to development of the assignment. This research and analysis provided answers to various appraisal problems and as a result the scope of work changed throughout the appraisal process.

Note: The assessor's office will place the sale on a nonqualified list for statistical analyses due to the multiple lot nature of the sale. The assessor should examine the details of the sale, and if it is determined to be an arm's-length transaction, the assessor may use the sale in establishing land values for similar lots.

Section III: Data

121 Data is derived from information. It can exist in any format and have any level of reliability,
 122 relevance, or applicability to an appraisal assignment. Once processed, data becomes information
 123 that is utilized for making decisions. Data does not, however, provide answers. Answers are
 124 developed and result from having experience in dealing with data and having knowledge related
 125 to a specific appraisal assignment. In other words:



126 Different data types and sources are appropriate in different situations. Because of this, it is not
 127 possible to provide a list of all the data types and sources used to solve specific appraisal
 128 problems. There is no “best” data or source applicable for all appraisal assignments.

129 USPAP⁹ recognizes this and instead of directing the appraiser to select data based on specific
 130 criteria, instead it addresses how to utilize available data:

| USPAP Rules and Standards (note: any type in bold has been added for emphasis only) | | |
|--|---|--|
| Record Keeping | The workfile must include...all other data, information, and documentation necessary to support the appraiser’s opinions and conclusions... | USPAP 2016-2017, page 11, RECORD KEEPING RULE, lines 312 and 319-320 |
| Appraisal Development | In developing a real property appraisal an appraiser must reconcile the quality and quantity of data available and analyzed within the approaches used... | USPAP 2016-2017, page 21, Standards Rule 1-6(a), lines 635-637 |
| Appraisal Reporting | The content of an Appraisal Report must be consistent with the intended use of the appraisal and at a minimum... summarize the information analyzed... | USPAP 2016-2017, page 24, Standards Rule 2-2(a)(viii), line 728 |
| Appraisal Reporting (Restricted) | The content of a Restricted Appraisal Report must be consistent with the intended use of the appraisal report and, at a minimum... reference the workfile... | USPAP 2016-2017, page 26, Standards Rule 2-2(b)(viii), line 79 |
| Appraisal Review | Information that was not available to the original | USPAP 2016-2017, page 31, |

⁹ There is no precise statement that makes this declaration in USPAP 2016-2017. This is a generalization.

| | | |
|------------------------------|---|--|
| | appraiser in the normal course of business may also be used by the reviewer; however, the reviewer must not use such information in the reviewer’s development of an opinion as to the quality of the work under review. | Standards Rule 3-2(g), lines 966-968 |
| Appraisal Review (Reporting) | The content of an Appraisal Review Report must... state which information...in the work under review that the reviewer accepted as credible...and...at a minimum, summarize any additional information relied on... | USPAP 2016-2017, page 34, Standards Rule 3-5(i)(i-ii), lines 1072-1076 |
| Mass Appraisal | ... identify the...market information required to perform an appraisal... | USPAP 2016-2017, page 43, Standards Rule 6-4(a), line 1306 |

131 USPAP describes what to do with data by using verbs such as *reconcile*, *state*, and *summarize*.¹⁰
132 This is an acknowledgment of the role that data plays. Appraisers do not control what data is
133 available in the market. The expectation, therefore, is not to only look for a certain type or
134 quality level of data, but to look to the market for the data it can provide and then address how
135 that data was utilized.

136 Data is, by nature, subject to insufficiencies and weaknesses. Additionally, data is fluid and on
137 some levels, open to interpretation. When an appraiser makes such interpretations, opinions
138 result.

139 Opinions can only be reached by completing an appropriate level of research and analysis and by
140 applying acceptable methodologies that produce credible assignment results.¹¹ This is why an
141 appraisal is defined as “...an opinion of value...”¹² and not as a rendering of something that can
142 be mathematically derived with raw data.

143 Because of data fluidity, it is highly probable that no two appraisal assignments (if any) would
144 have identical data availability and considerations. This can hold true even if the same appraiser
145 were appraising an identical property, under identical assignment conditions, but on two
146 consecutive days. Just having access to data, in other words, does not help define or solve an
147 appraisal problem.

148 No one data set (or source) can solve all appraisal problems, or even be correct all the time. And,
149 while the preferred appraisal practice would be to compare multiple data sources and points, this
150 is not always possible. An opinion about data is derived only after weighing the strengths and
151 weakness of available data and its sources.

¹⁰ It should be noted these verbs are used in very different contexts. Reconcile (along with collect, analyze, etc.) are development/scope of work actions. State and summarize are reporting actions that apply not only to data but also to opinions and conclusions.

¹¹ While this statement is generally referring to USPAP 2016-2017, SCOPE OF WORK RULE, Page 15, lines 427-428, it is important to note that the entire USPAP document addresses the numerous and exact Standards and Rules under which an opinion of value is to be developed.

¹² The Appraisal Foundation, *2016-2017 Uniform Standards of Appraisal Practice* (Washington, DC: The Appraisal Foundation, 2016): 8.

152 Data quality and quantity are impacted by who is gathering the data as well as how it is obtained,
153 compiled, coded, presented, and verified. The best data comes from sources where the data is not
154 only timely, consistent, and credible, but is most closely aligned with solving the appraisal
155 problem.

156 In the end, data only becomes pertinent once it has been interpreted and deemed as relevant to
157 solving a specific appraisal problem. Finding and interpreting the correct data, therefore, is
158 subject to the development of an appropriate scope of work and then to understanding the traits
159 of the various data points. However, before applicable data can be collected and verified, it is
160 necessary to first understand what data is and how it is classified.

161 *End Note: Data, Collateral Underwriter, and Other Analytical Tools*

162 Frequently, market participants have specific data (solicited or unsolicited) that they ask the
163 appraiser to consider. This type of request could occur at any point in the appraisal process—
164 including after the appraisal has been completed. One example of this is in relation to Fannie
165 Mae’s Collateral Underwriter® (CU™).

166 Fannie Mae identifies CU™ as a tool for lenders that “...provides an automated appraisal risk
167 assessment to support proactive management of appraisal quality.” CU™ contains proprietary
168 analytics available only to lender clients, but not to appraisers. CU™ compares many specific
169 data points in an appraisal report (such as the above grade square footage, bedroom count, sale
170 date, sale price, etc.) to other data available to CU™, including other appraisals submitted to
171 Fannie Mae. It then reports significant deviations between its data and the appraiser’s data to the
172 lender client.

173 If the lender concludes further information is needed, appraisers may be asked to provide either
174 additional data or an explanation of why their data points differ from data that they have
175 provided previously or are different from data provided by other appraisers in that market.
176 Although Fannie Mae does not allow the lender to share screen shots or output reports from CU™
177 with the appraiser, the lender may use CU™ to inform its conversation with the appraiser. If
178 appraisers are asked to address data that they have no access to or knowledge of, they can request
179 clarification from the lender. This is intended to discourage the lender from just sending the CU™
180 output report to the appraiser for resolution without first considering the materiality of the
181 findings.

182 The appraiser is able to manage such requests by relying on the appraisal process. Appraisers
183 typically need to be prepared to defend their opinions and conclusions, especially in regards to
184 the specification and characteristics of their data and to how that data was utilized. The client
185 cannot dictate what data appraisers should use, or how they should use it, but they can question
186 appraisers’ data and how the data was interpreted.

187 As noted, this is just one example and CU™ is not the only analytical tool that lenders may use to
188 supplement their appraisal quality control activities. Lenders have long had access to other
189 technology and data sources to assist with their assessment of the appraisal, and many of these
190 tools are still widely used today.

191 **3.1 Data: Types**

192 Appraisal data is classified by type (a type is “a category of...things having common
 193 characteristics”¹³). Data types are both *general or specific* and *primary or secondary* and they
 194 originate from different sources. Different data sources also have different characteristics.
 195 TABLE 6 includes examples of data sources and some of their characteristics.

| <i>TABLE 6: Characteristics of Various Data Sources</i> | |
|---|---|
| <i>Publicly available data collected by others</i> | |
| <i>Assessor Records</i> | Assessors maintain information on every property located in their county, municipality or jurisdiction. While they continually update the records and data, they are not always the first ones to receive information regarding changes made to a property. Thus, while most data is reliable, there may be a lag in database updates. Individual data points may need to be independently verified with other sources. |
| <i>Published Studies</i> | Published studies typically consist of general or macro data. They are useful in reviewing trends and providing indications of market activity. |
| <i>Building Departments</i> | Depending on the level of detail maintained for every permit, building departments are often excellent sources of primary data. |
| <i>Land Use Departments</i> | Local jurisdictions may provide zoning information and specific property use restrictions including easements, dedications, buildable status, and planning data. |
| <i>Federal Data</i> | May indicate flood plains, weather patterns, potential hazards, or benefits (e.g., mining) of area. |
| <i>Private Companies</i> | May provide any level of data or verification dependent on business model. May charge a fee for information. |

| <i>Subscription based data sources</i> | |
|--|---|
| <i>Multiple Listing Services</i> | The main intent of MLS data is for real estate agents to advertise, sell, and buy properties; therefore, all information is formatted, presented, and retained in a way that best facilitates agents’ requirements or needs. Some MLS systems also facilitate appraisers’ needs. Typically, the information is valuable to appraisers and may be even more so in non-disclosure jurisdictions. |
| <i>Data Aggregators</i> | Data aggregators’ products are typically based on public records and supplemented by companies that blend and aggregate data from other sources to create a more complete data set than any individual data source can provide. Examples include blended property records based on public records data combined with primary data (taken from appraiser inspections) and then supplemented by MLS and/or other data found throughout the life of a mortgage loan. |
| <i>Data Cooperatives</i> | Data cooperatives exist in certain parts of the country and “pool” primary data source information for use by a peer group/cooperative base. When providing data to a data cooperative, appraisers must be aware of and comply with USPAP’s confidentiality provisions. |

¹³ Oxford Dictionaries Online, s.v. “type,” accessed May 3, 2016, http://www.oxforddictionaries.com/us/definition/american_english/type.

| | |
|-------------------------------|---|
| Construction Cost Data | Cost data is available from, for example, cost service providers who collect national cost data. Additionally, cost data may be obtained from local developers, builders, and construction companies. |
|-------------------------------|---|

| Other data sources | |
|-----------------------------|---|
| Depositions | Depositions are sworn evidence. Depositions typically have a high level of reliability based on the assumption of truth. |
| Leasing Information | Provides information for use in the income approach; may be used to develop local capitalization rates. May indicate if investor activity is prevalent, and may impact sale prices. |
| Construction Budgets | Builders produce cost figures when constructing a residence. The builder or homeowner, however, might choose not to disclose such information. |
| Title Companies | Lenders and title companies have access to a significant amount of data relating to the transactions they are processing for their customers. This data is potentially limited because of confidentiality/privacy issues; however, it may sometimes be used as a secondary source when available. |

| Data compiled by the appraiser | |
|---------------------------------------|--|
| Real Estate Agent Interviews | Local real estate agent and/or broker data is valuable in markets where an MLS is not in use, or those where sales are not commonly placed in the MLS. Local market real estate agents and brokers may have additional data that is not generally available to the public even in locations where there is an MLS. In addition, local agent or broker data can supplement the MLS or other sources, especially regarding property characteristics such as condition, quality, and deferred maintenance as well as the conditions associated with the sale. |
| Builders | Builders may be able to provide data regarding sales transactions, costs and amenities that are not reported in MLS or other data sources. (Note: Appraisers should be diligent in analyzing the use of data obtained from builders. For instance, the appraiser should verify that sales data provided by builders are not the combination of separate purchases of the land and structure used to “create” a sale price. This process is referenced in Certification 8 on Fannie Mae’s standard 1004 forms. |
| Homeowner Interviews | Can assist in ascertaining the condition of property, updates or remodels, sales transaction information, and motivations of sale. |
| Property Manager Interviews | Helpful to determine income and expense information, vacancy rates, and property condition. |
| Property Inspection | Useful to glean detailed property information such as additions, remodels, updates, locational influences, and property characteristic (including land) influences. |

General data pertains to real estate values and information in general. Or, more precisely, “Data that relates to the four forces that affect real property values- social, economic, governmental, and environmental forces. This type of data is usually not specific to any particular property but is applicable in many assignments of similar types of properties. Also known as macro-level data.”¹⁴

198 An example of a conclusion reached using general data is:

199 *“The MLS systems’ trend report indicates values for condo units in the metro area have,*
 200 *on average, increased 10% over the last year.”*

201 General data can include any combination of national, regional, or local market data. General
 202 data is the result of various social, economic, governmental, and environmental forces acting
 203 separately or together to influence macro real estate trends. General data is what is used to
 204 produce information about real estate values on a very broad level; it is therefore not directly
 205 related to any one specific property.

206 Generic sources of general data¹⁵ include:

| Social: | Economic: | Governmental: | Environmental: |
|--------------------|---------------------|---------------------------|------------------------|
| Demographics | Credit availability | Zoning | Flood plains |
| Crime statistics | Rental rates | Land-use master plans | Superfund sites |
| Population changes | Property values | Local annexation policies | Animal migration paths |
| Education levels | Disposable income | Taxation policies | Terrain |
| Unemployment rates | Vacancy rates | Availability of utilities | Climate |

207 Individual sources for general data¹⁶ include:

| Social: | Economic: | Governmental: | Environmental: |
|-------------------|------------------------------|------------------------------|--------------------------|
| US Census Bureau | Council of Economic Advisors | Department of Transportation | US Dept. of the Interior |
| US Dept. of Labor | Marketwatch.com | Department of Energy | |
| | Bankrate.com | | |

208 General data for all categories can also be found at www.commerce.gov. A more complete
 209 directory of sources providing free general data can be found on the internet under the search
 210 term “List of Federal Agencies in the United States.” Additionally, a current article listing
 211 searchable general databases was published in the Summer 2015 edition of *The Appraisal*
 212 *Journal*, titled “Resources for Real Estate Analysts and Valuers: Searchable Database
 213 Websites.”¹⁷

¹⁴ *The Dictionary of Real Estate Appraisal*, 6th Edition (Chicago: Appraisal Institute, 2015), 99.

¹⁵ Some items noted in this list may fit in more than one category. The list is for information purposes only.

¹⁶ Some sources may provide data that will fit in more than one category. This list is for information purposes only.

¹⁷ Written by Don L Swango, PhD, MAI, SRA

Specific data pertains only to a specific property.¹⁸ Or, more precisely, “Details about the property being appraised, comparable sale and rental properties, and relevant local market characteristics”¹⁹

215 An example of a conclusion reached using specific data is: “Additional research in the Big MLS
 216 system indicates, as the result of flood damage in the subject’s building, values for units identical
 217 to the subject property have declined, on average, 15% over the last year.”

218 Specific data typically only includes local data,²⁰ and property-specific supply and demand
 219 data.²¹ Essentially, it is any data that relates to a specific property. Specific data is used to
 220 produce information about either a property’s specific market, the property itself, or specific
 221 comparable sales data.

222 Examples include:

| Market Data: | Specific Property Data: | Comparable Sales Data: |
|----------------------------|----------------------------|----------------------------|
| Home ownership levels | Site data | Site data |
| Absorption rates | Permit data | Permit data |
| Tenant occupancy rates | Property rights | Property rights |
| Available utilities | Building specifications | Building specifications |
| Typical seller concessions | Zoning information | Zoning information |
| Neighborhood data | Cost data | Cost data |
| Flood zone information | Leasing information | Leasing information |
| Sales to list price ratios | Energy efficiency data | Energy efficiency data |
| Turnover rates | Sales and transfer history | Sales and transfer history |
| Neighborhood boundaries | Tax information | Tax information |
| Access to amenities | Applicable covenants | Applicable covenants |

223 Generic sources for specific data can include:

| | | | |
|---------------------|----------------------------|-------------------------|---------------------|
| Property Inspection | Clerk and Recorders office | Building contractors | Property managers |
| Homeowner | Assessor’s office | Physical inspection | Chamber of Commerce |
| Tenant | Cost estimating manuals | Title companies | Plat maps |
| Land use dept. | Brokers and lenders | HERS raters | Flood maps |
| MLS system | Other appraisers | Building departments | Aerial photos |
| TD-1000 | Deeds | Appraisal organizations | Attorneys |

224 Unlike general data, *exact* sources for specific data are not identified in this Advisory. Sources
 225 for specific data are numerous and tend to vary by market. Therefore, when completing an
 226 appraisal assignment, it is necessary to identify the sources of specific data available for each
 227 individual market area or segment.

¹⁸ *Real Estate Appraisal* (Bellevue, WA: Rockwell Publishing Company, 2014), 293.

¹⁹ *The Dictionary of Real Estate Appraisal*, 6th Edition (Chicago: Appraisal Institute, 2015), 218.

²⁰ Exceptions of course include properties that are part of the very small nationwide or worldwide market areas.

²¹ In *Appraising Residential Properties*, 4th edition, (Chicago: Appraisal Institute, 2007), page 76 identifies “property specific supply and demand data” as a third data type beyond “general or specific.” This is also an acceptable way to identify data types.

Primary data is “information that is gathered in its original form²² by the analyst.”²³

229 Primary data is collected directly by the analyst and is thus first-hand information (note the use
 230 of the term “analyst” and not “appraiser”). Depending on the appraisal assignment, a party other
 231 than the appraiser may actually be the one gathering the information. This includes the appraiser
 232 or assessor office staff, research assistants, or persons providing significant appraisal assistance
 233 to the appraiser. Primary data is not defined by *who* gathers the information, only that it is
 234 gathered in its original form.

235 It is possible to gather primary data through personal inspection or by the examination of original
 236 documents. Usually, an electronic copy or photocopy is still considered a document’s “original
 237 form.” However, some assignment conditions will dictate that only actual, original documents be
 238 represented as primary data and not photocopies or the like.

239 Examples of primary data include:

| | | |
|-------------------------------------|--------------------------------------|---------------------------------|
| An inspection of the property | Maintenance records for the property | Plat maps for the property |
| A HERS energy report | Utility billing statements | Covenants for the property |
| Building permit applications | Structural reports for the property | Repair bids for the property |
| Land use determinations | Deeds for the property | Ownership records |
| Construction costs for the property | Surveys for the property | Land lease documents |
| Sales contracts | Plans and specifications | Insurance documents |
| Property disclosure documents | Copy of a rental license | Co-op documents |
| Affordable housing documents | Property tax records | Occupancy restriction documents |

Secondary data is “information that is not gathered in its original form by the analyst.”²⁴

241 Secondary data is information provided via another party or source and is typically not in its
 242 original form. Also, it may be presented in a verified or an unverified format—depending on the
 243 source. Secondary data sources can overlap with primary data sources, depending on the specific
 244 information being gathered.

245 Examples of secondary data include:

| | | |
|--|--------------------------|-------------------------|
| General area zoning maps | Assessor records | MLS listing information |
| Another party’s sketch of the property | Private vendor databases | Lender/mortgage broker |
| Interview with homeowner | Real estate agents | Interview with tenant |
| Interview with property manager | Data cooperatives | Software vendors |

²² For the purposes of this Advisory, the term “original form” is interpreted as referring not to just documents, but also to the physical inspection of a property.

²³ *The Dictionary of Real Estate Appraisal*, 6th Edition (Chicago: Appraisal Institute, 2015), 176.

²⁴ *Ibid.*, 209.

247 **3.1.5 Primary versus Secondary Data**

248 Ideally, every appraisal assignment would have ample primary and secondary data. However,
 249 because data is never consistently available, there is no appraisal standard specifying how much
 250 or what type of data an appraiser should gather. That is why, as noted at the beginning of this
 251 section, appraisers *reconcile, state, summarize, and reference* data. They do not seek specific,
 252 pre-identified, checklist-type data required for all appraisal assignments, as it may not exist.
 253 Therefore, it is necessary to understand data based on its quality and quantity.

254 *Note: An example of how the availability of data can vary based on different appraisal*
 255 *assignments is provided in TABLE 7.*

| TABLE 7: Availability of Data, Based on Different, Specific Assignments | |
|--|---|
| Appraisal Assignment (1): | |
| On May 1, 2000, a 10-year-old residence is being sold via the local MLS system. This is a normal arm’s-length transaction. The client is the <i>lender</i> . The homeowner is cooperating and providing information to the appraiser. | |
| Primary Data Available | Secondary Data Available |
| <ul style="list-style-type: none"> • Physical inspection of the residence • A copy of the sales contract • A copy of the current lease • Excel® spreadsheet showing the exact costs the homeowner incurred while building a recent addition • Original permits from the building department | <ul style="list-style-type: none"> • Assessor public records data • Current MLS listing • Interview data obtained from the listing agent, selling agent, homeowner, and tenant |

| | |
|---|--|
| Appraisal Assignment (2): | |
| On May 1, 2015, the above residence is now 25 years old, and the entire area is destroyed by flood. The entire geography of the area has changed. A river, which used to run along the edge of the property, has now shifted and runs down the middle of the property (where the residence used to exist). Thus, the actual building site has been destroyed. The assignment involves valuing the property <i>before</i> the flood. The property is in litigation between the homeowner and the insurance company. The client is the <i>insurance company</i> . The homeowner is not cooperating and is not available to the appraiser. | |
| Primary Data Available | Secondary Data Available |
| <ul style="list-style-type: none"> • The only primary data available is a visual inspection of the currently destroyed site—this provides minimal information • Original permits from the building department | <ul style="list-style-type: none"> • Assessor public records data • One MLS listing from 15 years ago • Thirty photos of the property are provided by the insurance company—all of which are 1-year-old and prior to a recent addition made to the residence • Information from a deposition taken of the homeowner • Media reports, FEMA reports |

| |
|---|
| Appraisal Assignment (3): |
| In May 1, 2015, the 25-year-old residence and the entire area are destroyed by a flood. The assignment involves |

valuing the property *after* the flood. The property is in litigation between the homeowner and the insurance company. The client is the **homeowner**. The homeowner is cooperating extensively; the insurance company is not.

| | |
|--|---|
| <p>Primary Data Available</p> <ul style="list-style-type: none"> • Excel® spreadsheet showing the exact costs the homeowner incurred while building a recent addition • Excel® spreadsheet showing every expense the homeowner has had over the last 25 years in regards to updating and repairing the property • Excel® spreadsheet showing the exact costs the homeowner incurred when they built the residence • Excel® spreadsheet from a contractor estimating the current replacement cost • Blueprints from when the residence was built 25 years ago and for the most recent addition • Original permits from building department | <p>Secondary Data Available</p> <ul style="list-style-type: none"> • Assessor public records data • One MLS listing from 15 years ago • An extensive number of detailed photos of the property from one year before the flood (provided by insurance company) • Estimated replacement cost of the residence (provided via the insurance company) • Assessor property data • Personal interview with the contractor who built an addition on the residence last year • Media reports, FEMA reports |
|--|---|

Appraisal Assignment (4):

On May 1, 2015, the 25-year-old residence and the entire area are destroyed by a flood. The appraiser’s client is the **local municipality**, who is in the process of redrawing proposed new flood maps. The assignment involves the current value of the land, based on the anticipated change to the flood maps. The homeowner is not cooperating and is not available to the appraiser.

| | |
|---|--|
| <p>Primary Data Available</p> <ul style="list-style-type: none"> • A visual inspection of the currently destroyed site • Extensive rezoning documentation and information including soils reports, newly drawn flood maps, and aerial photos—all provided by the overseeing municipality | <p>Secondary Data Available</p> <ul style="list-style-type: none"> • Media reports, FEMA reports |
|---|--|

Appraisal Assignment (5):

On May 2, 2015 the joint tenants of the flood damaged residence decide to dissolve their marriage. The appraiser is hired as a joint expert. The clients are **Homeowner One** and **Homeowner Two**. The clients need two values for the property: one from before the flood and one from after the flood.

| | |
|---|--|
| <p>Primary Data Available</p> <ul style="list-style-type: none"> • Homeowner One (who will be buying out Homeowner Two) provides a never before disclosed document showing the residence had major (unobservable and not readily apparent) structural damage prior to the flood | <p>Secondary Data Available</p> <ul style="list-style-type: none"> • Media reports, FEMA reports |
|---|--|

Appraisal Assignment (6):

On May 1, 2017, a new residence was built on a site after flood damage to the site was remedied. Assignment involves valuing the property as-is and the status as of the January 1 assessment date. The property needs to be assessed for tax purposes. The client is the *assessor*.

| Primary Data Available | Secondary Data Available |
|--|---|
| <ul style="list-style-type: none">• Original permits from the building department• Plans and specifications provided directly to assessor• Site inspection | <ul style="list-style-type: none">• Homeowner interviewed by assessor• Media reports• Flood zone/subdivision maps updated/reviewed• Contact with builder regarding any special construction due to flood |

256 **3.2 Data: Quality and Quantity**

257 Data quality and quantity are only partially within the appraiser’s control. While good data
258 collection methods can be implemented, they cannot impact what kind or how much data is
259 available. Thus, the quality and quantity of data is the product of characteristics such as:

- 260 • Availability
- 261 • Consistency
- 262 • Timeliness
- 263 • Reliability & Credibility
- 264 • Relevancy

265 **3.2.1 Availability**

266 Data is available for collection directly by an analyst, or by purchasing it from data vendors.
267 Vendors (i.e., data service providers) collect secondary data that is both general and specific.
268 However, because each specific source has a different amount and type of available data, a
269 common appraisal issue is the lack of all desired data. It is common for numerous data points to
270 be unavailable to an appraiser.

271 Data availability may be impacted by any number of things, some of which are outside of an
272 appraiser’s reasonable expectation for control, and some of which are not. Availability issues
273 may include:

- 274 • Data being available for a fee, or to members only
- 275 • A data source not retaining certain data
- 276 • A data source not collecting a certain type of data
- 277 • A data supplier only being open for business at certain times
- 278 • An online data source experiencing technical difficulties
- 279 • Data being difficult to download and analyze
- 280 • Data being stored in a disorganized format, or time-consuming to decipher
- 281 • A data source discarding historical data
- 282 • A data source inconsistently storing, retaining, or transferring information

One example of how the lack of data availability may impact the appraisal process is noted in non-disclosure states:²⁵

²⁵ Non-disclosure states include: Alaska, Idaho, Indiana, Kansas, Louisiana, Mississippi, Missouri (some counties), Montana, New Mexico, North Dakota, South Dakota, Texas, Utah, and Wyoming.

Special Considerations for Non-Disclosure States

While the type of data available in non-disclosure states varies, it typically excludes actual sale prices. As an example, Texas has statutes to protect the confidentiality of property sale prices.²⁶ Not having sale prices disclosed means not having easy access to all of the data needed to properly apply the sales comparison approach to value. In situations like this, it is necessary to understand how an appraiser's peers gather sales data, verify (or attempt to verify) data and share market information.

283 It is rare for all desired data to be available for an appraisal assignment. As a result, it is common
284 in scope of work disclosures and in the reconciliation process to state not only what data sources
285 were utilized but how much and what type of data was available. In other words, the appraisal
286 report often discusses the quality and the quantity of the data²⁷ utilized in the appraisal process
287 because quality and quantity result directly from the availability of that data.

288 *3.2.2 Consistency*

289 Most data is not presented in a highly standardized format; therefore, disagreements and
290 inconsistencies in data are common. The reporting of specific data points can vary in consistency
291 based not only on the source, but from within the same source as well. Each data source should
292 be studied to understand how accurately, thoroughly, and consistently it presents various data
293 points. Consistent data is, in and of itself, a form of verification; consistent data eliminates doubt
294 and provides corroboration. Likely, however, the less consistent data is, the greater the level of
295 verification required to eliminate any doubt associated with that data (see Section V).

296 The overall goal, though, is not to avoid inconsistent data (as inconsistency is inevitable), but to
297 identify issues associated with inconsistency and take any reasonable and credible steps to deal
298 with it. If an assignment includes a written report, then discuss any opinions and conclusions
299 reached regarding notable inconsistencies in data (as most written appraisal reports will not
300 require a detailed discussion of *all* inconsistent data points). Also, consider the need to discuss
301 which levels of verification were necessary for credible assignment results when handling each
302 notable data inconsistency.

303 *3.3.3 Timeliness*

304 Data is updated and disseminated at different times. Some data sources update daily, while others
305 only update once a year (or less). Out-of-date data or the lag time between when an activity
306 occurs and when it is recorded can impact the conclusions and opinions reached in an appraisal
307 assignment. Important activities may have occurred one week, but then are not disclosed in the
308 accepted "go-to" data sources for weeks afterwards. If an appraisal is started after an activity
309 occurred and completed before the activity was disclosed, a difference in value opinion may
310 result (see 2.1.4). When relying heavily on published data, understand that data is usually not
311 recorded the instant something happens. Keep a working knowledge of the time gap between
312 when market activity occurs and, as applicable, when each data source records the activity.

²⁶ Texas Government Code § 22.27 and § 552.148.

²⁷ The Appraisal Foundation, *2016-2017 Uniform Standards of Appraisal Practice* (Washington, DC: The Appraisal Foundation, 2016): 21.

313 Some clients require the appraiser to disclose the effective date of any utilized data source. These
314 clients recognize how the timeliness of data impacts appraisal conclusions, especially when
315 verifying data as of a specific date. Thus, as necessary, disclose the effective date of data
316 sources. This will both inform the client of necessary information and limit the liability to the
317 appraiser. Yet-to-be recorded data might be relevant, but it is future information and appraisers
318 cannot be expected to have access to it.

319 *3.3.4 Reliability & Credibility*

320 Reliability is a trait that is paramount to some data sources, but not to all. For example, Multiple
321 Listing Services (MLS) are known for upholding and policing the impartiality and integrity of
322 their data to the best extent possible. As a whole, MLS services are typically quite reliable;
323 however, because MLS data is input by hundreds of different users, the accuracy of any one
324 given data point may be questionable at any time.

325 Reliability is determined by using the data from each source and gaining confidence in it as more
326 and more data points are verified or confirmed as being correct. Reliability has to continually be
327 evaluated over time—for all sources and for all different types of data points. Just because
328 information is published does not mean it is reliable.

329 Much like reliability is being able to depend on something, credibility is essentially being *worthy*
330 *of belief*.²⁸ Evaluate data sources for trustworthiness. Some data sources take great care to record
331 very precise and believable data, while others are less concerned with specificity or correctness.

332 *3.3.6 Relevancy*

333 Relevancy is determined by the appraiser, based on scope of work and assignment conditions.
334 Since most available data is *not* collected with appraisers as the main intended users,
335 understanding the goals and needs of the party collecting the data helps to interpret and better
336 utilize the data. All data differs in scope and detail depending on its purposes. This includes data
337 collected for the purposes of equitably taxing properties (assessor data), for ensuring code
338 compliance (building departments), or to advertise properties for sale (MLS systems).

339 The appraiser should choose the data that is most relevant to solving a specific appraisal
340 problem, and not choose data just to have data. It should be relevant and applicable to meet the
341 needs of the appraisal assignment.

²⁸ The Appraisal Foundation, *2016-2017 Uniform Standards of Appraisal Practice* (Washington, DC: The Appraisal Foundation, 2016): 2.

Section IV: Collection

342 In this context, collection is the process of gathering, evaluating, weighing, selecting, retaining,
343 or discarding sales data. Such collection is an adaptable process that evolves as more is learned
344 about the specific traits of various comparable sales and how they relate to the subject property,
345 and the appraisal problem.

346 4.1 Data Collection: General

347 General data collection falls into three broad categories: *market data*, *subject property data*, and
348 *comparable sales data*. Market and subject property data are not covered in this Advisory.
349 Valuation Advisory #4: *Identifying Comparable Properties*, which was issued by the Appraisal
350 Practices Board, partially covered the collection of comparable property data. Specifically,
351 Advisory #4 provided information on how to identify comparable sales based on the similarity of
352 their characteristics to a subject property and on knowing the difference between a neighborhood
353 and a market area. Thus, Advisory #4 addressed how to identify individual and specific
354 comparable sales but did not discuss the overall concepts behind sales data collection as a whole.

355 To briefly summarize Advisory #4: comparable sales are selected after identifying the problem
356 to be solved and analyzing the subject property. In other words, sales data is not collected in a
357 vacuum; it is retained or discarded based on its relevancy to the scope of work.

358 4.2 Data Collection: Comparable Sales Data

359 It is not possible to collect sales data without knowledge of the subject property's relevant
360 property characteristics. Without distinguishing between insignificant property features (i.e.,
361 those which do not contribute to marketability or value) and relevant features, there are no search
362 parameters. Search parameters are the starting point for locating comparable properties.

363 It is recommended to use search parameters to find comparable properties by first eliminating
364 any transactions that are not relevant to the assignment. The more homogenous a property is to
365 its area, the easier this is to accomplish. If a property is located in a large subdivision consisting
366 of residences that are all very similar in age and quality and on highly similar lots, it would be
367 reasonable for the data search to start (and perhaps even end) with only MLS listed sales from
368 the immediate subdivision. If, on the other hand, the property is a historic mansion with
369 nationwide notoriety, the search for sales data may be difficult and time-consuming, because
370 comparable sales may only be discovered after trying numerous and different types of data
371 searches covering a larger geographic area.

372 Data sources for sales can include:

- 373 • Public Records
- 374 • Multiple Listing Services
- 375 • Builder files
- 376 • Realtors
- 377 • Deed Transfers
- 378 • Title Companies
- 379 • Assessment Records
- 380 • Listing Records

381 • Lenders (Fannie Mae, etc.)

382 Finding similar sales data is not just about finding specific comparables, it is also about
383 understanding how many sales there are of similar properties, how long they take to sell, how
384 many are currently listed for sale, how many offers a property typically receives before selling,
385 sale-to-list price ratios, property use, typical terms and conditions of sales, how often residences
386 resell, etc.

387 Learning how much research is needed to identify appropriate comparables informs the appraiser
388 about things such as demand and marketability of the subject property. In other words, the
389 amount and type of data available are direct indicators of the alternatives that buyers have to
390 purchasing the subject property and the relevance of any particular feature.

391 In conclusion, a collection of useable sales data is the result of starting with a broad market
392 search and narrowing. Enough sales data has been collected when a reliable pattern emerges or
393 when the comparable sales selected satisfactorily contribute to credibly solving the appraisal
394 problem. The credibility of a value opinion depends on the quality and the quantity of the data
395 available for comparable properties.

Section V: Verification

396 The verification process helps the appraiser to decide whether or not a sales lead meets the
397 definition of a market value transaction. Verification differs from confirmation. To *confirm*
398 means to find information supporting what is already believed to be true. To *verify* means to find
399 information eliminating an existing doubt.

400 Since most assignments that utilize the sales comparison approach require the use of *market*
401 *value* sales, it is important to understand the details and purpose of the verification process.

402 USPAP makes minimal reference to verification: "...an appraiser must collect, verify, and
403 analyze all information necessary for credible assignment results."²⁹ USPAP does not define the
404 word verify (or verification), but it is addressed in the form of guidance: "By completing
405 research and verification steps while performing the assignment, the appraiser is expected to
406 become as knowledgeable about the subject property and its comparables as the typical market
407 participants."³⁰

408 The goal of verification is to establish the accuracy, correctness, or validity of something. This
409 can be done by *comparing information* using at least *two* different sources, or by *gaining*
410 *sufficient detail* about a specific piece of information from *one or more* sources. Verification is
411 essentially proof, corroboration, authentication, or endorsement. By verifying, doubt is reduced
412 and more credible and reliable data is established.

413 With verification, each data point should be verified until it is considered adequately confirmed
414 information, or until a point is reached where it is reasonable for the unverified data to be is
415 accepted as-is. Accepting weaknesses in data is a normal part of the appraisal process, and is
416 often the only viable solution after verification has been attempted.

417 Verification occurs in all stages of the appraisal assignment and for all different types of data.
418 However, when clients and appraisers specifically address the "verification process," they are
419 typically referring to the process of verifying specific data points of individual comparable sales.

420 To verify comparable sales data, the following will need to be determined for each specific
421 appraisal assignment:

- 422 • **Client requirements** for verification
- 423 • **Type** of data being verified
- 424 • **Level** to which each data point will be verified
- 425 • **Data points** to verify
- 426 • **Who** will verify the data points
- 427 • **Sources** used to verify the data points
- 428 • **Reliability** of each data source
- 429 • **Method used** to verify data
- 430 • **Documenting** and **recording** verified and unverified data

²⁹ Ibid., 20.

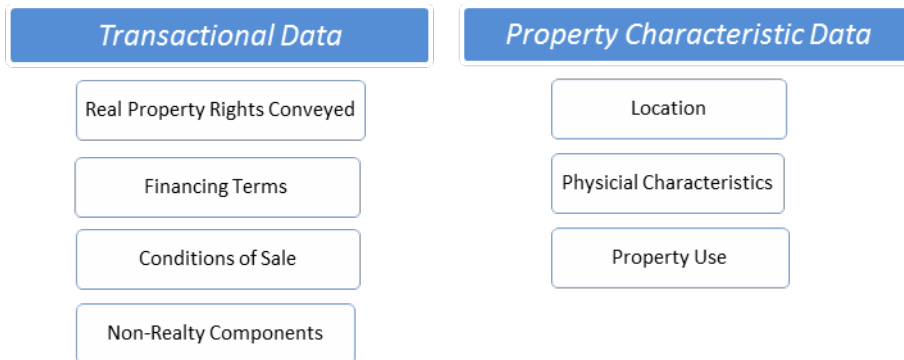
³⁰ Ibid., 152.

431 **5.1 Client Requirements**

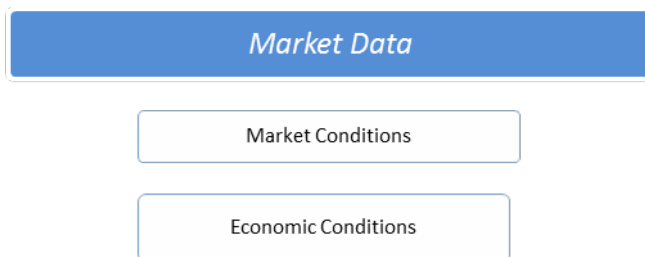
432 While USPAP does not have specific rules or standards regarding the verification process, many
433 clients have verification guidelines. These guidelines, however, vary greatly between clients.
434 Specific examples of the differences between client guidelines are located in **TABLE 1** *supra*.

435 **5.2 Type of Data**

436 Comparable properties have two different types of specific³¹ data: **transactional** data and
437 **property characteristic data**. Transactional and property characteristic data include seven of the
438 nine³² most commonly identified elements of comparison in real estate. These seven, which are
439 not absolute and can overlap, are listed below (in no particular order):



440 A third type of specific data³³, although not used when verifying sales data specific to one
441 property, is **market data**. While not covered in this Advisory, it is not atypical for the scope of
442 work to include the verification of *market data* as well.



443 **5.3 Definition of Verification**

444 Verification, as a specifically defined concept, has evolved over the years in the appraisal
445 profession. As a result, it is often inconsistently defined and explained (see **TABLE 8**).

³² The nine elements are: real property rights conveyed, financing terms, conditions of sale, non-realty components, location, physical characteristics, property use, market conditions and economic conditions.

³³ When discussing “specific” versus “general” data, appraisal textbooks are specifically referring to data for the subject property and data for the comparable sales. Thus, while there are certainly all kinds of data (i.e. a collection of sales from a market area, etc.), the data discussed as being either “specific” or “general” is meant in relation to a specific property.

TABLE 8: VERIFICATION AS NOTED IN VARIOUS PUBLICATIONS

***Real Estate Appraising, Step-by-Step* by Paul G. Creteau, Castle Publishing Company (1972), page 58**

“A comparable sale should never be used unless and until both the fact of the sale and the sale price are confirmed. This is usually accomplished by interviewing either the buyer or the seller, or both; or the transaction may be verified through the broker or the attorney who handled the transfer.”

***Appraising Residential Properties*, American Institute of Real Estate Appraisers (1988), page 300**

“An appraiser...verifies data and eliminates sales that are not arm’s-length transactions if an accurate adjustment for atypical conditions of sale cannot be calculated.”

***Principles of Residential Real Estate Appraising* by Calvin W. Moye, National Association of Independent Fee Appraisers (2001), page 11-5**

“Verifying information from alternate sources checks the validity of the data pool and inappropriate data is culled from the pool.”

***The Appraisal of Real Estate*, 14th Edition, Appraisal Institute (2013), page 385**

“Referencing public records and data services does not verify a sales transaction. It simply confirms that a transaction was recorded.”

***The Dictionary of Real Estate Appraisal*, 6th Edition, Appraisal Institute (2015), page 246**

“In valuation practice, the process of validating or establishing the truth about information from another source, which is critical to credible assignment results. A valuer or reviewer may confirm information directly with a party knowledgeable about the property or the transaction involving the property or with another credible source to determine the reliability of that information for use in the assignment.”

***How to Use the Uniform Residential Appraisal Report* by Martha R. Williams and William L. Ventolo, Jr., Dearborn™ Real Estate Education (2006), page 94**

“Enter the source from which you verified the accuracy of the data collected. Basic sources may include public records, the appraiser’s own files, multiple listing service, REALTORS®, and lenders.”

“Data Management and Continual Verification for Accurate Appraisal Reports,” by Donald R. Epley, *The Appraisal Journal* (Winter 2006), page 69

“The term ‘verify’ in the appraisal profession typically means to ensure accuracy.”

***Real Estate Appraisal* 7th Edition, Rockwell Publishing, Inc. (2014), page 293**

“Not only does verification establish the reliability of the data, it also allows the appraiser to determine the circumstances surrounding the transaction...interviewing a party to the transaction is considered the most reliable way to verify transaction data.”

***Fundamentals of Real Estate Appraisal*, 8th Edition by William L. Ventolo Jr. and Martha R. Williams, Dearborn™ Real Estate Education (2001), page 131**

“All sales data, however, must be verified by one or more of the principals to the transaction.”

***Appraising Residences & Income Properties* by Henry S. Harrison, H Squared Co. (1989), page 14-3**

To verify the data, “each sale used as a comparable in an appraisal report should be personally inspected and the data confirmed with the buyer, seller or broker. The appraiser must be assured of the facts that is, that all depreciation has been considered, the measurements are correct and the reported price and terms are accurate.”

***Residential Sales Comparison and Income Approaches* by Mark A. Munizzo and Lisa Virruso Musial, Dearborn Financial Publishing, Inc. (2008), page 84**

“To determine the value, take similar properties that have transacted at a known sales price from the market and compare them to the subject. Recall...that the sale has to be arms-length and verified as a market transaction if market value is to be sought.”

***Harrison’s Illustrated Dictionary of Real Estate and Appraisal* by Henry S. Harrison and Julie Harrison, H Squared Co. (2000), page 182**

“Verification: The process used by appraisers to confirm the validity of data about comparable properties for use

in the sales comparison approach of a real estate appraisal.”

***The Language of Real Estate* by John W. Reilly, Dearborn Real Estate Education Company (2013), page 415**

“In real estate appraisal, the confirmation of price, financing terms, motivation and other details of a transaction in a market data study.”

Real Estate Appraising from A to Z, 4th Edition, by Guy Cozzi, Nemmar Real Estate Training (2003), page 82

“If you find discrepancies between two different data sources, then you should always use the public record at town hall as the most reliable resource.”

Real Estate Appraisal Principles & Procedures, 3rd Edition by Walt Huber, Levin P. Messick, and William Pivar, Educational Textbook Company, Inc. (2006), page 279

“...the appraiser must verify the data that will be used. Not only does verification establish the reliability of the data, it also allows the appraiser to determine the circumstances surrounding the transaction.”

446 TABLE 8 illustrates the diverse recommended methods which may be employed to verify data.
447 It also illustrates that different educators and clients place emphasis on different characteristics
448 of verification. Thus, there are many recommended ways to verify data and many different levels
449 of verification.

450 Different levels of verification are acceptable for different data points, as well as for different
451 assignment conditions. It is always up to appraisers to determine which level is appropriate for
452 each data point for their client and their assignment. Because of this, the appraiser’s goal can
453 only be to verify data to a level acceptable for a credible result; not to verify *all data* and
454 certainly not to verify all data *to the same level* or even using the *same source*.

455 **5.4 Levels of Verification**

456 The appraisal profession acknowledges there are different levels of verification but no single
457 source precisely defines such levels. After studying different client guidelines and general
458 appraisal methodologies, a pattern emerged. From that pattern, it was possible to provide an
459 example of characteristics of “different” levels of verification (see **TABLE 9** below). It is
460 important to note that **TABLE 9** is not meant to be absolute or even concrete; rather, it is merely
461 an illustration of what “verification” may mean in various situations.

TABLE 9: EXAMPLES OF DIFFERENT LEVELS OF VERIFICATION

- *There is a small amount of evidence indicating the information might be true. This conclusion is based more on a hunch or a guess than on substantiated information.*
- *The information has an indication of being reliable. This conclusion is not based on a hunch or guess but on a specific or particular fact or reason.*
- *The information is reasonably trustworthy and reliable. There were numerous data points indicating the information is more likely reliable than not.*
- *There is a great amount of evidence, but not enough to be free of all reasonable doubts.*
- *There is a firm belief that the information is highly reliable with almost no*

reasonable doubt.

462 Not all pieces of sales data will, nor should, be verified to the same level. The level of
 463 verification expected will vary by assignment type and from data point to data point. To
 464 emphasize: not all data needs to be verified to a level where there is “no reasonable doubt.”
 465 Every level of verification may be sufficient under specific circumstances.

466 Additionally, the level of verification for a data point may change as information is collected and
 467 analyzed. Therefore, there must be sufficient reason to decide to what level each data point will
 468 be verified. The reasons could be based on client expectations, scope of work requirements, or on
 469 the reliability, sufficiency, or limitations of the data or the data source. Regardless, conclusions
 470 and opinions should reflect market evidence. As appropriate, identifying the levels of verification
 471 will provide an indication of the reliability and accuracy of decisions, opinions, and conclusions.
 472 For examples of different levels of verification, refer to **TABLE 10** (see below).

TABLE 10: Levels of Verification
Verifying a Sale Price: Different Levels of Verification Based on the Assignment

| Client Requirements:³⁴ | Level³⁵ of Verification: | Reason for this Level of Verification: | Verification and Data Sources: |
|--|--|--|---|
| ASSIGNMENT: Market value. Lender client. | | | |
| Fannie Mae Selling Guidelines | An average amount | -The MLS sale price was 3% under list price (which is a typical sale to list price ratio). -It is rare for agents to incorrectly record the sale price in MLS. -The MLS sale price is right in line with other similar properties. -The assessor record matches the MLS data precisely. | Listing Agent Interview, MLS ³⁶ , Assessor Record |
| ASSIGNMENT: Market value. Litigation client. Dispute regarding recorded sale price and owner. | | | |
| None | An extensive amount | -The clients have a dispute regarding the sale price. -The sale price involved not only cash, but also the trade of another property. -Numerous amendments were made to the original sales contract, resulting in a two-year under contract period. -The client’s major concern is market value as it relates to the sale price. The actual sale price is a point in dispute. | MLS, Assessor Record, Copy of Clerk and Recorder Deeds, Interview with Two Homeowners, Interview with Agents Involved in Last Sale, Title Documents, Original Sales Contract, TD-1000 Information |
| ASSIGNMENT: Market value. Retrospective as of 30 years ago. Estate client. | | | |
| None | A minimal | -The deed was never recorded with the | Newspaper article |

³⁴ These will only list client specific guidelines above and beyond USPAP.

³⁵ The words used to describe the levels of verification are not appraiser-defined terms; rather, they are generic words used to illustrate differences in the effort required to verify data based on the client and the assignment type.

³⁶ Please refer to Fannie Mae *Selling Guide* guideline B4-1.3-07 for their specific definitions of “verification source” and “data source.”

| | | | |
|--|--------|---------------|---|
| | amount | municipality. | stating the sale price from 30 years ago. |
|--|--------|---------------|---|

| ASSIGNMENT: Market Value. Tax Assessor Defends Assessment Under Appeal. | | | |
|---|------------------------|----------------------------------|---|
| IAAO Standards Local Laws, Restrictions | An extensive amount | Ad valorem property tax purposes | Written Homeowner Interview, MLS Listing Data, Property Inspection, TD-1000 Information |

473 **5.5 Data Points**

474 A data point is one specific piece of information (i.e., a sale price, a sale date, the amount of a
475 seller concession, etc.). Two factors generally determine how much and what type of verification
476 is performed for each data point: the amount and quality of the sales data, and the scope of work
477 of the appraisal assignment.

478 For the amount and quality of sales data, more verification is typically performed when the sales
479 data is notably diverse, sparse, or inconsistent. Also, more verification is usually performed as
480 the accuracy or truthfulness of relevant sales data becomes more questionable. On the contrary,
481 less verification is ordinarily performed when data is highly reliable, easily establishes a market
482 pattern, or is convincingly consistent with other data.

483 All decisions regarding verification must be consistent with the scope of work for the appraisal
484 assignment. For example, an appraiser performing an appraisal with an effective date 15 years in
485 the past may find limited data of any kind and, therefore, would not be able to verify much data
486 regardless of its inconsistencies and weaknesses. Alternatively, an assessor’s office may have a
487 high quantity of data but limited staff with which to make detailed, individual verifications of the
488 data points.

489 The type of data points verified and the level to which they are verified are assignment specific.
490 USPAP requires that an appraiser verify information; however, it does not impose a specific
491 procedure for verification. Additionally, the appraiser must retain information in the workfile to
492 document the verification that was performed. The appraisal report must also include a summary
493 of the information analyzed, the appraisal methods and techniques employed, and the reasoning
494 that supports the opinions and conclusions. All of this must be contained in an Appraisal Report;
495 or, in the case of a Restricted Appraisal Report, a statement of the appraisal methods and
496 techniques employed.

497 The goal is to arrive at a credible and supportable conclusion as to which data points can and will
498 need to be verified. Deciding which data points to verify to which level, however, can be
499 *partially* directed by clients. Client guidelines (see **TABLE 1**) often instruct appraisers to verify
500 very specific data points. The list below is a collection of data points for which clients may
501 require specific verification:

- | | |
|--|---|
| <ul style="list-style-type: none"> • Conditions of the sale • Physical characteristics of the subject property • Sale price | <ul style="list-style-type: none"> • Existence of seller concessions • If the sale was arm’s-length transaction • Date of sale |
|--|---|

- Characteristics of the comparable sale
- If the transaction was market value
- All “relevant information” about a sale
- Seller contributions
- Inducements to purchase

- Details of the contract
- Financing terms
- Listing history
- Sales data provided by a party with interest in a sale (with a party who does not have such an interest)

502 Some clients use sweeping identifiers related to data points (“all relevant information”) and
 503 others list very specific data points (“date of sale”). When addressing client specific data points,
 504 remember that the *primary* intent of verification is to ensure accuracy of the data and to
 505 satisfactorily identify sales as market value transactions. Complying with appropriate client
 506 guidelines is an important part of the SCOPE OF WORK RULE. Understanding this will guide
 507 decisions regarding which data points to verify. If the level of verification is acceptable to the
 508 client and leads to credible assignment results, then the appraiser can use that data point to
 509 support a credible conclusion. Not understanding how and when to verify sales data is
 510 inappropriate; but it is acceptable to explain to clients why one or more of their guidelines
 511 regarding verification could not reasonably be met.

512 Even though there are many data points associated with sales data, some of the more common
 513 data points to verify include data related to the:

| | | | | |
|---------------------|-------------------|---------------------------|-----------------|-----------------|
| Buyer | Sales Date | Type of Transfer | Listing History | Sales Contract |
| Seller | Recording Date | Prior Transfer/Sales Data | Financing | Physical |
| Under Contract Date | Personal Property | Days on Market | Concessions | Characteristics |

514 The more salient information typically verified for each data point is discussed next.

515 *5.5.1 Buyer*

516 It is typically necessary to research the motivations of the buyer and seller and to understand the
 517 relationship between a buyer and a seller. To establish if a sale was an arm’s-length transaction
 518 and reflected market value, it is imperative to know if the buyer and seller were typically
 519 motivated. Also, any time a buyer and seller are related, there is a possibility the sale price does
 520 not reflect market value. This type of information is usually only verifiable through direct
 521 contact with a party to a transaction (realtor, attorney, buyer, etc.) and not via printed documents
 522 associated with the sale. One notable exception, however, is when there is a considerable volume
 523 of sales data and the sale price of the comparable falls within the range of area sale prices for that
 524 specific kind of property. In such a case, a lower level of verification that leads the appraiser to
 525 conclude that the sale price reflected market value may be acceptable.

526 *5.5.2 Seller*

527 Researching the motivations of the seller helps to establish whether the sale was an arm’s-length
 528 transaction. Sellers who may have atypical motivations for selling include investors participating
 529 in an IRS 1031 exchange, an estate, a relocation company, divorcing parties, government
 530 agencies, religious or educational institutions, charitable organizations, financial institutions,
 531 judicial sales, sheriff sales, public trustee sales, etc.

532 Drawing a conclusion about the seller type and the seller’s motivations is usually achieved by
 533 communicating with a party to the transaction. If that is not feasible, it might be reasonable to
 534 conclude that the seller was typically motivated by comparing the sale price to other similar sales

535 in the market. Also, sometimes parties to the sale are not available for comment, are
536 uncooperative, or do not understand the request for information that the appraiser is seeking.

537 *5.5.3 Under-Contract Date*

538 A common question in regards to an under contract date is: *Was the time period that elapsed*
539 *between the under contract date and the closing date typical for other similar properties?* Under
540 contract dates are recorded most often in two places: on the sales contract and, if applicable, in
541 the property's MLS listing history. While the sales contract is usually the superior source for the
542 under contract date, under contract dates and closing dates are two pieces of data that MLS
543 systems strictly monitor; therefore, they tend to be reliable in most MLS systems.

544 Depending on how important the under contract date is to the appraisal problem, it may be
545 necessary for the information to be verified further. For example, in most lending transactions,
546 when under contract dates for the subject property and the comparable sales occurred within a
547 similar time period (and the data is considered reliable and credible), then further verification of
548 this one data piece is typically not necessary. If, on the other hand, there are concerns that the
549 under contract date may be incorrect (i.e., the under contract date is listed on the contract as
550 occurring after the contract was signed, it is suspected of being entered incorrectly in the MLS,
551 or if it is dated), then further research and/or verification is likely.

552 *5.5.4 Sale Date*

553 The sale date is the day when property rights transferred from one party to another, and the sale
554 was therefore consummated. In many instances, sales dates are so accurately and reliably
555 recorded that it may be acceptable to check only one or two published data sources (recorded
556 deed, MLS listing, assessor record) to confirm the sale date. Therefore, further verification of the
557 sale date is usually only necessary if the information is in doubt and the assignment conditions
558 require it.

559 *5.5.5 Recording Date*

560 A recording date is the date a sales transaction was entered into public record. This is not to be
561 confused with the actual sale date, as they often differ. Most appraisal assignments do not need
562 the recording date to be specifically verified, unless the information is atypical or especially
563 pertinent to the solving the appraisal problem. Recording dates are often easy to research with
564 the entity responsible for recordation in that jurisdiction, the local assessor, or title company. If,
565 for example, the government official is known to have highly dependable recording dates, there
566 are times when it may be enough just to check one data source for this information and not to
567 verify or confirm it against another source. The appraiser should consider the verification process
568 complete if the data is sufficient enough to conclude that it is reliable and satisfies the conditions
569 of the appraisal assignment.

570 *5.5.6 Personal Property*

571 Sometimes a sale includes personal property that may have contributed to the sale price. In some
572 areas, nearly all sales include some type of minimally relevant personal property (e.g., a
573 refrigerator), while other areas include much more significant personal property (e.g., fully
574 furnished properties, golf club memberships). Personal property might be noted in a MLS listing,
575 on a sales contract, or in documents provided to the assessor. Personal property associated with
576 properties that were not listed for sale in a MLS may be harder to verify. The steps taken to
577 verify the existence of personal property in a sale transaction will vary by region.

578 *5.5.7 Type of Transfer*

579 Deed types are most often verified using assessor records, documents filed at the clerk and
580 recorder’s office, or the sale contract. The type of deed will help appraisers determine if a sale
581 was or was not a market value transaction; however, the deed type does not in and of itself
582 indicate if a sale met the definition of market value. Generally speaking, warranty deeds are
583 typically associated with market value transactions, whereas quit-claim, sheriff, personal
584 representative, public trustee, treasurer, and beneficiary deeds may not be. Knowing the type of
585 deed is the first clue to determining whether further verification of a sale is warranted.

586 *5.5.8 Prior Transfer/Sale Data*

587 It is common for scope of work decisions to necessitate researching the prior sales or transfers of
588 a specific property.³⁷ A *sale* occurs when money is exchanged for a property or for property
589 rights. A *transfer* occurs when a property (or property rights) is moved from one party to
590 another. Verifying prior transfer or sales data is not always possible by communicating with a
591 party to the most recent transfer. The information may only be available in the MLS, at the clerk
592 and recorder’s office, in the assessor data, or via a title company or an attorney.

593 *5.5.9 Days on Market*

594 Listing history is typically available through the MLS.

595 Public and private sources that list properties for sale (i.e., a MLS system) may keep a record of
596 how long each property has been listed for sale. However, each source likely has its own
597 definition of “days on market” and the definition of this often differs from client to client.

598 For example, note these two *different* definitions of days on market:

Fannie Mae Definitions of Days on Market (DOM)

| Definition for the Subject Property | Definition for the Comparable Sales |
|---|--|
| <i>“DOM is defined as the total number of continuous days from the date that a property is listed or advertised for sale through the date that it is taken off the market or contracted for sale.”³⁸</i> | <i>“DOM is defined as the total number of continuous days from the date that a property is listed or advertised for sale until the date that it is taken off the market or sold.”³⁹</i> |

599 If necessary, verifying the days on market may include not just reporting days on market, but
600 reconciling the differences in the definitions of days on market between a client and a source.

³⁷ For example, see USPAP 2016-2017, Standard Rule 1-5(b), page 21, lines 630-631.

³⁸ *Uniform Appraisal Dataset Specification, Appendix D: Field Specific Standardization Requirements Version 1.6* (Fannie Mae and Freddie Mac: 2013), 9.

³⁹ *Ibid.*, 22.

601 *5.5.10 Listing History*

602 While listing history includes a property's days on market, it also includes any changes made to
603 the list price or the listing status, as well as the start and end date of the actual listing. Just like
604 days on market, this information is often available from the MLS. If the listing history is typical
605 for the area and type of property, then further verification with another party or source may not
606 be necessary. However, the level of verification should increase if the listing history contained
607 noted anomalies, was required by the client, or was relevant to the assignment conditions.

608 *5.5.11 Financing*

609 The type of financing the buyer receives can influence the sale price of the property. Therefore,
610 the appraiser should be aware of the type of financing available in the subject market area and of
611 any special or atypical financing that influences sale prices. Because special financing is tied to
612 individual transactions, discovering its existence might require a higher level of verification.
613 Access to this information may be limited; however, financing should be considered when
614 verifying transactional information, especially if atypical financing is known to exist in the
615 subject market.

616 *5.5.12 Seller and Buyer Concessions⁴⁰*

617 A concession is something that is granted or conceded, usually in response to a demand or as part
618 of an agreement between parties. A **seller concession** means the seller granted something to
619 another party (typically the buyer), whereas a **buyer concession** means a buyer granted
620 something to another party (typically the seller). Concessions can be typical or atypical,
621 prominent or infrequent. If concessions are noted in a particular market segment, the appraiser
622 will collect data to form an opinion about the concessions (including details such as the range
623 and type of concessions, frequency, and acceptability of the concessions).

624 To research and analyze concessions, the most common sources are a sales contract and the MLS
625 (once the sale has closed). While most areas mandate real estate agents disclose seller
626 concessions in the MLS, others do not. Few MLS systems, however, require buyer concessions
627 to be disclosed (as buyer concessions are typically rare). Sales contracts are confidential
628 information and are only available in certain circumstances. Assessor's offices also receive
629 information about concessions, though they rarely make that information available to the public.

630 If concessions are very common and occur in almost every instance, then the impact to the sale
631 of *not having* that concession may need to be further analyzed. Likewise, if certain types of
632 concessions rarely occur, the impact of *having* such a concession may need to be analyzed in
633 greater detail. Additionally, the presence or absence of concessions is data that can be used to
634 understand not just information about a particular sale but about market conditions in general.
635 For example, an increase in the amount of the seller concessions may indicate the market is
636 shifting towards a buyer's market and the presence of buyer concessions (which are typically a
637 rare occurrence) could indicate a very strong seller's market. Regardless, appraisers will need to
638 defend their reasons for either analyzing or not analyzing data related to concessions, when
639 concessions are noted.

⁴⁰ This topic is covered in-depth in The Appraisal Foundation's APB Valuation Advisory #2: [Adjusting Comparable Sales for Seller Concessions](#).

640 **5.5.13 Sales Contract Information**

641 When available to the appraiser, sales contracts, counterproposals, options, and other documents
642 related to the sales agreement can reveal the terms and conditions of a sale. As applicable, the
643 appraiser should review the sales documents and conclude which terms and conditions are
644 typical or atypical. Data points which are atypical, doubtful, or unclear, may require verification.
645 Typically, this verification is done with a participant to the transaction. As noted earlier,
646 conversations with participants will often provide an indication of buyer and seller motivations
647 and will help clarify if a sale qualifies as an arm's-length (market value) transaction.

648 **5.5.14 Physical Characteristics**

649 Individual physical characteristics impact value differently, depending on the subject market.
650 Thus, besides verification levels varying by assignment, they can also vary based solely on the
651 relative importance of any single physical property characteristic. Verification as it relates to
652 property characteristics is dependent on researching and learning which characteristics matter,
653 and then on the uniqueness of those characteristics. Higher levels of verification are common for
654 properties with unique characteristics or when influences are market specific. Lower levels of
655 verification may be acceptable when data is uniform or homogenous.

656 **5.6 Who Can Verify Data**

657 Depending upon the assignments, the data verification process could be performed by the
658 appraiser, office staff, research assistants, or even shared databases. However, some clients
659 require that only the appraiser working on the assignment can verify sales data. For example, the
660 *Uniform Appraisal Standards for Federal Land Acquisitions* states: "Verification must be
661 accomplished by competent and reliable personnel, and if the case goes into condemnation, the
662 sale must be personally verified by the appraiser who will testify."⁴¹

663 And the state of Colorado statute 38-1-118⁴² states: "Any witness...may state the consideration
664 involved in any recorded transfer of property...which was material and relevant, which was
665 examined and utilized by him in arriving at his opinion, if he has personally examined the record
666 and communicated directly and verified the amount of such consideration with either the buyer
667 or seller."

668 Additionally, some courts mandate not only who can verify the data, but that sales data for any
669 utilized comparable sale be verified with *all* parties who were involved in a sale, and the
670 appraiser must explain the conclusions they reached from those interviews.

671 In conclusion, any competent party that is acceptable to the client and to the assignment
672 conditions can perform verification.

673 **5.7 Sources**

674 Data verification sources can be classified as either *direct* or *indirect* sources.⁴³ Some of these
675 sources are discussed below.

676

⁴¹ *Uniform Appraisal Standards for Federal Land Acquisitions* (Chicago: Appraisal Institute, 2000), 38.

⁴² Information gathered from J.D. Eaton, *Real Estate Value in Litigation* (Chicago: Appraisal Institute, 1995).

⁴³ In some cases, these will overlap.

677 *5.7.1 Direct Verification Sources*

678 Direct verification is accomplished when direct contact is made with someone who has firsthand
679 knowledge of a specific sale transaction. The most common direct verification sources are real
680 estate agents and buyers and sellers.

681 Ideally, all relevant data points associated with a specific sale transaction could be verified with
682 only one direct verification source (i.e., with one of the parties directly involved in the sale).
683 Unless unprecedented access is provided to these parties (e.g., via a deposition or formally
684 arranged interview), it is more common for only a few data points to be able to be verified
685 directly with a party to the transaction.

686 Direct interviews are the most common way to credibly conclude if a sale is a market value
687 transaction. As such, many clients request that sales data be verified with one or more parties to
688 the transaction. Usually, when clients make this request, they are implying (unless they directly
689 state otherwise) that information be gathered *directly* via a phone call, email, or personal
690 interview. However, because each party is free to choose to cooperate or to not cooperate with an
691 appraiser, there is no way to ensure all questions the appraiser has asked will be answered, or
692 even answered in a satisfactory manner. Even so, direct interviews are the common way to
693 credibly conclude if a sale is a market value transaction.

694 *5.7.1.1 Real Estate Agent*

695 Currently most real estate agents⁴⁴ understand the importance of agreeing to answer appraisers'
696 verification questions. This is likely due in part to published statements addressing the
697 relationship between appraisers and real estate agents. One such statement⁴⁵ encourages real
698 estate agents to not only disclose items such as seller paid costs, but also to utilize all the fields in
699 the MLS, to quickly record sales, and to address appraisers' questions.

700 When interviewed, most real estate agents for residential sales transactions (especially those
701 associated with lending purposes) expect appraisers' questions to take less than five minutes to
702 answer (this conclusion was drawn after informally polling 30 agents). In that time frame, they
703 also expect the conversation to revolve around verifying data that is either entirely unpublished
704 (i.e., the motivations of, say, the seller) or data that is notably unclear in some way. Because of
705 these time constraints, it may be necessary to prioritize which data points to verify with a real
706 estate agent and which data points to verify with another source (or to leave unverified). It is
707 also reasonable to leave the verification of generally *dependable* recorded information (such as
708 days on market) to the end of an interview.

709 *5.7.1.2 Buyer or Seller*

710 Contact with a buyer or seller is always desirable but becomes more important when verifying
711 unlisted properties, real estate owned (REO) sales, or for sale by owner (FSBO) transactions.
712 Information such as marketing time, listing history, or property updates may not be obtainable
713 elsewhere. Information from a buyer or a seller may also assist in determining whether or not a
714 sale qualifies as a market value, arm's-length transaction.

⁴⁴ While real estate agents may understand the importance of agreeing to answer appraiser's verification questions, it may not be common practice in specific areas (such as in non-disclosure states) for the agents to verify information requested by the appraiser.

⁴⁵ *Colorado Real Estate Manual*, 2015 Edition, Chapter Statement CP-30.

715 **5.7.2 Indirect Verification Sources**

716 Indirect verification involves comparison between accumulated facts. Indirect verification
717 sources include MLS listings, other appraisers, data cooperative, closing documents, large
718 statistical data sampling, public records, etc. Also, title companies, attorneys, and internet
719 sources are a valuable resource and may also provide direct and/or indirect verification.
720 Therefore, the difference between direct and indirect verification is not exclusively related to the
721 source, but to the information being obtained. An indirect verification source, more simply, will
722 not be the original source of the data point.

723 **5.8 Reliability**

724 The end goal of an appraisal is to develop a credible, supportable, and reliable opinion of value.
725 The client and intended users rely on the value opinion to make decisions, which cumulatively
726 impact financial markets and economies on a mass scale. Reliable data is imperative to produce
727 credible results and to gain public trust. Verification is the one key step that most crucially
728 establishes this reliability. When data is verified, market activity is reflected as accurately as
729 possible.

730 Every step in the verification process is completed to establish reliability. Individual data sources
731 provide an indication of reliability. The continuity of various data points provides an indication
732 of reliability. Reconciling similar data points from multiple sources provides an indication of
733 reliability.

734 However, neither the abundance nor the lack of data automatically indicates reliability. For
735 example, higher levels of verification are often achievable even when there is limited data.
736 Additionally, large quantities of data, as used in mass appraisal, may be even less reliable due to
737 lower levels of verification. When there are low levels of reliability, appraisers often need to
738 communicate reasons why and address the impact this had on opinions and conclusions. The
739 level of verification itself does not indicate reliability.

740 To summarize, the reliability of sales data is the result of the verification process, not the result
741 of the data itself. Solutions and answers to appraisal problems do not occur merely because data
742 is available, they occur when the verification process has been completed. Once completed, data
743 quality, data quantity, and data sources would have been scrutinized, analyzed, and weighed—
744 not just located and reported.

745 **5.9 Method to Verify Sales Data**

As stated earlier in this Advisory, verification can be done by *comparing information* using at least *two* different sources, or by *gaining sufficient detail* about a specific piece of information from *one or more* sources. Because sources, data and assignment conditions vary so greatly, each specific step taken to verify data is assignment specific. However, an example of a verification process is included in this Advisory in **TABLE 11** (see below).

TABLE 11

Example of a Verification Method

- 1 Identify the data point to be verified.**
- 2 Identify a source to verify the data point.**
 - If the source meets the accepted assignment conditions, proceed to step 3.

- If the source does not meet accepted assignment conditions, modify the assignment conditions with the client to include the source and proceed to step 3, or choose a different source.

3 Consult the chosen source.

4 Verify the data point with that source.

- If the source is able to verify the information (to any level), proceed to step 5.
- If the source is not able to verify the information, do one of the following:
 - Decide if an assumption is appropriate. Proceed to step 8.
 - Decide if an extraordinary assumption is necessary. Proceed to step 8.
 - Decide if another source should be consulted. Repeat step 3.
 - Decide if the data point will remain unverified. Proceed to step 8.

5 Form a final opinion about the quality and reliability of the verification source.

- If the quality of the source is deemed adequate, proceed to step 6.
- If the quality of the source is deemed to have weaknesses, do one of the following:
 - Decide if another source should be consulted. Repeat step 2.
 - Decide that even if the source has weaknesses, it will still be relied upon. Proceed to step 6.

6 Decide the level to which the data point was verified and disclose as appropriate.

7 Form an opinion as to whether that level of verification is sufficient.

- If the level of verification is sufficient, proceed to step 8.
- If the level of verification is not sufficient, do one of the following:
 - Decide if an assumption is appropriate. Proceed to step 8.
 - Decide if an extraordinary assumption is necessary. Proceed to step 8.
 - Begin the process over, using another verification source. Repeat step 2.
 - Consider if the information will remain at this level of verification. Proceed to step 8.

8 Draw a conclusion.

9 Apply the three following tests:

- Is the conclusion adequate to credibly address the verification issue?
- Does the conclusion verify the data sufficiently and in such a way that it meets the needs of the intended use and users?
- Does the conclusion reflect the level of research and analysis that would be performed by the appraiser's peers and would satisfy the expectations of parties who are regularly intended users for similar assignments?

10 If the conclusion indicates that the data is reliable, it is appropriate to consider that the data point has been sufficiently verified. If the conclusion does not indicate that the data is reliable, repeat the verification process until this occurs, or explain why it was within the scope of work to consider the verification process completed for this data point.

746 **5.10 Documentation**

747 To document and record information related to data verification, the appraiser should consider
 748 how much of the above information needs to be directly disclosed and how much the appraiser
 749 needs to know. In summary, consider some of the following sample questions:

- What are the **client requirements** for verification?
 - Were the guidelines reasonable and acceptable?
 - Was it possible to meet the guidelines?
 - If not, should this be addressed in the appraisal?

- If yes, how should this be addressed in the appraisal?
- What is the **type** of data being verified?
- Which **data points** will be verified?
 - Was it necessary to verify “all” data points?
 - What are “all” data points?
 - Should the data points that are being verified be disclosed?
- To what **level** will each data point be verified?
 - Is it necessary to clarify exactly how each data point was verified?
 - Is it necessary to clarify the level to which only some data points were verified?
- **Who** will verify the data points?
 - Is it necessary to disclose who verified the data?
 - Is it reasonable merely to know who verified the data and not make a disclosure?
- Which **sources** were used to verify the data points (includes direct and indirect verification)?
 - Do the sources need to be explicitly identified, or will the client accept a general reference to the sources utilized (e.g., public records)?
- How reliable is each data source?
 - Is it necessary to disclose how reliable each data source is?
 - Is it reasonable to merely know and understand the reliability of the source and not discuss it in the appraisal?
- Which **techniques** were used to verify the data points?
 - Are the techniques utilized acceptable to the appraiser’s peers?
 - Are the techniques utilized acceptable to the needs of the client?
 - Are the techniques utilized acceptable to the assignment?
 - Do the techniques help support credible conclusions?
- How will the verified and unverified data be **recorded**?
 - Are there any specific requirements regarding how verified and unverified information is recorded and classified?

750 In conclusion, the appraiser should document or record the appropriate sources, the efforts made
 751 to verify data, what data was verified, and what was concluded from the verification process.

752 It is not within the scope of work for most residential appraisal assignments to verify every
 753 single sales data point or to verify those points to one specific level. As a result, few assignments
 754 require every verification step taken to be directly documented or recorded. Some data points are
 755 less relevant (or not at all relevant) to an appraisal assignment. Thus, even if verified, the level
 756 may be so low or the data point may be so insignificant that there is no need for that point to be
 757 directly or specifically addressed in the reporting and documentation process.

Section VI: Summary

758 Every client and assignment condition will have different requirements for how much sales data
759 is collected and how that data is verified. This can include using different sources, using different
760 levels of verification, and concentrating on the verification of different data points. The overall
761 goal for verification is to verify data to a level that is necessary for credible assignment results,
762 not to necessarily verify all data and certainly not to verify all data to the same level. Different
763 levels of verification are acceptable based on assignment conditions, availability of data, and the
764 relevance of each data point.

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