



# Connecting the Dots – Building – Marketing-Valuation- Financing

**Session 1 – Day 2**  
**Presented by**  
**Sandra K. Adomatis, SRA, LEED Green Assoc.**




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## Objectives

- **Identify typical financing guidelines – Mortgage**
- **Describe builder’s role in public education and marketing**
- **Listing agent and appraiser competency requirement**
- **Reveal steps in requesting a reconsideration of value**



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What do you want to learn today?



Has the requirement to disclose energy use before the contract is signed change how you list, sell, or value homes?





## Keep the top 3 reasons consumers get involved in Energy Efficiency in mind.

Saves Money



Healthier



Comfort



U.S. DEPARTMENT OF ENERGY | Energy Efficiency & Renewable Energy



## Home Rx: The Health Benefits of Home Performance

A Review of the Current Evidence

Jonathan Wilson, National Center for Healthy Housing (NCHH)  
David Jacobs, NCHH  
Amanda Reddy, NCHH  
Ellen Tohn, Tohn Environmental Strategies  
Jonathan Cohen, U.S. Department of Energy (DOE)  
Ely Jacobsohn, DOE

December 2016



# Health

Table 1: Overview of impacts of improved energy efficiency on health and well-being

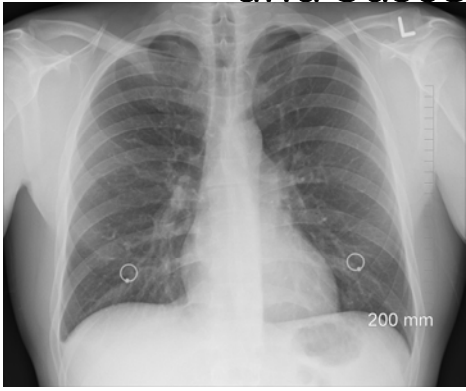
Energy Efficiency Measure	Primary Housing Effect	Secondary Housing Effect	Expected Health Outcomes
Insulation	Heating/cooling retained within dwelling	<ul style="list-style-type: none"> <li>Comfortable indoor temperatures</li> <li>Lower indoor relative humidity</li> <li>Reduced allergens</li> </ul>	<ul style="list-style-type: none"> <li>Reduced deaths due to temperature extremes</li> <li>Reduced symptoms of respiratory disease</li> </ul>
Air Sealing	Heating provided to whole dwelling	<ul style="list-style-type: none"> <li>Comfortable indoor temperatures</li> <li>Reduced gases and particulates</li> <li>Increased usable living space</li> </ul>	<ul style="list-style-type: none"> <li>Reduced deaths due to cold</li> <li>Reduced symptoms of respiratory disease</li> <li>Reduced stress and infectious disease</li> </ul>
Improved Heating Systems	Cleaner burning heating systems Combustion by-products properly vented to outdoors		
Improved Cooking Systems	Cleaner-burning cooking systems Combustion by-products properly vented to outdoors	<ul style="list-style-type: none"> <li>Reduced gases and particulates</li> </ul>	<ul style="list-style-type: none"> <li>Reduced symptoms of respiratory disease</li> <li>Reduced risk of cancer</li> </ul>
Improved Ventilation	Increased air flow within dwelling	<ul style="list-style-type: none"> <li>Reduced gases and particulates</li> <li>Reduced dampness</li> <li>Reduced mold</li> </ul>	<ul style="list-style-type: none"> <li>Reduced symptoms of respiratory disease</li> <li>Reduced risk of cancer</li> <li>Reduced symptoms of cardiovascular disease</li> <li>Reduced arthritis</li> <li>Reduced depression</li> </ul>

*Adapted from Table 4.1 of the International Energy Agency report: Capturing the Multiple Benefits of Energy Efficiency.*

Home Rx: The Health Benefits of Home Performance – A Review of the Current Evidence 3

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## Humidity Impacts Infection Spread and Susceptibility



Influenza Virus Type A

Is 10 times more viable in dryer air.


The germs spread farther in dryer air.

Home (<http://www.welloinc.com/>) » Humidity Impacts Infection Spread and Susceptibility

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## New Home Builders Advantage


1. New homes built to the high minimum code provide a better housing product than the existing home stock offers.
  2. New homes built to a higher standard than minimum code will become the norm in the near future.
  3. Builders providing education to the buying public is the key to moving the market toward a more energy efficient market.
  4. Builders will be able to outsell new construction over existing homes if marketed appropriately.
- 




## Part 1.




## Financing Guidelines – Fannie Mae – Freddie Mac – FHA – AHFC - VA






## “Borrower’s Bill of Rights” in Lending Process

A term coined by Sandy Adomatis




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## Lender Guideline

### Hire competent appraisers

Competency Required	USPAP	Fannie Mae	Freddie Mac	FHA	VA
Before Accepting Assignment		X	X	X	
Before Completing Assignment	X				X



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# Fannie Mae

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**Knowledge and Experience**

Lenders must use appraisers that

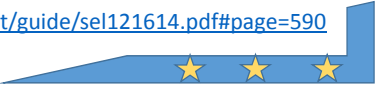
- have the requisite knowledge required to perform a professional quality appraisal for the specific geographic location and particular property type; and
- have the requisite knowledge about, and access to, the necessary and appropriate data sources for the area in which the appraisal assignment is located.

Appraisers that are not familiar with specific real estate markets may not have adequate information available to perform a reliable appraisal. Although the Uniform Standards of Professional Appraisal Practice (USPAP) allows an appraiser that does not have the appropriate knowledge and experience to accept an appraisal assignment by providing procedures with which the appraiser can complete the assignment, Fannie Mae does not allow the USPAP flexibility.


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<https://www.fanniemae.com/content/guide/sel121614.pdf#page=590>

Page 564 – Dec. 16, 2014 Guide



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# Fannie Mae Holds Lender Responsible


The lender (or its authorized agent)

- must establish policies and procedures to ensure that qualified individuals are being selected in accordance with Fannie Mae requirements, including the *Appraiser Independence Requirements*.


Printed copies may not be the most current version. For the most current version, go to the online version at <https://www.fanniemae.com/singlefamily/originating-underwriting>. 564

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<https://www.fanniemae.com/content/guide/sel121614.pdf#page=590>



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## Freddie Mac Guidelines


**4. How do lenders determine the correct process for selecting an appraiser?**

Lenders must comply with the following requirements related to the selection of an appraiser:


- Sellers must select appraisers in compliance with AIR.
- Appraisers must be certified or licensed in the state in which the property is located, and must be eligible to perform appraisals in that state.
- Appraisers must be familiar with the local market in which the property is located, must be competent to appraise the subject property type, and must have access to the data sources needed to develop a credible appraisal.

For additional information about appraisers and appraisal requirements, please refer to Guide Exhibit 35 and Guide Bulletin 2010-23 issued on October 15, 2010.

[http://www.freddiemac.com/singlefamily/appraiser\\_independence\\_faq.html#30](http://www.freddiemac.com/singlefamily/appraiser_independence_faq.html#30)



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## FHA

**(B) Competency Requirement**

The Appraiser must be knowledgeable of the [Uniform Standards of Professional Appraisal Practice \(USPAP\)](#) and FHA appraisal requirements. The Appraiser must meet the competency requirements defined in the USPAP prior to accepting an assignment. The Appraiser must be knowledgeable in the market where the assignment is located.


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<https://portal.hud.gov/hudportal/documents/huddoc?id=40001HSGH.pdf>



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# FHA


**ii. Appraiser Competency Requirement**

The Appraiser assigned to provide the appraisal must be able to complete an assignment for the property type, assignment type, and geographic location of the subject Property.


The Appraiser must comply with the USPAP, including the Competency Rule, when conducting appraisals of Properties intended as security for FHA-insured financing.

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<https://portal.hud.gov/hudportal/documents/huddoc?id=40001HSGH.pdf>




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## How do you define requisite knowledge or competency?

To obtain a sales, broker, or appraiser license:

- Education first
- Appraiser must work under a Certified Appraiser for 2 years prior to sitting for certification exam.



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## Appraiser's Competency Requirement

**APPRAISER'S CERTIFICATION:** The Appraiser certifies and agrees that:

9. I have reported adjustments to the comparable sales that reflect the market's reaction to the differences between the subject property and the comparable sales.
10. I 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.
11. I have knowledge and experience in appraising this type of property in this market area. 
12. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located.
13. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable sources that I believe to be true and correct.



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Appraiser Name	Location
Susan K. Crosson, SRA	Anchorage, AK
Alfred J. Ferrara, MAI, SRA	Anchorage, AK
Cecilia T. Mendonsa, SRA	Girdwood, AK
Rick Stovarsky, SRA	Fairbanks, AK
Nancy S. Whitmore, SRA	Homer, AK
Wendy Brooker	Wasilla, AK
Cheryl Lubeck	Anchorage, AK
John F. Cristiano	Soldotna, AK
Bristol W. DeMeter	Homer, AK
Tim Leach	Anchorage, AK
Charles E. Osmond	Soldotna, AK
Tony G. Ray	Fairbanks, AK
Robert G. Wilder	Anchorage, AK

## Alaska Appraisers on AI Green Registry

[http://www.myappraisalinstitute.org/findappraiser/green\\_sustainability\\_residential.aspx](http://www.myappraisalinstitute.org/findappraiser/green_sustainability_residential.aspx)




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# “Bill of Rights” in Property Sale or Listing

A term coined by Sandy Adomatis



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# REALTOR Code of Ethics

## Duties to the Public

- **Standard of Practice 11-1**  
When REALTORS® prepare opinions of real property value or price they must:
  - 1) be knowledgeable about the type of property being valued,
  - 2) have access to the information and resources necessary to formulate an accurate opinion, and
  - 3) be familiar with the area where the subject property is locatedunless lack of any of these is disclosed to the party requesting the opinion in advance.

**Source:** Code of Ethics and Standards of Practice of the National Association of Realtors®



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AK Real Estate Law Changes

Replace –  
Remove Wood  
Burning Stoves  
not meeting  
standards

Utility  
Disclosure

CHANGE

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2016 Law Affecting Real Estate Professionals

BOARD OF CERTIFIED REAL ESTATE APPRAISERS

DEC Contingency Measure on Air Quality Affects Appraising

Under the Alaska Department of Environmental Conservation (DEC) regulations and the State Air Quality Control Plan (SIP), a Real Estate measure is expected to imminently take effect. These provisions will affect transactions in the Fairbanks North Star Borough PM2.5 Nonattainment Area. This measure requires the removal of heating devices that would entail the use of fire wood—including wood stoves, pellet stoves, hydronic heaters, and large devices with greater than 350,000 BTU per hour—before sale, lease, or conveyance of property in the said area. Exceptions to this measure are EPA-certified wood and pellet stoves, hydronic heaters with a qualifying Phase 2 'White tag,' or devices that meet current emission standards.

For more information, please click: [Division of Air Quality](#)

You can also email the Department of Environmental conservation at [decburnwisealaska@alaska.gov](mailto:decburnwisealaska@alaska.gov) or, contact Lee Borden, Environmental Program Specialist, at (907) 451-5172.

<https://www.commerce.alaska.gov/web/cbpl/ProfessionalLicensing/RealEstateAppraisers.aspx>

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## Expected to Go Into Effect Spring 2017

Real Estate Licensees  
Sales Persons  
Brokers  
Appraisers  
Inspectors

Fairbanks

Beware

Owners, Buyers, & Landlords


[http://dec.alaska.gov/air/anpms/comm/fbks\\_pm2-5\\_real-estate.htm#lists](http://dec.alaska.gov/air/anpms/comm/fbks_pm2-5_real-estate.htm#lists)  
<http://dec.alaska.gov/air/anpms/comm/docs/FNSB-PM2.5-Proposed-Redesignation-81FR91088.pdf>

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## Devices Requiring Removal or Replacement:

1. For home or property sales, non-compliant wood heaters are to be removed or replaced prior to close of sale.
2. For leases, non-compliant wood heaters are to be removed or replaced before commencement of the lease term.

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## Appraiser-Agent Communication


A must to serve the public

- Clarify and transfer information

**Liability Issues**




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## Myths Debunked

- **Can't talk to appraiser**
- **Appraisers determine value**
- **Appraisal cannot be challenged**



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## What is the main purpose of the MLS?

The MLS is a platform for marketing real estate. It is designed to assist real estate professionals in selling real estate.



## Second Use of MLS

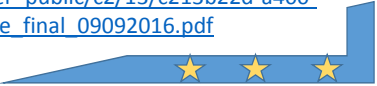
- **Assist appraisers in accessing data used in the appraisal process.**
  - This usually requires communication with the agent involved in the sale to verify data such as:
    - Condition
    - Concessions
    - Updates
    - Energy information



## Best Practices

"Missing data from the MLS when it comes to green features is a bad recipe for appraisers trying to be able to determine what these features are worth and what people are paying for them in the marketplace," said John Brenan, director of appraisal issues at The Appraisal Foundation. Adding green features to the MLS is a key component for appraisers to be able to accurately understand what features the property has and to be able to make a determination of what the market is paying for these particular features in any specific market."

[https://nmgprod.s3.amazonaws.com/media/filer\\_public/c2/13/c213b22d-a400-470a-acc3-9fff8e4e456c/pgh\\_eeba\\_green\\_guide\\_final\\_09092016.pdf](https://nmgprod.s3.amazonaws.com/media/filer_public/c2/13/c213b22d-a400-470a-acc3-9fff8e4e456c/pgh_eeba_green_guide_final_09092016.pdf)



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## Part 2.



# Getting It Right and Reconsideration of Value



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## Formula for a Smooth Transaction

**Competent Real Estate Agent**  
**+ Qualified Lender**  
**+ Competent Appraiser**  
**+ Accurate and Complete Documents**  
**+ Database –MLS has green populated fields**  
**More Accurate Appraised Value**



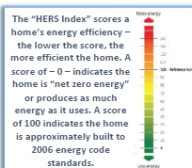
## Appraisal Institute Joint Efforts with National Assoc. of REALTORS

### Appraised Value and Energy Efficiency: Getting it Right

While location, design, and price are a home buyer's main considerations, surveys show that buyers rank energy efficiency as one of the most desirable features, and importantly, when there is sufficient energy savings - one they're willing to pay more for. However, energy efficiency can be overlooked in the appraisal and/or listing process for a variety of reasons, including a lack of access to data, underwriting impediments, and appraiser or agent qualifications. Many appraisers and/or agents may not be aware of the unique features or benefits of an energy efficient home. However, many appraisers and real estate agents are qualified to identify these features that are often hidden behind drywall. One way to peg the efficiency of a home is to know which energy code it was built to, or ask the homeowner if the home has earned an energy or green certification. A quick address search of the RESNET HERS Index database is a good place to start. If rated July 2012 or later, the RESNET registry will reveal the home's HERS Index.

According to the U.S. Department of Energy, homes built to the 2012 or 2015 International Energy Conservation Code (IECC) are 15-16% more efficient than those built to the 2009. They will typically be more comfortable to live in, have better overall performance, and lower monthly energy bills.

Fannie Mae, Freddie Mac and FHA require appraisers to consider the energy efficient features of the home, and if the market supports an adjustment in the appraised value, one must be made. Often, appraisers won't take energy efficient and green features into account if they aren't aware of them. This is where the listing agent must be sure that such features are accurately identified in searchable MLS fields and appropriate documents attached for potential buyers and appraisers to review.





## Appraised Value and Energy Efficiency: “Getting It Right”

### What can agents do?

1. Encourage sellers to complete the **AI Residential Green and Energy Efficient Addendum form**. The builder or energy rater probably is the best informed to complete the Addendum; therefore, seek their assistance to assure accuracy.
2. Provide a copy of a complete Home Energy Rating System (HERS) report (if available). If home has solar photovoltaic (PV) system, review the U.S. Department of Energy’s **informational guide addressing solar PV**.
3. Prepare the buyer to notify the lender that they require a qualified appraiser for this special type of construction; add your logo and provide a copy of the **Directions for Buyers**.
4. Add your logo, the property address, and contact info to the **Lender Letter** along with any other special features or information regarding the property type. Instruct the buyer or their agent to give the letter (along with #1 and 2 above) to their lender.

### What are the obligations of Real Estate Professionals?

As homes are listed with an increasing number of energy efficient features in MLSs around the country, it is important for real estate professionals to both understand the benefits provided by such features, and know how to best communicate with clients about efficiency. Once they understand the impact that efficiency upgrades can have on new or existing homes, real estate professionals can advise and refer clients to additional actions they can take to further impact home performance.

REALTORS® have an obligation under Article Eleven of the Code of Ethics that they shall not “undertake to provide professional services concerning a type of property or service that is outside their field of competence unless they engage the assistance of one who is competent on such types of property or service, or unless the facts are fully disclosed to the client.”

The National Association of REALTORS® offers NAR’s Green Designation program to those agents interested in high performance, resource efficient homes. Agents with this special designation are better prepared to serve the public on issues of energy efficient and green properties.

For a list of REALTORS® with NAR’s Green Designation in your area,  
**Qualified appraisers, the AI Residential Green and Energy Efficient Addendum form,  
 Ready-made directions for buyers,  
 A ready-made Lender Letter, and  
 The informational guide addressing solar PV, go to:**

[www.GreenResourceCouncil.org/Appraisal-Links](http://www.GreenResourceCouncil.org/Appraisal-Links)

## Appraised Value and Energy Efficiency: “Getting It Right”



**FOR BUYERS**

**ENSURING A QUALIFIED APPRAISER FOR YOUR HOME**

Your home has higher energy efficiency or green standards than many others on the market. It should be more comfortable to live in and have lower monthly energy bills. Homes built to the 2012 or 2015 International Energy Conservation Code (IECC) are 15-16% more efficient than those built to the 2009 IECC or earlier. Some of your home features may include:

- More wall and ceiling insulation to keep conditioned air inside your home
- Windows that keep the heat out in the summer months to improve comfort
- Fewer drafts and air leaks, which improve indoor comfort
- Or, you may have a home built well before the new code but have invested in energy or green retrofits that makes your home more efficient than other homes built during the same time frame.

**What You Need To Know Regarding the Loan/Appraisal Process**

Some lenders randomly assign an appraiser to estimate the value of a home. However, yours is not a typical home if it is a higher-performing building or one with unique green features. Fannie Mae, Freddie Mac and FHA require that appraisers be appropriately qualified to appraise the specific property in the assignment. If you do not clearly identify the property as a special property type requiring an appraiser properly qualified in the valuation of energy efficient, high-performance homes, you may risk that an appraiser without the necessary qualifications will be chosen and that appraiser may not take these features into account.

**What You Need to Do**

Provide your lender with these things provided to you by the builder, homeowner, energy rater, green certification, or complete HERS Report:

- The lender letter regarding this special property type and the need for an appraiser properly qualified to value energy efficient, high-performing homes.
- The Appraisal Institute's Residential Green and Energy Efficiency Addendum, completed, if possible, with the assistance of the builder, energy rater, or green rater.
- The Home Energy Rating System (HERS) Report (if available)
- Home Energy Score Report (A rating of 1-10; *applicable for existing homes only*).

Appraised Value and Energy Efficiency: "Getting It Right"



**FOR LENDERS**

Dear Lender,

The property located at: [Insert address](#) is a special property type. It is a green, and/or energy efficient, high-performing home as shown below:

- 2012 International Energy Conservation Code (2012 IECC) \*\* built above current MA state code
- 2015 International Energy Conservation Code (2015 IECC)
- Existing home with Energy/Green Retrofits

A copy of the Green and Energy Efficient Addendum form, and the energy report (if available, or two years of utility bills) should be included with the appraisal engagement letter. Fannie Mae, Freddie Mac and FHA require lenders to choose appraisers properly qualified to value the green and/or energy efficiency features of a high performing, energy efficient home in the local real estate market.


You can access a list of appraisers who may have those qualifications at the *Valuation of Sustainable Buildings Professional Development Program Registry*, available at: [http://www.myappraisalinstitute.org/findappraiser/green\\_sustainability\\_residential.aspx](http://www.myappraisalinstitute.org/findappraiser/green_sustainability_residential.aspx). These specially-trained appraisers have completed 28 hours of education and passed three exams. If the appraisers on your panel are not on this list, they can complete 14 education hours online to get started at: [http://www.myappraisalinstitute.org/education/course\\_descrb/Default.aspx?prgrm\\_nbr=826&key\\_type=CO](http://www.myappraisalinstitute.org/education/course_descrb/Default.aspx?prgrm_nbr=826&key_type=CO)

Appraisers on this list are not required to be Appraisal Institute members but must take the required courses and pass the exams to be listed.


If you have questions, please contact:

Appraised Value and Energy Efficiency: "Getting It Right"





Sustainable Real Estate Consulting Services  
www.realestateadvisors.com



## Example of how one real estate broker uses the brochure

**FOR BUYERS**  
ENSURING A QUALIFIED APPRAISER FOR YOUR HOME

Your home has higher energy efficiency or green standards than many others on the market. It should be more comfortable to live in and have lower monthly energy bills. Homes built to the 2012 or 2015 International Energy Conservation Code (IECC) are 15-16% more efficient than those built to the 2009 IECC or earlier. Some of your home features may include:

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**What You Need to Do**  
Provide your lender with these things provided to you by the builder, homeowner, energy rater, green certification, or complete HERS Report:

- The lender letter regarding this special property type and the need for an appraiser properly qualified to value energy efficient, high-performing homes.
- The Appraisal Institute's Residential Green and Energy Efficiency Addendum, completed if possible, with the assistance of the builder, energy rater, or green rater.
- The Home Energy Rating System (HERS) Report (if available)
- Home Energy Score Report (a rating of 1-10, applicable for existing homes only).


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Sustainable Real Estate Consulting Services  
www.realestateadvisors.com



## Example of how one real estate broker uses the brochure

**FOR LENDERS**

Dear Lender,

The condominium association located at: 152-158 Highland St., Boston MA is a special property type. It is a green, and/or energy efficient, high-performing home as shown below:

- 2012 International Energy Conservation Code (2012 IECC) \*\* built above current MA state code
- 2015 International Energy Conservation Code (2015 IECC)
- Existing home with Energy/Green Retrofits

\*\* The condominium project in the Fort Hill section of Boston is projected to be a LEED Platinum certified project, and with a combination of the best building selection to offer and host owned solar PV, be energy positive. Each condominium is projected to produce more energy than consumed on an annual basis. Projected HERS Ratings of the condos will be between 1 and 06.

A copy of the Green and Energy Efficient Addendum form, and the energy report (if available, or two years of utility bills) should be included with the appraisal engagement letter. Fannie Mae, Freddie Mac and FHA require lenders to choose appraisers properly qualified to value the green and/or energy efficiency features of a high performing, energy efficient home in the local real estate market.

You can access a list of appraisers who may have those qualifications at the Valuation of Sustainable Buildings Professional Development Program Registry, available at: [http://www.myappraisalinstitute.org/findappraiser/legreen\\_sustainability\\_residential.aspx](http://www.myappraisalinstitute.org/findappraiser/legreen_sustainability_residential.aspx). These specially-trained appraisers have completed 28 hours of education and passed three exams. If the appraisers on your panel are not on this list, they can complete 24 education hours online to get started at: [http://www.myappraisalinstitute.org/education/course\\_desc/Default.aspx?program\\_nbr=8268&ev\\_type=EQ](http://www.myappraisalinstitute.org/education/course_desc/Default.aspx?program_nbr=8268&ev_type=EQ)

Appraisers on this list are not required to be Appraisal Institute members but must take the required courses and pass the exams to be listed.


If you have questions, please contact:

NAME: Craig Foley, Chief of Energy Solutions, RE/MAX Leading Edge  
PHONE: 617-470-4254  
EMAIL ADDRESS: craig.foley@gmail.com

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## Oh no! Value too low?

Indicated Value by: Sales Comparison Approach \$360,000	Cost Approach (if developed) \$ 365,100	Income Approach (if developed) \$
<small>The income approach is not applicable in this size and quality housing. The cost approach is relevant in proposed construction and has strong support for the cost new and site value. The sales comparison approach has some weakness due to the limited number of two-story house sales; however, the additional two-story sales and listings in the addendum add credibility to the sales analyzed.</small>		
<small>This appraisal is made <input type="checkbox"/> "as is," <input checked="" type="checkbox"/> subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, or <input type="checkbox"/> subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or <input type="checkbox"/> subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair: <b>Appraised value is subject to completion per plans and specifications as envisioned in this appraisal report.</b></small>		
<small>Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is \$ 360,000 as of 03/04/2014, which is the date of inspection and the effective date of this appraisal.</small>		




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## Reasons to Challenge

- Appraisal report contains numerous errors including:
  - No mention of energy or green features
  - Use of sales that are not similar
  - No analysis of the green features
  - Errors of fact
  - Appraiser has no experience or education in property type

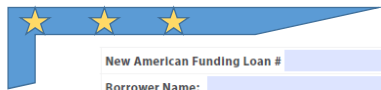


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## You must document reasons!

- Read the appraisal and highlight areas that are in error
- Identify the errors in writing and provide factual rebuttal
- Provide highlighted appraisal and written rebuttal to LENDER
- Lender is responsible for discussing the challenge with the appraiser



## Reconsideration of Value

New American Funding Loan #	Date:
Borrower Name:	Branch/OLA:
Property Address:	
Appraised Value:	Date Ordered:


**ADDITIONAL SALES/LISTINGS SUBMITTED FOR RECONSIDERATION (SEE BELOW).**

Property #1:
Property #2:
Property #3:
Property #4:

**CLIENT'S CONCERNS WITH THE ORIGINAL APPRAISAL (SEE BELOW).**

Concern #1:
Concern #2:
Concern #3:
Concern #4:







## Reconsideration of Value Instructions

**INSTRUCTIONS FOR SUBMISSION OF THE RECONSIDERATION REQUEST FORM:**

1. Complete the required loan information at the top of the page.
2. Provide the sales, listings, and/or concerns requested for additional analysis (maximum of 4 allowable for each section).
3. Verify all information requested for reconsideration is correct and accurate.
4. Do not specify a requested value or a specific change in value in your comments.
5. Save this document as a PDF file using the loan number in the file name.
6. Email the PDF to a [REDACTED] for processing/tracking.



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## Freddie Mac – Rule on Second Appraisals


2. **Are lenders permitted to order a second appraisal or AVM on high-value or unique properties to ensure the most accurate value is obtained?**

Yes. As long as such appraisal or AVM is done pursuant to:

  - Written, pre-established bona fide pre- or post-funding appraisal review or quality control processes or underwriting guidelines.
  - Lender adherence to a policy of selecting the most reliable appraisal as stated in Section II of AIR.
3. **Does AIR specifically prohibit a lender from ordering a second appraisal?**

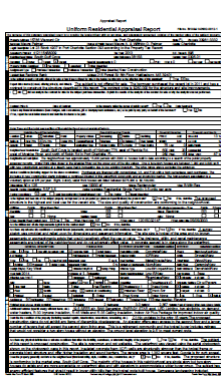
No. A lender is only prohibited from ordering a second appraisal if the lender is attempting to influence the outcome of the first appraisal or for the purpose of value shopping. For risk mitigation of certain loan products, it may be a common practice for a lender to order more than one appraisal. Section II of AIR specifically addresses when it is permissible to order second appraisals.

[http://www.freddiemac.com/singlefamily/appraiser\\_independence\\_faq.html#47](http://www.freddiemac.com/singlefamily/appraiser_independence_faq.html#47)



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## How Can You Appeal An Appraisal?



**With Facts!**



## Obtain copy of appraisal report

- ▶ **Only borrower has right to copy of report; therefore, the builder or real estate agent must work with the borrower to obtain a copy.**
- ▶ **Lender is required to give borrower a copy of the report 3 days prior to closing unless borrower signs a waiver**





## Obtain copy of appraisal report

- ▶ Read report in its entirety and document concerns in writing
- ▶ Do not contact appraiser!!!!
- ▶ Contact lender with written concerns regarding error of fact- must be factual and not a complaint of value only- following are tips that might suggest challenging appraisal.



## Appraisal Report Form-Improvement Section

GENERAL DESCRIPTION	FOUNDATION	EXTERIOR DESCRIPTION	materials/condition	INTERIOR	materials/condition
Units <input checked="" type="checkbox"/> One <input type="checkbox"/> One with Accessory Unit	<input checked="" type="checkbox"/> Concrete Slab <input type="checkbox"/> Craw Space	Foundation Walls	CBS/Good	Floors	W d/Tile/Cpt/G d
# of Stories 2	<input type="checkbox"/> Full Basement <input type="checkbox"/> Partial Basement	Exterior Walls	CBS/Fr/SI/Good	Walls	Drywall/Good
Type <input checked="" type="checkbox"/> Det. <input type="checkbox"/> Att. <input type="checkbox"/> S-Det/End Unit	Basement Area 0 sq ft	Roof Surface	As Sh/Good	Trim/Finish	Ptd/Wd/Good
<input checked="" type="checkbox"/> Existing <input type="checkbox"/> Proposed <input type="checkbox"/> Under Const.	Basement Finish 0 %	Gutters & Downspouts	Alum/Good	Bath Floor	Tile/Good
Design (Style) Traditional	<input type="checkbox"/> Outside Entry/Exit <input type="checkbox"/> Sump Pump	Window Type	Low E/Good	Bath Wainscot	Tile/Good
Year Built 2008	Evidence of <input type="checkbox"/> Infestation	Storm Sash/Insulated	Hi Impact	Car Storage	<input type="checkbox"/> None
Effective Age (Yrs) 3	<input type="checkbox"/> Dampness <input type="checkbox"/> Settlement	Screens	Yes/Good	<input checked="" type="checkbox"/> Driveway	# of Cars 4
Attic <input type="checkbox"/> None	Heating <input checked="" type="checkbox"/> FWA <input type="checkbox"/> HWBB <input type="checkbox"/> Radiant	Amenities	WoodStove(s) #	Driveway Surface	Concrete
<input checked="" type="checkbox"/> Drop Stair <input type="checkbox"/> Stairs	<input type="checkbox"/> Other <input type="checkbox"/> Fuel Electric	Fireplace(s) #	Fence	<input checked="" type="checkbox"/> Garage	# of Cars 3
<input type="checkbox"/> Floor <input checked="" type="checkbox"/> Scuttle	Cooling <input type="checkbox"/> Central Air Conditioning	Patio/Deck	<input checked="" type="checkbox"/> Porch Screen	Carport	# of Cars
<input type="checkbox"/> Finished <input type="checkbox"/> Heated	Individual <input checked="" type="checkbox"/> Other*	<input checked="" type="checkbox"/> Pool IG Cgd	<input checked="" type="checkbox"/> Other Entry	Att. <input type="checkbox"/> Det. <input checked="" type="checkbox"/> Built-in	
Appliances <input checked="" type="checkbox"/> Refrigerator <input checked="" type="checkbox"/> Range/Oven <input checked="" type="checkbox"/> Dishwasher <input type="checkbox"/> Disposal <input type="checkbox"/> Microwave <input type="checkbox"/> Washer/Dryer <input type="checkbox"/> Other (describe)					
Finished area above grade contains:	10 Rooms	8 Bedrooms	4.1 Bath(s)	3,588 Square Feet	Grade
Additional features (special energy efficient items, etc.): See attached Residential Green and Energy Efficient Addendum					
Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.): The house is in good overall condition. * The two central air units have been stolen and require replacement. The appraised value assumes the units will be replaced with two 19 SEER air units.					
Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, describe: Note the replacement of central units noted previously.					
Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, describe: This house is above average in size for this neighborhood. The style is typical of two-story houses in this county. The energy efficiency exceeds the typical code-built house resulting in low energy costs. The house is rated green by Florida Green Building Coalition and described on the attached addendum.					

# How Does Fannie Mae Define an Energy Efficient Property

## Energy Efficient Improvements

An energy-efficient property is one that uses resource-effective design, materials, building systems, and site orientation to conserve nonrenewable fuels.

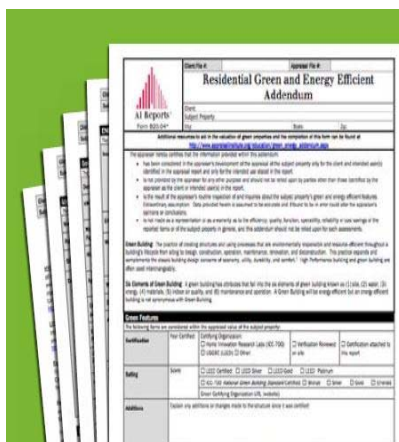
Special energy-saving items must be recognized in the appraisal process and noted on the appraisal report form. For example, when completing the appraisal report (Form 1004), special energy-efficient items are to be addressed in the Improvements section in the Additional features field. The nature of these items and their contribution to value will vary throughout the country because of climactic conditions, differences in utility costs, and overall market reaction to the

Part B, Origination Through Closing  
 Subpart 4, Underwriting Property  
 Chapter 1, Appraisal Requirements, Appraisal Report Assessment


December 16, 2014

Page 603

# To meet minimum guidelines add



Use pages that apply to features in the property



## HUD Handbook 4000.1

(d) Adjusting Comparable Properties


(i) Standard

Calculation of the Contributory Value includes methods based on the:


- direct sales comparison approach;
- cost approach; and
- Income approach.

Handbook 4000.1  
Publish Date: 03/18/2015 | Effective Date: 06/15/2015

Page 461




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## Sales Comparison Section

- **Review the sales - do they have the same energy features?**
- **Can you verify the description of the sales?  
MLS-Zillow-Trulia-Agent**
- **Are the sales the best ones available?**

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# Sales Comparison Approach

FEATURE	SUBJECT	COMPARABLE SALE NO. 1			COMPARABLE SALE NO. 2			COMPARABLE SALE NO. 3		
Address										
Proximity to Subject										
Sale Price	\$			\$			\$			
Sale Price/Gross Liv. Area	\$ 0.00 sq. ft.	\$	sq. ft.	\$	sq. ft.	\$	sq. ft.	\$	sq. ft.	
Data Source(s)										
Verification Source(s)										
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment		DESCRIPTION	+(-) \$ Adjustment		DESCRIPTION	+(-) \$ Adjustment	
Sale or Financing Concessions										
Date of Sale/Time										
Location	Suburban									
Leasehold/Fee Simple	Fee Simple									
Site	20000 Sq.Ft.									
View	Res/vacant Sites									
Design (Style)	Traditional									
Quality of Construction	Good									
Actual Age	3+/- Years									
Condition	Good									
Above Grade	Total Rooms: 8, Baths: 4, 1									
Room Count	10									
Gross Living Area	3,588 sq. ft.									
Basement & Finished Rooms Below Grade	None									
Functional Utility	Average									
Heating/Cooling	Central									
Energy Efficient Items	HERS 55/Slr WH									
Garage/Carport	3-Car Garage									
Porch/Patio/Deck	Scr/Entry									
Solar PV Panels	4.03 Array									
Amenities	Solar Pool Entry									
Green Score	194 Score									
Net Adjustment (Total)				\$			\$			\$
Adjusted Sale Price of Comparables										55

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# Sales Comparison Section




- Must stay within guidelines
- Or explain
- Sold in last year or explain






## Sales Comparison Section

- **Are the sales all arm's-length - cannot be the result of a custom home built on a lot owned by the borrower prior to construction.**
- **Document any errors of fact in writing!**



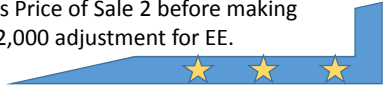
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## Paired-Data Analysis

	Sale 1		Sale 2	
Sale Date	3/26/2015		2/4/2015	
Sale Price		\$335,000		\$352,000
Site Size	11,240 SF		9,000 SF	
Room Count	7/3/2	+ 2,500	6/3/2.5	
Gross Living Area/SF	1,580	+2,500	1,710	
Age	4		3	
Energy Rating	Four	12,000	Six	
Adjusted Sales Price		\$352,000		\$352,000


Compares two similar properties to extract value of energy improvements  
 Sale 2 Sales Price \$252,000 – Adjusted Sales Price of Sale 2 before making energy efficient adjustment \$240,000 = \$12,000 adjustment for EE.



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Sales Comparison Grid							
Features	Subject	Sale 1		Sale 2		Sale 3	
Sale Date	1/2017	3/2016		2/2016		11/2016	
Sale Price	\$355,000		\$335,000		\$352,000		\$362,000
Site Size	12,000 SF	11,240 SF		9,000 SF		15,000 SF	
Room Count	7/3/2.5	7/3/2	+ 2,500	6/3/2.5		6/3/2	+2,500
Gross Living Area/SF	1,680	1,580	+2,500	1,710		1,750	
Age	3	5		3		2	
Energy Rating	Six	Four	12,000	Five+		Six	
Adjusted Sales Price			\$349,500		\$352,000		\$364,500

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## Inaccurate Data or MLS without Green Fields is a Recipe for Disaster

- **Communicating with the appraiser before and at the time of the inspection is crucial.**
- **Becoming a thought leader to move your MLS to implement green fields with safety stops for inputs**
- **Providing details of updates on the property being appraised and sales is important.**



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## Depreciated Cost Method

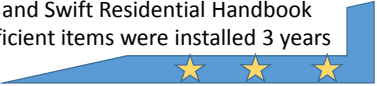
**Cost New of Energy Improvement Items**  
**\$17,500**

**Depreciation from all forms of loss**  
**3 yrs old\*/23 yr life expectancy = 13%**


**13% x \$17,500 = - 2,275**

**“As Is” (Depreciated Value of Energy Imprv)**  
**\$15,225**

\*23 year life expectancy based on Marshall and Swift Residential Handbook estimates for energy efficiency. \* Energy efficient items were installed 3 years ago.




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## Depreciated Cost Method

**Energy Efficient Upgrade Costs are important and can be used as one indicator in estimating value. Even if the updates were 2-3 years ago, report the costs to the appraiser. Provide a list of those update and if the actual contract is available, provide it also to the appraiser.**



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# Income Approach

**HP12 C**

20 N – Number of years features will last (physical life) (23-yrs less actual age of 3 years)

5 (%) I - Discount Rate


\$850 PMT - Annual savings amount (based on Home Energy Score)

Press PV - Should give present value or


\$ 10,600 rd

(It will show as a minus-press CHS for change sign)

(Uses Annual Compound Interest rate of 5% based on mortgage rate plus 1% for risk factor)



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# Income Approach

**Fannie Mae's Preferred Income Approach**

**Monthly Rent**

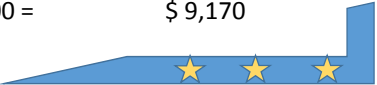
Appraiser finds rents of Energy Efficient Houses	\$1,200
Appraiser finds rents of similar non-EE Houses	<u>\$1,100</u>
Difference in rents (income)	\$ 100

Appraiser finds **Gross Rent Multipliers of EE Houses**

Sale Price of EE House \$110,000 / Monthly Rent \$1,200 = 91.7


Indicated Value of Energy Efficient Items Using GRM

91.7 GRM x Rent attributed for EE \$100 = \$ 9,170




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## Income Approach Data

- **Rentals – a high percentage of houses are rented in the state**
- **Energy savings can be developed using the Energy Efficiency Calculator**



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## Test of Reasonableness

**Overview of Methodology to Value Energy Efficient Features**


Paired-Data Analysis	\$12,000
Depreciated Cost	\$15,225
Income Approach (GRM)	\$ 9,170
Income Approach (PV)	\$10,600

**Reconciliation:** All three methods form a tight value range for the energy efficient features. The depreciated cost method deserves the least consideration because the estimate of depreciation has most room for error. The Paired-Data and Income Approach closely point to \$12,000 and deserve the most consideration because the Paired-Data Analysis is directly from sales in this market. The Income Approach closely represents buyers thinking on savings from energy improvements.



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# Resources



**BEST PRACTICES**  
High Performance Homes  
**No More Cost**

Logos: ENERGY STAR, CEBA, ENERGY EFFICIENT

**Unlocking the Value of an Energy Efficient Home**  
A Blueprint to Make Energy Efficiency Improvements Visible in the Real Estate Market

August 2013

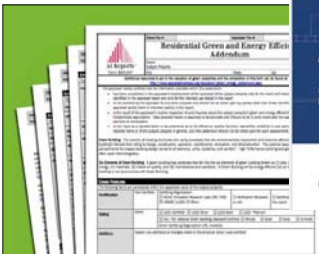
OW Energy  
National Home Performance Council

Logos: ENTEnergy, National Home Performance Council

**Green MLS Implementation Guide v1.0**


Brought to you by the  
National Association of REALTORS®  
and IAR's Green Rewards Council

Logos: NATIONAL ASSOCIATION OF REALTORS, green




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# Alaska Specific Resources




**HOME ENERGY CODE GUIDE:**  
FOR ALASKA HOMES  
A Consumer Guide to Minimum Standards for Energy Efficiency

Logos: ENERGY STAR, B3CAP



**2014 Alaska Housing Assessment**  
April 8, 2014

Alaska Housing



**Alaska Housing**  
FINANCE CORPORATION

<https://www.ahfc.us/efficiency/research-information-center/fact-sheets-and-information/>

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## Session Take-A-Ways

Real Estate Professionals must work together!

Energy Efficiency Message Must Change

Data must be accessible!


Reconsideration of Value is available.

Energy Use Disclosure at time of sale is law.

MLS must implement green fields.

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## Time for Evaluations



Speaker: Sandra K. Adomatis

Day 2: Session 1: Connecting the Dots – Building – Marketing – Valuation-Financing

Follow me on Twitter!

<https://twitter.com/sadomatis>

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# Time for Questions



See You in the Next Session:  
An Alaska Case Study Using Big Data





## Thank you for Attending!

• **Sandra K. Adomatis, SRA, LEED Green Associate**

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• **Punta Gorda, FL 33951**

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