

# FORSYTHE FLASH

Appraisal Insights for the Real Estate Professional



April 14, 2006

The topics presented in the Forsythe Flash are in response to questions from our readers.

## We appreciate your input!

If there is a topic you'd like discussed in a future article, please e-mail your question to [ForsytheInfo@ForsytheAppraisals.com](mailto:ForsytheInfo@ForsytheAppraisals.com).

### Why do Appraisers Ask for the Purchase Agreement?

By Alan Hummel, SRA. Vice President & Chief Appraiser of Forsythe Appraisals, LLC

The easiest answer as to why the appraiser asks for a copy of the purchase agreement is because the professional standards governing their certification requires them to report their analysis of the agreement of sale if such information is available to them in the normal course of business. Equally as important, there is much information contained in the agreement that allows the appraiser to make the most complete and competent analysis, starting with the address of the property!

The appraiser needs to know that what they are being asked to appraise is the same property as being transferred, and the agreement will indicate a property address or legal description. Other important items that an appraiser should know about that may be contained in the agreement include: items of personal property that are part of sale, concessions made by the seller in the form of loan assistance, agreements to repair or replace items prior to closing, and, information required to properly complete most required appraisal forms, including the name of the seller.

But isn't giving the appraiser that information, which includes the purchase price, "leading them to the value"? No! An ethical appraiser will not allow the purchase price to sway their judgment; they will first select comparable sales based on the physical and locational characteristics of the property. After analysis and adjustments for differences between the subject and sales, there will be an "indicated range of values". In a hypothetical case where the adjusted range is from \$175,000 to \$180,000, the appraiser has to reconcile to a definite dollar amount. After considering the strengths and weakness of each sale, without knowing the actual sales price, let's say the appraiser selects as their estimate a value of \$176,000. If the appraiser had analyzed the purchase agreement, found it to be typical of other agreements in the area, that it did not contain any concessions and appeared to be "arms length", with a purchase price of \$177,000, would the appraiser be wrong to consider that in their final analysis? Would they be "wrong" to come to a final opinion of \$177,000 instead of the \$176,000? No, if you're working with a competent, ethical appraiser, they would simply be considering one more piece of market information in their analysis.

Prudent and acceptable appraisal practice prescribes that the appraiser does consider the purchase price as ONE piece of information. Providing a professional appraiser with the purchase agreement ensures that they have all the information to complete a full analysis and render a competent opinion of the subject's market value.

### **REMINDER:**

As of April 2, 2006 Phoenix and Tucson will be on Pacific Time.

The State of Arizona does not participate in Daylight Savings Time.

### **Mortgage Rates As of March 13**

30 Year Fixed: **6.49%**  
15 Year Fixed: **6.14%**  
1- Year ARM: **5.61%**

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