



PRESS RELEASE: Customary and Reasonable Fees

It has been determined through a survey conducted by the largest Arizona based appraiser association, the Arizona Association of Real Estate Appraisers (AAREA) **that the Arizona customary and reasonable fee for the basic residential appraisal report used for lending purposes ranges from \$350 to \$375. This fee applies to the basic residential report for a single family home and does not apply to complex properties, FHA reports, VA reports, or other report forms or assignments.**

This fee is also supported by various national surveys that have been conducted since the passage of the Dodd-Frank financial reform act which includes the survey published in Working RE in January of 2011.

The results of the AAREA survey also show that over 60% of appraisers believe that the following items should be included in the typical scope of work necessary for a lender to understand the subject property in addition to the Uniform Residential Appraisal Report form and the accompanying Certification and Limiting Conditions:

- Analysis of three comparable properties;
- Location Map;
- Front, Rear and Street Scene Pictures;
- Pictures of all of the Comparables;
- Sketch of the subject property with the rooms identified but not drawn in;
- Pictures of all interior rooms in the subject;
- Plat map;
- The 1004MC;
- Discussion or explanation of every comparable used in the report.

Also included by over 60% of appraisers was an active listing, however, it was not asked, therefore not answered, what weight this would be given or how it would be addressed so it will be added for clarification in a subsequent survey and is considered to be an optional item at the appraiser's discretion at this time.

All appraisals must meet the Uniform Standards of Professional Appraisal Practice (USPAP) which include both the development of the real property appraisal (Standard 1) and the reporting or the communication of the results to the client (Standard 2). All appraisers must also meet the requirements of the Ethics Rule, the Competency Rule and the Scope of Work Rule included in USPAP.

The Scope of Work rule consistently puts the responsibility of both the determination of the research needed to produce a credible appraisal and the reporting of that appraisal on the appraiser. Should the appraiser determine that further research is needed in the development of the appraisal, or further documentation be provided for a clear understanding of the contents within a report, the appraiser is obligated under USPAP to do the research and provide the documentation. But this is unequivocally the appraiser's call according to USPAP.

Additional documentation may be provided at the client's request and additional fees for such documentation were determined to be customary and reasonable by the Survey, with the one exception being a FEMA Flood Map. The Flood Map would be required if the property were in a FEMA flood zone, but the majority felt it should be supplied free of charge upon a client's request whether or not the property was in a flood zone. Now that the Survey has established a clear set of criteria for a basic report, appraisers can make their own business decision as to what additional documentation should be provided and whether or not there should be an additional charge.

Items on the Survey that received over 60% "yes" vote in answer to the question, "Should additional fees be charged for the following items?" were:

- Additional comparables or listings if requested by the lender;
- Additional site visit;
- Attic Inspection;
- Drawing out the rooms on a sketch;
- Any documentation requested after the original scope of work is defined in the order;
- Additional mileage due to distance between comparables or other reason.

The Survey also determined that the minimum time required for an order to be processed is five working days (not weekends or holidays) from receipt of the order, and three working days from the date of inspection barring any barriers to scheduling an appointment.

The purpose of the real property appraisal used for lending purposes is to establish the underlying collateral value of the real property so that the lender can make an informed decision on whether the property has enough value to bear the risk of investment should the borrower default. This purpose is accomplished only when the appraiser is allowed to operate in an environment where there are no undue pressures put on the appraiser. The above criteria establishes an environment where the appraiser is free from undue financial or time pressure. This is what protects the appraiser's ability to be independent, and in turn the lender, the borrower, and, as we have seen by the recent financial meltdown when independence was not enforced, the public.

Ultimately every appraisal will be reviewed by the mortgage insurer for complete and accurate reporting prior to an action of denial for payment or litigation for non-supported over-valuation if found. Therefore, creating an environment in which the appraiser's independence is guaranteed is best for all concerned.

The Survey was sent to 1130 Arizona appraisers and appraisers were encouraged to forward it to other Arizona appraisers. Recipients were asked not to answer if their practice was limited to commercial work only. Many who hold Certified General licenses do residential work so the survey could not be limited to only Licensed and Certified Residential appraisers. There are approximately 2114 appraisers who live and work in Arizona according to the Arizona Board of Appraisal on 3/17/2011. This includes both commercial and residential appraisers. There were 242 responses to the survey and again, it was requested that only those that perform residential appraisals respond.

Now that the Survey has established a clear set of criteria for a basic report, appraisers can make their own business decision as to what additional documentation should be provided and whether or not there should be an additional charge.

A report of the survey responses is available on the AAREA website at www.aareaonline.org. AAREA is planning to conduct more surveys on specific types of appraisal reports as well as to update this survey periodically when appropriate.

The Arizona Association of Real Estate Appraisers is the largest appraisal association in Arizona. It is open to all appraisers including members of all other appraisal associations, all levels of licensing and all geographic areas. There is more about AAREA at the AAREA website. If you are an appraiser and would like to join AAREA you can do so through the website.

[Click here to go to AAREA Survey Results](#)

For Further Information on this press release contact aarea@cox.net or call Joanna Conde at 623-933-0797.

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