**Unit 15 Outline**

**Learning Objectives**

Study of this unit should enable the student to

* define the process of reconciliation;
* review each appraisal approach considering the value sought and subject property;
* analyze data collected for each of the approaches used to reach a final opinion of value;
* describe the two types of appraisal reports permitted by *USPAP*;
* explain the uses of the form appraisal report and the narrative appraisal report;
* state the purpose of Fannie Mae Form 2075; and
* work through an appraisal using the URAR form.

**Unit Outline**

I. Overview

II. Definition of Reconciliation—objective weighing of the methods and results of each appraisal approach used to arrive at the single best and most supportable conclusion of value—also called correlation

A. The Process of Reconciliation—not every approach may be appropriate for every property; factors to be considered are

1. Definition of value sought

2. Amount and reliability of data collected in each approach

3. Inherent strengths and weaknesses of each approach

4. Relevance of each approach to the subject property and market behavior

## Exercise 15-1

B. Review of the Three Approaches—sales comparison, cost and income capitalization or, if used, the gross income/rent method—to substantiate the accuracy and consistency of all data

C. Weighing the Choices—deciding which of the three approaches is the most reliable, in terms of the value sought, for the subject property

## Exercise 15-2

III. Reconciliation Is Not...

A. Reconciliation is not merely the correction of errors or the averaging of the opinions reached by each of the appraisal approaches, but the final statement of reasoning and weighing of facts, results and conclusions that culminates in a fully justified final opinion of value

B. Weighted Average (Mean)—each value is assigned a percentage factor based on its importance

IV. Types of Appraisal Reports—at present, *USPAP* permits two types of appraisal reports

A. Appraisal report—presents the highlights of the report, but must contain enough information to lead the client to the appraiser's conclusion

B. Restricted report—provides required information only—the client is the only intended user

C. USPAP requires that each appraisal report

1. Makes certain that the information presented in the report is not misleading to its users

2. Contains sufficient information so that the intended users clearly understand the report

3. Must clearly and accurately disclose all assumptions, hypothetical conditions, and limiting conditions that are used in the assignment

V. Styles of Written Appraisal Reports

A. Form Report—used by agencies such as the FHA, Fannie Mae, lending institutions and others for routine property appraisals (Figure 15.1)

1. Can be designed for a particular type of property or appraisal

2. Efficient and time-saving method of consolidating data

B. Narrative Report—presents appraiser's reasoning as well as the facts behind the final opinion of value

1. Introduction

a. Title page

b. Letter of transmittal

c. Table of contents

d. Summary of important facts and conclusions

2. Suppositions of the Appraisal

a. Type of appraisal and report format

b. Purpose of the appraisal

c. Definition of value

d. Date of opinion of value

e. Property rights

f. Statement of assumptions and limiting conditions

3. Presentation of Data

a. National, regional, and city data

b. Neighborhood data

c. Financing

d. Site data

e. Utilities

f. Zoning

g. Amenities

h. Description of improvements

i. Taxes

j. Sales history

4. Data Analyses and Conclusions

a. Highest and best use analysis

b. The cost approach

c. The sales comparison approach

d. The income capitalization approach

e. Reconciliation and final conclusion of value

f. Certification of value

g. Qualifications of appraiser

5. Supporting material

6. Addenda—includes tables of supporting data, maps, photographs, plat and floor plans, leases, deeds, contracts, or other items that influenced the appraiser in reaching the final conclusion of value

## Exercise 15-3

VI. Sample Appraisal Report

1. URAR (Figure 15.1)--Market Conditions Addendum must be added for mortgages purchased by Fannie Mae or Freddie Mac

## B. Form 2075 (Figure 15.2)—streamlined appraisal form used in conjunction with Fannie Mae’s Desktop Underwriter computer program (Figure 15.2)

## Exercise 15-4

## Summary

## Review Questions