



Pricing Property Properly

Module 1 – The Appraiser and Residential Real Estate

1.50 hours

Goal

The goal of this course is to familiarize you with the procedures a licensed appraiser uses to estimate the value of a residential property and the procedures a salesperson uses to develop a comparative market analysis.

Module Objectives

Upon completion of this activity, you will be able to do the following:

- Describe how and where an appraiser fits into the process of a residential real estate sales transaction.
- List the components of a working relationship among lenders, appraisers, and sales agents.
- List information that agents should share with appraisers.
- Describe ethics, competence, and confidentiality relative to an appraiser's work.
- Describe the appraisal licensure/certification requirements in your state.

An appraisal is the glue that binds a real estate transaction. A salesperson can go through the entire process of listing a property, showing it, writing a contract, and finding a lender, but an appraiser has the final say on its dollar value. That is why it is important for a salesperson to understand an appraiser's role in a real estate transaction.



Module 2 – Conducting a Comparative Market Analysis (CMA)

2.50 hours

Module Objectives

Upon completion of this activity, you will be able to do the following:

- Define price, cost, and value.
- Define supply and demand.
- Conduct a market analysis based on supply and demand.
- Describe methods used to make adjustments to comparable properties.
- Describe and complete a comparative market analysis.
- Estimate a price range for a recommended listing price.
- List the steps to take when presenting CMA results to a homeowner.

Price, Cost, and Value

Before talking about a CMA, the basic concepts of price, cost, and value should be clarified.

In daily conversations, people often use the terms price, cost, and value interchangeably. In fact, each word has its own distinct definition:

- **Price:** The amount of money paid for a item.
- **Cost:** The amount required to create, produce, or obtain a property. Comment: Cost is either a fact or an estimate of fact.
- **Value:** The monetary relationship between properties and those who buy, sell, or use these properties. Comment: Value expresses an economic concept. As such, it is **never a fact** but **always an opinion** of the worth of a property at a given time in accordance with a specific definition of value.

Exercise 1

Now let's say that you need a pen and came to me to buy one. I just happened to have a gross of these pens because my uncle manufactures them and he gave them to me. I want to get rid of



Module 3 – The Sales Comparison Approach and the CMA

2.75 hours

Module Objectives

Upon completion of this activity, you will be able to do the following:

- List the differences between and the purposes for conducting a comparative market analysis and an appraisal.
- Identify the two types of appraisal reports.
- Describe the three approaches to value.

A CMA versus an Appraisal

A comparative market analysis (CMA) conducted by a real estate salesperson and an appraisal developed by an appraiser are similar. The primary differences lie in their intended use and the comprehensiveness of the two procedures.

An appraisal is typically developed for a lender client for the purpose of estimating the market value of the subject property. The lender uses the value estimate as the basis for making a decision about the maximum loan amount available to a prospective buyer. The appraiser's work must conform to the Uniform Standards of Professional Appraisal Practice (USPAP) and is subject to review by the lender and the secondary mortgage market.

A CMA is used by a salesperson to recommend a listing price to a seller. The CMA is not used as the basis for any lending decisions and the procedures used in developing a CMA are not subject to any specific set of regulations.



Module 4 - VA and FHA Appraisal Process

0.75 hour

Module Objectives

Upon completion of this activity, you will be able to do the following:

- List property characteristics and conditions for which FHA and VA appraisers most often look.
- Describe the steps necessary to appeal an FHA or VA appraisal.

Property Characteristics and Conditions

There are two types of financing programs that are guaranteed or insured by the federal government:

- the Veterans Administration (VA) Loan to current and former military personnel
- the Federal Housing Assistance (FHA)

Both programs are regulated by the federal government, and the appraisal requirements for each are basically the same.

When appraising a property, FHA and VA appraisers are both required to make sure that:

- the property is a single, readily marketable, real estate entity
- utilities for each living unit are independent
- electrical outlets must be grounded
- there is safe and potable water
- there are sanitary facilities and a safe method of sewage disposal
- there are safe and adequate pedestrian or vehicular access from a public or private street
- properties with defective construction, poor workmanship, evidence of continuing settlement, excessive dampness, leakage, decay, termites or other conditions that impair safety are rendered unacceptable until all discrepancies or defects are remedied