



## Declining Markets

With declining values being a more and more of a concern throughout the country, this notice is a reminder that all appraisers are required to report an accurate and objective analysis of the subject neighborhood for each assignment, and report these conclusions on each appraisal report.

Appraisers must be familiar with both the Fannie Mae (Announcement 07-11 Selling Collateral Valuation Practices and Declining Markets) and Freddie Mac (Nov. 15, 2007 Declining Markets) bulletins that address appraiser responsibilities in this area.

To summarize LandAmerica's expectations, for each report, at a minimum, the appraiser must, for ALL assignments, regardless of scope:

- 1) Provide an accurate report on the primary indicators of market conditions in the subject's neighborhood, whether increasing, stable, or declining.
- 2) If "declining" conditions are noted the appraiser must document the reason for decline, the rate of decline, and the data source for this information. When a sales comparison approach is developed, in addition to providing the most similar, proximate, current sales for comparison, additional listing and/or pending sales should also be provided, especially if the closed sales used are several months old. These listings should be provided on a sales grid, with the appropriate adjustments, particularly the proper "list to sale ratio" adjustments.

*Note: If comparable listings are unavailable, this may suggest additional concerns, which obviously should be addressed.*

- 3) If "oversupply" or excessive marketing times are noted, the appraiser must detail the reasons for this, and the effect on the subject property's marketability and/or value.

It is also important to note that lenders and other users of appraisal reports review the regular publication of national market data from sources including the S&P/Case Schiller Index, the Office of Federal Housing Oversight Index, NAR statistics on changes in median prices, and other third party sources.

We expect approved appraisers to be familiar with these reports, especially in states like Florida and California. These can be found quickly online using a search engine.

If the subject property of your report is located in an area reported as being in decline by one of these sources, however your detailed, local research shows the specific subject neighborhood is stable, it is critical that an explanation be documented in the report, explaining the unique aspects of the subject neighborhood (i.e. tiered price ranges, ideal location factors, etc.). Lenders are mandated to request clarification in these instances.

Thank you for your attention to this important concern. Overall the reports we have been seeing, when applicable, do cover the majority of these items, and we appreciate the extra work that is necessary to insure the best research, valuation, and reporting of the subject property is done each time.

If you have any questions regarding this or any other LandAmerica policy, please contact your team representative.