



MEMO FROM CHIEF APPRAISER

New Policy – Two Pendings/Listings on all forms except REO reports.

As of January 7, LSI implemented a major policy change designed to help appraisers determine the direction (increasing, stable, declining) of the submarkets, by requiring two listings/pendings be added to every analysis. Even in markets that have had no declines, there are submarkets that are deteriorating, and unless we provide some support for this, we run the risk of assuming the stability is still there, and only listings will tell you when the slide is beginning.

I have received too many calls and emails to respond to each of you individually as I normally would. However, many of the questions raised are similar in nature, so I have created this document in hopes it will answer any similar question you may have:

FAQ for New Policy of adding 2 Pendings and Listings to your analysis:

1. **Fees:** While LSI does not dictate fees, we do not expect this policy change to impact our costs. The scope of work in a declining market would dictate the prudent appraiser performs an analysis of listings and pendings, so we expected this research has been performed all along. Gridding of these offerings is to assure our clients of the direction of the submarkets in every region of the country.
2. **Maps/photos:** As with any gridded item, we expect the appraiser to include a comp photo of the listing or pending sale and its location noted on the sales location map.
3. **Duration of Policy:** Until further notice. This policy is to be applied to all residential appraisals with one exception: REO reports that already have a page added for consideration of competing listings need not add still more listings. We expect to maintain this policy until the murky national picture clears and it becomes apparent that most markets are turning from a threat of decline to a likelihood of increases. At that point, we expect to suspend this blanket general policy for all but the known remaining areas in decline.
4. **Granularity:** Several have written to argue that you track and report the supply and demand, price changes, etc. based upon a broader database. This might be regular MLS statistics, or an online database that breaks it down to single family or condo. Use of average LP to SP ratios offered by MLS statistics may tend to mislead. They are incorporating properties of different types, locations, price ranges, and attractive to different buying groups. This averaging process is not granular enough. To better support the estimate LP to SP ratio, build your adjustments from the data you find which is similar, proximate, and most current in your subject's locale, in other words, from your closed comparable sales.