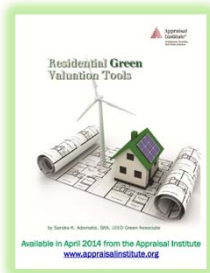


The High Performance Appraisal Process Unveiled

By Sandra K. Adomatis, SRA, LEED Green Associate



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Web: www.AdomatisAppraisalService.com

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Presenter:

Sandra K. Adomatis, SRA, LEED Green Associates

- Author of “Residential Green Valuation Tools”
- Realtor®
- SRA Designated by Appraisal Institute
- LEED Green Associate with U.S. Green Building Council
- Educator-Appraisal Institute
- Course Developer
- National Speaker and consultant on High Performance houses

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Objectives

- **Unveil the Appraisal Process**
- **Identify your “Bill of Rights”**
- **Identify documents clients must submit**
- **Reveal the appraisal appeal process**



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Appraisal Process Challenges

- Lack of knowledge – all parties
- Limited and/or inaccurately populated green fields in MLS
- Few sales to develop green premiums
- Appraisers, REALTORS®, Builders, and Raters have limited communication
- Lack of data standardization
- Appraisal Forms do not address green

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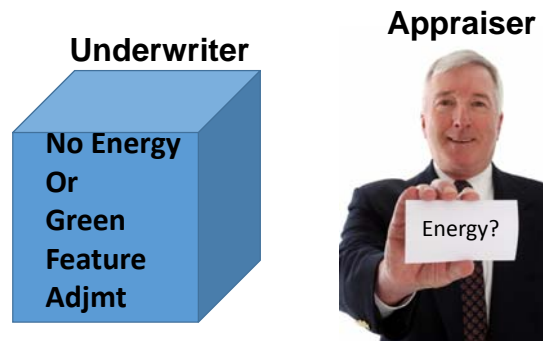
Appraisal Process Challenges, continued

- Appraisal fees are not commensurate with time and complexity in many markets
- Appraisal quality education on high performance is expensive and may not payoff for years
- Appraisers are not provided appropriate documents to understand features

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Appraisal Process Challenges, continued

- Underwriters have limited knowledge of high performance and challenge anything outside the norm, like an energy efficient adjustment



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Appraisal Ordering Process Unveiled

- Borrower makes application and lender or Appraisal Management Company (AMC) orders appraisal.
- Appraiser choice should be based on property type.(per guidelines)
- Property type and complexity **should** determine the competency of appraiser (not rotation list)

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Appraisal Ordering Process Unveiled

- If borrower does not clearly identify the property as a "high performance" property, chances are the appraiser choice will not be appropriate.
- Appraiser makes inspection and MAY realize it is a complex assignment and decline if not competent. (Best case scenario)

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Challenges to Appraisal Ordering Process

- Lender or AMC is not aware of high performance features because
 - Borrower did not alert lender of features
 - Borrower did not provide a completed AI Residential Green and Energy Efficient Addendum

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Competency Qualifier is often based on a

Rotation List



Dice Game



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Achieving Appraiser Competency May Include

- Take a minimum of 14-hours of tested appraisal green valuation courses
- Achieving a LEED designation
- Working with an experienced appraiser
- Reading "Residential Green Valuation Tools"
- Reading other green valuation articles and materials relating to green valuation
- Reading articles on high performance and interviewing builders

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Appraiser Competency Excuses

- Clients will not pay for expertise
- No one ever questions competency/education
- There are no green appraisal courses in our area and it cost too much to travel to get a course.
- Green appraisals are no different from non green properties
- No one is building green in my market - no green fields
- The 1004 form does not have green fields so we do not need to address it



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Appraiser Competency Reality

True



False



- Where there is demand and perceived value- there will be competency!
- Appraisers have access to computers and online education-AI has 14 hours of tested education online now! No excuses!!!
- Guidelines for secondary mortgage market loans require competency prior to accepting assignments

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High Performance Game Changers

- The borrower
- The builder
- The real estate agent
- The energy rater
- The appraiser
- You can make the difference!!!



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High Performance Game Changers Tips!



- Choose the lender carefully
- Builders - prepare the borrower to communicate with lender that they expect a competent appraiser that has green valuation education and experience

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High Performance Game Changers Tips!



- Review the appraisal with the borrower using the tips that follow
- If you find concerns, follow the appeal process to have the appraisal concerns answered satisfactorily
- **Just because you do not like the value conclusion is no reason for an appeal**

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Choose Your Lender Carefully!

- Research the experience your lender has with high performance properties
- Encourage your lender to tour your homes and point out the high performance features and financial benefits to the owner
- Give your lender a copy of "Residential Green Valuation Tools". It addresses lenders also!



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Choose Your Lender Carefully!

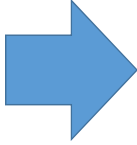
- Ask your lender to explain the appraiser selection
 - How do they identify competency for a particular property type?
 - Can they tell you how many appraisers on their list have education in high performance houses?
 - All appraisers on our list are competent is not the right response!



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Lender's Responsibility Confirmed by Fannie Mae

Selection of the Appraiser



The lender

- is responsible for the selection of appraisers and for the qualifications and quality of work provided by the appraisers that are selected;
- may not use appraisals ordered or received by borrowers or other parties with an interest in the transaction, such as the property seller or real estate broker. Fannie Mae does allow lenders to use third-party vendors (for example, appraisal management companies) to manage the appraiser selection process. However, it should be noted that if a lender enters into a contract with any vendor, contractor, or third-party service provider, the lender is accountable for the quality of the work performed as if it was performed by an employee of the lender.

The lender (or its authorized agent)

- must establish policies and procedures to ensure that qualified individuals are being selected in accordance with Fannie Mae requirements, including the *Appraiser Independence Requirements*.

Source: 2014
Fannie Mae
Selling Guide

Printed copies may not be the most current version. For the most current version, go to the online version at <https://www.fanniemae.com/singlefamily/originating-underwriting>. 541

“Bill of Rights” Unveiled

[Uniform Standards of Professional Appraisal Practice](#)

Competency Rule

An appraiser must: (1) be competent to perform the assignment; (2) acquire the necessary competency to perform the assignment; or (3) decline or withdraw from the assignment.

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USPAP Addresses Methods-Techniques-Change

485 Standards Rule 1-1

486 **In developing a real property appraisal, an appraiser must:** ←

- 487 (a) **be aware of, understand, and correctly employ those recognized methods and techniques that are**
488 **necessary to produce a credible appraisal;**

489 Comment: This Standards Rule recognizes that the principle of change continues to affect the
490 manner in which appraisers perform appraisal services. Changes and developments in the real
491 estate field have a substantial impact on the appraisal profession. Important changes in the
492 cost and manner of constructing and marketing commercial, industrial, and residential real
493 estate as well as changes in the legal framework in which real property rights and interests are
494 created, conveyed, and mortgaged have resulted in corresponding changes in appraisal theory
495 and practice. Social change has also had an effect on appraisal theory and practice. To keep
496 abreast of these changes and developments, the appraisal profession is constantly reviewing
497 and revising appraisal methods and techniques and devising new methods and techniques to
498 meet new circumstances. For this reason, it is not sufficient for appraisers to simply maintain
499 the skills and the knowledge they possess when they become appraisers. Each appraiser must
500 continuously improve his or her skills to remain proficient in real property appraisal.

Source: 2014-2015 Uniform Standards of Professional Appraisal Practice (USPAP)

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USPAP Addresses All Agreements...

626 Standards Rule 1-5

627 **When the value opinion to be developed is market value, an appraiser must, if such information is**
628 **available to the appraiser in the normal course of business:¹⁴**

- 629 (a) **analyze all agreements of sale, options, and listings of the subject property current as of the**
630 **effective date of the appraisal; and**
- 631 (b) **analyze all sales of the subject property that occurred within the three (3) years prior to the**
632 **effective date of the appraisal.¹⁵**

633 Comment: See the Comments to Standards Rules 2-2(a)(viii) and 2-2(b)(viii) for
634 corresponding reporting requirements relating to the availability and relevance of information.

Source: 2014-2015 Uniform Standards of Professional Appraisal Practice (USPAP)

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“Bill of Rights” Confirmed by Fannie Mae

Fannie Mae Selling Guide April 15, 2014
B4-1.1-03, Appraiser Selection Criteria – Page 541

Knowledge and Experience

Lenders must use appraisers that

- have the requisite knowledge required to perform a professional quality appraisal for the specific geographic location and particular property type; and
- have the requisite knowledge about, and access to, the necessary and appropriate data sources for the area in which the appraisal assignment is located.

Appraisers that are not familiar with specific real estate markets may not have adequate information available to perform a reliable appraisal. Although the Uniform Standards of Professional Appraisal Practice (USPAP) allows an appraiser that does not have the appropriate knowledge and experience to accept an appraisal assignment by providing procedures with which the appraiser can complete the assignment, Fannie Mae does not allow the USPAP flexibility.

<https://www.fanniemae.com/content/guide/>

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2014 Fannie Mae Selling Guide – Page 538

Prohibited practices include:



- use of unsupported, descriptive comments or drawing unsupported conclusions from subjective observations. These actions may have a discriminatory effect;
- use of unsupported assumptions, interjections of personal opinion, or perceptions about factors in the valuation process. These actions may have a discriminatory effect, and may or may not affect the use and value of a property;

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National Association of Homebuilders Lender Agreement Wording

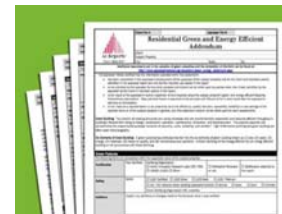
"This Home is being built/renovated/updated to nationally recognized standards above prevailing code. It is designed and constructed with unique features and materials and with high-efficient equipment and in accordance with high-efficiency standards. The Lender shall choose an Appraiser educated and knowledgeable in this type of valuation of these specialized Homes, preferably an appraiser who holds a professional appraisal designation that requires advanced education on such issues as the valuation of sustainable buildings (e.g., MAI or SRA designations from the Appraisal Institute). The appraiser shall provide verification of green valuation education of 14 hours or more from a qualified educational provider and knowledge to be permitted to conduct the appraisal for this project."

<http://www.nahb.org/generic.aspx?genericContentID=219188&fromGSA=1>

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Documents you must provide to the appraiser

- Complete HERS Report that provides input for income approach method. (Present Value)
- Green Rating and worksheets
- Complete cost breakdown
- Highlight the cost of additional energy or green features.
- Provide sales of similar properties that are arm's-length transfers
- AI Residential Green and Energy Efficient Addendum



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Market trends are important

- If you have sold a number of high performance houses that did not go through MLS, provide the following:
 - Address – size –price –features-closing statement
 - Date contract was signed is the sale date – not the date it closed! Important
 - If custom homes were sold, they can provide cost data but may not meet the definition of a “comparable”.

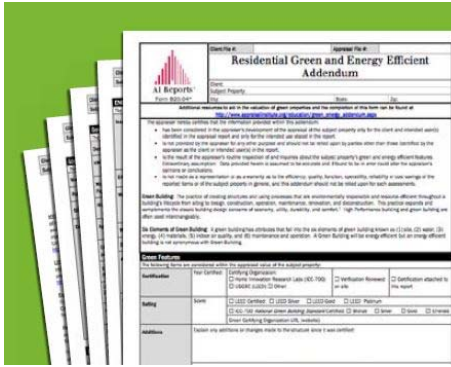
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Appraisers must have data

- MLS is key database for valuation- educate real estate agents
- Adjustments must be supported
- Underwriters often say, no sale of high performance house -no value
- There are tools in the appraiser's toolbox that go beyond paired sales analysis.
- The following tools are your best friend and have already made a huge impact on the appraisal process and marketability of the high performance house.

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AI Residential Green and Energy Efficient Addendum and Residential Green Valuation Tools



These two tools complement each other. Chapter 6 of the book, *Residential Green and Energy Efficient Addendum Form*, has 67 pages that takes the reader through completing the Addendum and provides valuable resources.



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An Appraisal Should Be Consistent

Neighborhood Characteristics	Overall Housing Trends	One-Unit Housing		Present Land Use %
		PRICE	AGE	
Location <input checked="" type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural	Property Values: Increasing <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Declining	\$1000	10	75 %
Sub-Use <input checked="" type="checkbox"/> Over 75% <input type="checkbox"/> 25-75% <input type="checkbox"/> Under 25%	Demand/Supply: Shortage <input checked="" type="checkbox"/> In Balance <input type="checkbox"/> Over Supply	\$200	1	1 %
Growth: <input checked="" type="checkbox"/> Rapid <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Slow	Marketing Time: <input checked="" type="checkbox"/> Under 3 mths <input type="checkbox"/> 3-6 mths <input type="checkbox"/> Over 6 mths	575	25	1 %
Neighborhood Boundaries: The neighborhood boundaries are the Lazy River to the north, Brown St. to the south, Navy St to the west, and Harling St to the east.		375	10	24 %
Neighborhood Description: The neighborhood encompasses two competing subdivisions with similar style single-unit housing. Silver Fox and Sleeping Bear subdivisions were developed as sister projects and attract the same buyers. House styles include one and two stories ranging between 1,600 and 3,200 square foot. Larger houses front lakes or the river.				

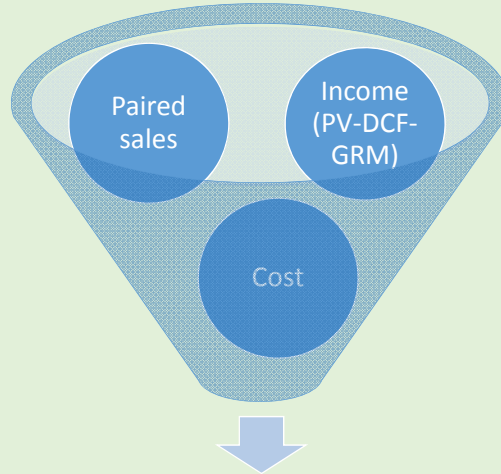
Property	Area	Year	Quality	Condition	Notes
1000 Main St	2,800	2012	High	Excellent	Green certified
1200 Main St	2,500	2010	Medium	Good	

Property	Area	Year	Quality	Condition	Notes
1500 Main St	3,200	2011	High	Excellent	Green certified
1800 Main St	3,000	2009	Medium	Good	

OPINION OF SITE VALUE	\$	45,000
Dwelling 2,800 Sq. Ft. @ \$ 85.00	\$	238,000
Bemt: 1200 Sq. Ft. @ \$ 65.00	\$	78,000
Porch and deck	\$	15,000
Garage/Carport 680 Sq. Ft. @ \$ 24.00	\$	16,320
Total Estimate of Cost-New	\$	347,320
Less 50 Physical Functional External		
Depreciation \$20,839	\$ (-	20,839
Depreciated Cost of Improvements	\$	326,481
As-is Value of Site Improvements	\$	20,000
INDICATED VALUE BY COST APPROACH	\$	391,500

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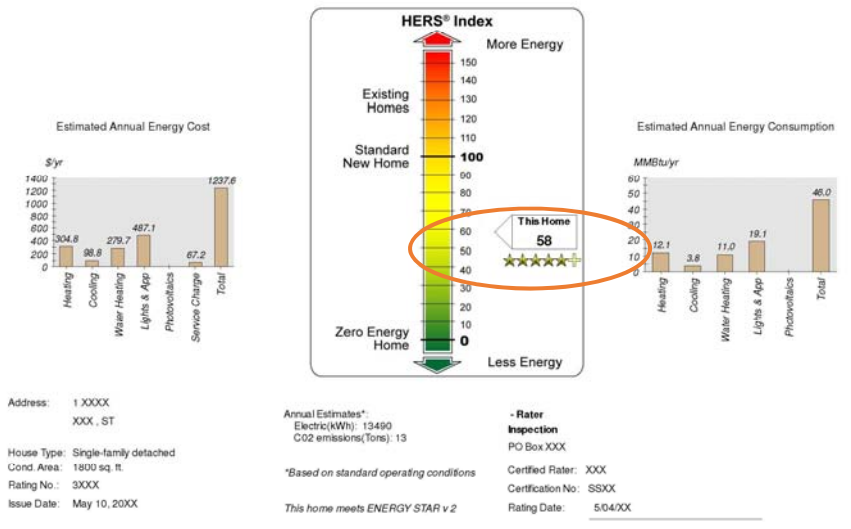
Appraisers do have tools



Supported Value

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HOME PERFORMANCE WITH ENERGY STAR ENERGY RATING CERTIFICATE



Home Energy Rating Certificate

XXXXX, St XXXXX

5 Stars Plus
Confirmed Rating Energy Efficient

Uniform Energy Rating: 50

1 Star	1 Star Plus	2 Stars	2 Stars Plus	3 Stars	3 Stars Plus	4 Stars	4 Stars Plus	5 Stars	5 Stars Plus
500-401	400-501	300-401	250-301	200-151	150-101	100-91	90-80	85-71	70 or Less

LEEDS Index: 50 Efficient Home Comparison: 42% Better

General Information	
Conditioned Area: 1800 sq. ft.	House Type: Single-family detached
Conditioned Volume: 21284 cubic ft.	Foundation: Slab
Bedrooms: 3	
Mechanical Systems Features	
Air source heat pump: electric, Hg: 8.6 HSPF, Cg: 15.0 SEER	
Water Heating: Conventional, Electric, 0.91 EF, 50.0 Gal	
Duct Leakage to Outside: 0.00 CFM	
Ventilation System: Exhaust Only, 63 cfm, 20.0 watts	
Programmable Thermostat: Heating: Yes Cooling: Yes	
Building Shell Features	
Ceiling Flat: NA	Exposed Floor: NA
Vaulted Ceiling: U-0.047	Window Type: Double/LoE - Wd*
Above Grade Walls: R-13	Infiltration:
Foundation Walls: NA	Rate: Hg: 289 Cg: 289 CFM50
Slab: R-5.0 Edge, R-0.0 Under	Method: Blower door test
Lights and Appliance Features	
Percent Fluorescent Pk-Based: 0.00	Clothes Dryer Fuel: Electric
Percent Fluorescent CFL: 100.00	Range/Oven Fuel: Electric
Refrigerator (kWh/yr): 506.00	Ceiling Fan (cwm/Watt): 0.00
Dishwasher Energy Factor: 0.67	

The Home Energy Rating Standard Disclosure for this home is available from the rating provider.
RES/Rate - Residential Energy Analysis and Rating Software v12.80
This information does not constitute any warranty of energy cost or savings.
© 1985-2011 Architectural Energy Corporation, Boulder, Colorado

Estimated Annual Energy Cost			
Confirmed Rating			
Use	MMBtu	Cost	Percent
Heating	12.1	\$305	25%
Cooling	3.0	\$99	8%
Hot Water	11.0	\$280	23%
Lights/Appliances	19.1	\$487	39%
Photovoltaics	-0.0	\$ -	-0%
Service Charges		\$67	5%
Total		\$1238	100%

This home meets or exceeds the minimum criteria for all of the following:

MD - Hater
PO BoxXXXX
XXXX, ST
Rater@mail.com
Certified Energy Rater

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Present Value Calculations from HERS Report

Installed Cost of Improvements (\$)	8200
Cost Weighted Life of Measure (Years)	29
Mortgage Term (Years)	30
Discount/Mortgage Rate (%)	5.000
Present Value Factor	15.1
Expected Annual Energy Savings (\$)	513
Expected Annual Maintenance Costs (\$)	0
Expected Annual Savings (\$)	513
Increased Annual Mortgage Costs (\$)	533
Present Value of Savings (\$)	7755
Expected Annual Cash Flow (\$)	-20



Present Value Calculations Using HP-12C

HP12 C

29 N – Number of years

5 I - Discount Rate

513 PMT - Annual savings amount

Press PV - Should give present value or

\$7767 (It will show as a minus-press CHS for change sign)

Or $\$513 \times \text{Present Worth Factor of } 15.141074 = \$7,767$ (Uses Annual

Compound Interest rate of 5%)

Appraiser must be able to follow the numbers.

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Data Underwriters Dream about....

Paired Sales Analysis

Description	Sale A	Sale B
Sale Date	07/XX	06/XX
Sale Price	\$274,000	\$270,000
Living Area	2,200	2,180
Garage	2-Car Attached	2-Car Attached
Energy or Green Features	Hers Index 64	Hers Index for Code-Built 95
Difference attributed to Energy Features (\$274,000-\$270,000)	\$4,000	

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Cost of High Performance Features

% of Cost to Build Green Compared to "Code-Built" Construction	
McGraw – Hill Construction Report – 2012 New Construction	+7%
McGraw-Hill Construction Report -2012 Remodelers	+8%
Marshall & Swift Res. Cost Handbook	0% to 20%
Costs vary by experience of builder – McGraw-Hill Construction Report - 20112	12% of dedicated green builders (90% of their projects) report 0% additional costs

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Test of Reasonableness

Method	Result
Present Value	\$7,767
Paired Sales	\$4,000
Cost of EE Features	\$8,500

Cost sets the upper limit of value with present value calculation supporting a value slightly less than cost. However, the present value calculation has more room for error in the estimate of interest rate and discount period. The sales data provides a more direct measure of the market's view of value. Most weight must be given to the **paired sales supporting \$4,000.**

Appraisal Report should provide the reasoning for the adjustment process.

A -0- adjustment requires support!

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No Adjustment is a Zero –Zero is a number!

635 Standards Rule 1-6

636 In developing a real property appraisal, an appraiser must:

- 637 (a) reconcile the quality and quantity of data available and analyzed within the approaches used;
638 and
- 639 (b) reconcile the applicability and relevance of the approaches, methods and techniques used to
640 arrive at the value conclusion(s).

649 Standards Rule 2-1

650 Each written or oral real property appraisal report must:

- 651 (a) clearly and accurately set forth the appraisal in a manner that will not be misleading
- 652 (b) contain sufficient information to enable the intended users of the appraisal to understand the
653 report properly; and

Source: 2014-2015 Uniform Standards of Professional Appraisal Practice

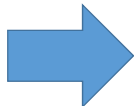
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No Adjustment is a Zero –Zero is a number!

Standard Rule 2

- (viii) **summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the sales comparison approach, cost approach, or income approach must be explained;**

Comment: An Appraisal Report must include sufficient information to indicate that the appraiser complied with the requirements of STANDARD 1. The amount of detail required will vary with the significance of the information to the appraisal.



The appraiser must provide sufficient information to enable the client and intended users to understand the rationale for the opinions and conclusions, including reconciliation of the data and approaches, in accordance with Standards Rule 1-6.


Source: 2014-2015 Uniform Standards of Professional Appraisal Practice

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Appraisal Review Tips

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Obtain copy of appraisal report

- Only borrower has right to copy of report; therefore, the builder must work with the borrower to obtain a copy.
- Lender is required to give borrower a copy of the report 3 days prior to closing unless they sign a waiver
- Read report in its entirety and document concerns in writing
- Do not contact appraiser!!!! 
- Contact lender with written concerns of error of fact- must be factual and not a complaint of value only- follow the tips

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Appraisal Key Spots to Identify High Performance

- **Neighborhood** comments on high performance trends in the market area
- **Site and Improvement** Sections should address the high performance features or refer reader to the AI Residential Green and Energy Efficient Addendum that should be completed and attached.
- **Sales Comparison Approach** Section adjustments and descriptions should address energy efficient features and other special items the high performance may have. **Verify energy features on sales used.**
- **Summary to the Sales Comparison Approach** should explain basis for adjustment-not just repeat amount of adjustment.

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Appraisal Key Spots to Identify High Performance, continued

- **Cost Approach** should address "Green" section of cost manual
- If subject is proposed construction, builder should provide cost breakdown. Appraiser should review cost breakdown for reasonableness and address reasonableness of the data provided.
- Is cost reasonable and well supported?



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Appraisal Key Spots to Identify High Performance, continued

- If the Cost Approach and Sales Comparison Approach indications vary widely, an explanation should be made and if not a red flag raised.



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Neighborhood and Market Conditions Section

NEIGHBORHOOD	Neighborhood Characteristics			One-Unit Housing Trends			One-Unit Housing		Present Land Use%		
	Location	<input checked="" type="checkbox"/> Urban	<input type="checkbox"/> Suburban	<input type="checkbox"/> Rural	Property Values	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining	PRICE	AGE	One-Unit
Built-Up	<input checked="" type="checkbox"/> Over 75%	<input type="checkbox"/> 25-75%	<input type="checkbox"/> Under 25%	Demand/Supply	<input type="checkbox"/> Shortage	<input checked="" type="checkbox"/> In Balance	<input type="checkbox"/> Over Supply	\$(000)	(yrs)	2-4 Unit	%
Growth	<input type="checkbox"/> Rapid	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Slow	Marketing Time	<input checked="" type="checkbox"/> Under 3 mths	<input type="checkbox"/> 3-6 mths	<input type="checkbox"/> Over 6 mths	200 Low	1	Multi-Family	%
Neighborhood Boundaries	The neighborhood boundaries are the Lazy River to the north, Brown St to the south, Navy St to the west, and Martha St to the east.			575 High		25	Commercial	1 %			
Neighborhood Description	The neighborhood encompasses two competing subdivisions with similar style single-unit housing. Silver Fox and Sleeping Bear subdivisions were developed as sister projects and attract the same buyers. House styles include one and two stories ranging between 1,600 and 3,200 square foot. Larger houses front lakes or the river.			375 Pred.		10	Other vacant	24 %			
Market Conditions (including support for the above conclusions)	New construction is occurring with 5-6 houses built annually over the past three years. Purchases are usually conventionally financed with approximately 20% cash. Six of the 18 newer houses in the past three years are energy efficient and/or green certified homes. No resales of energy efficient or green houses have occurred.										



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Improvement Section



- Are the descriptions accurate and complete?
- Does the section refer to the Addendum you provided?
- Does the last question on the form address the conformity of the property to the market/neighborhood-more energy efficient, lower cost to maintain, etc.
- Are the energy savings addressed?

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GENERAL DESCRIPTION		FOUNDATION		EXTERIOR DESCRIPTION materials/condition		INTERIOR materials/condition	
Units	<input checked="" type="checkbox"/> One <input type="checkbox"/> One with Accessory Unit	<input type="checkbox"/> Concrete Slab <input type="checkbox"/> Crawl Space		Foundation Walls	Conc Block/Good	Floors	Wood/Cpt/Good
# of Stories	2	<input checked="" type="checkbox"/> Full Basement <input type="checkbox"/> Partial Basement		Exterior Walls	SIP/Good	Walls	Drywall/Good
Type	<input checked="" type="checkbox"/> Det. <input type="checkbox"/> Att. <input type="checkbox"/> S-Det/End Unit	Basement Area	1200 sq. ft.	Roof Surface	Metal/Good	Trim/Finish	Wood/Good
	<input checked="" type="checkbox"/> Existing <input type="checkbox"/> Proposed <input type="checkbox"/> Under Const.	Basement Finish	50 %	Gutters & Downspouts	Alum/Good	Bath Floor	Tile/Good
Design (Style)	Colonial	<input type="checkbox"/> Outside Entry/Exit <input checked="" type="checkbox"/> Sump Pump		Window Type	Low-E/W d/Good	Bath Wainscot	Tile/Good
Year Built	2011	Evidence of <input type="checkbox"/> Infestation		Storm Sash/Insulated	Yes/Good	Car Storage	<input type="checkbox"/> None
Effective Age (Yrs)	3	<input type="checkbox"/> Dampness <input type="checkbox"/> Settlement		Screens	Fiberglas/Good	<input checked="" type="checkbox"/> Driveway # of Cars	4
Attic	<input type="checkbox"/> None	Heating	<input checked="" type="checkbox"/> FWA <input type="checkbox"/> HWBB <input type="checkbox"/> Radiant	Amenities	<input type="checkbox"/> WoodStove(s) #	Driveway Surface	Pavers
	<input checked="" type="checkbox"/> Drop Stair <input type="checkbox"/> Stairs	<input type="checkbox"/> Other	Fuel Electric	<input type="checkbox"/> Fireplace(s) #	<input type="checkbox"/> Fence	<input checked="" type="checkbox"/> Garage # of Cars	3
	<input type="checkbox"/> Floor <input type="checkbox"/> Scuttle	Cooling	<input checked="" type="checkbox"/> Central Air Conditioning	<input checked="" type="checkbox"/> Patio/Deck Deck	<input checked="" type="checkbox"/> Porch End/Cov	<input type="checkbox"/> Carport # of Cars	
	<input type="checkbox"/> Finished <input type="checkbox"/> Heated	<input type="checkbox"/> Individual <input type="checkbox"/> Other		<input type="checkbox"/> Pool <input type="checkbox"/> Other		<input checked="" type="checkbox"/> Att. <input type="checkbox"/> Det. <input type="checkbox"/> Built-in	
Appliances	<input type="checkbox"/> Refrigerator <input checked="" type="checkbox"/> Range/Oven <input checked="" type="checkbox"/> Dishwasher <input checked="" type="checkbox"/> Disposal <input checked="" type="checkbox"/> Microwave <input type="checkbox"/> Washer/Dryer <input checked="" type="checkbox"/> Other (describe)	Graywater Reuse System					
Finished area above grade contains:	7 Rooms	3 Bedrooms	2.5 Bath(s)	2,800 Square Feet of Gross Living Area Above Grade			
Additional features (special energy efficient items, etc.): See the AI Residential Green and Energy Efficient Addendum (ARGEEA) on the following pages for all green and energy efficient features.							
Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.): The property is in good overall condition with no items of immediate repair noted. A screened breezeway attaches the garage to the house. Houses built within the last five years have energy efficient and green features that are not present in existing housing.							
Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, describe:							
Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, describe: This house exceeds the older existing housing in energy efficiency and green features, resulting in low energy bills. The average utility bill for the last 3 years has been \$105 per month. A similar size house averages \$225. The energy savings is attributed to the features identified on the ARGEEA and not found in existing housing.							

Sales Comparison Section



- Review the sales - do they have the same energy features?
- Can you verify the description of the sales? MLS-Zillow-Trulia-Agent
- Are the sales the best ones available?

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Sales Comparison Section



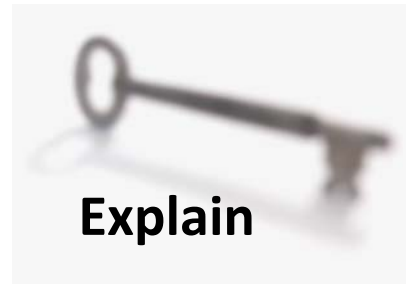
- The sales must be arm's-length and cannot be the result of a custom home built on a lot owned by the borrower prior to construction.
- Are the sales newer structures
- Has energy efficiency of the subject compared to the comparables been explained or analyzed?
- Document any errors of fact in writing!

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Sales Comparison Section



- Must stay within guidelines or explain....
 - 1 mile or explain
 - Sold in last year or explain
 - Gross and net adjustments are within 25% and 15% respectively or explain



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FEATURE	SUBJECT	COMPARABLE SALE NO. 1			COMPARABLE SALE NO. 2			COMPARABLE SALE NO. 3		
401 North Martha St Address: Green City, USA		320 Navy St Green City, USA			123 Silver Ln Green City, USA			2301 Cross Tr Green City, USA		
Proximity to Subject		9 Blocks NW			7 Blocks SE			4 Blocks W		
Sale Price	\$ 325,000	\$ 295,000			\$ 285,000			\$ 290,000		
Sale Price/Gross Liv. Area	\$ 116.07 sq. ft.	\$ 111.32 sq. ft.			\$ 98.28 sq. ft.			\$ 96.87 sq. ft.		
Date Source(s)		MLS #0432507 - 95 dom			MLS #0342560 - 115 dom			MLS #053288 - 80 dom		
Verification Source(s)		Agent			Agent			Agent		
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(+) \$ Adjustment	DESCRIPTION	-(-) \$ Adjustment	DESCRIPTION	-(-) \$ Adjustment			
Sale or Financing		Conv		Conv		Conv				
Concessions		None		None		None				
Date of Sale/Time		2 months		6 months		8 months				
Location	Residential	Residential		Residential		Residential				
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple		Fee Simple				
Site	18,000 SF	16,500 SF		17,225 SF		15,950 SF				
View	Residential	Residential		Residential		Residential				
Design (Style)	Colonial	Colonial		Cape Code		Georgian				
Quality of Construction	Good	Good		Good		Good				
Actual Age	3+/- Years	8 Years	2,500	10 Years	3,500	12 Years	4,500			
Condition	Good	Good		Good		Good				
Above Grade	Total Bkms Bkts	Total Bkms Bkts		Total Bkms Bkts		Total Bkms Bkts				
Room Count	7 3 2.5	6 3 2.5		7 3 2.5		7 4 3	-3,500			
Gross Living Area	55.00 2,800 sq. ft.	2,650 sq. ft.	8,300	2,900 sq. ft.	0	3,000 sq. ft.	-11,000			
Basement & Finished	Full/1200 Sq. Ft.	Full/1200 Sq. Ft.		Full/1200 Sq. Ft.		Full/1150 Sq. Ft.				
Rooms Below Grade	50% Finished	50% Finished		50% Finished		50% Finished				
Functional Utility	Good	Good		Good		Good				
Heating/Cooling	FWA C/Air	FWA C/Air		FWA C/Air		FWA C/Air				
Energy Efficient Items	Good	Good		Good		Good				
Garage/Carport	3-Car Garage	3-Car Garage		3-Car Garage		3-Car Garage				
Porch/Patio/Deck	End Por/Deck	End Por/Deck		End Por/Deck		End Por/Deck				
Green Features	Cert. Gold	None		None		None				
Solar Features	Solar Water Htg	None	1,000	Solar Water Htg		None	1,000			
Net Adjustments (Total)		[X] + [] -	\$ 11,800	[X] + [] -	\$ 3,500	[] + [X] -	\$ 9,000			
Adjusted Sale Price of Composites		Net Adj. 4.0%		Net Adj. 1.2%		Net Adj. -3.1%				
		Gross Adj. 4.0%	\$ 306,800	Gross Adj. 1.2%	\$ 288,500	Gross Adj. 6.9%	\$ 281,000			

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Sales Comparison Summary Example

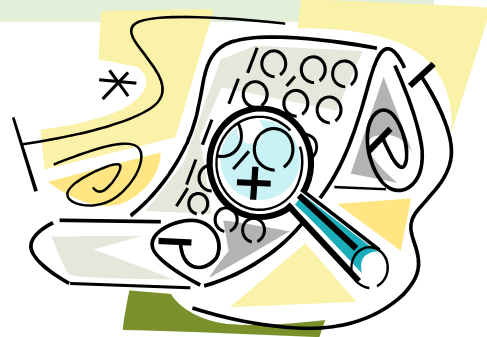
The most recent sales in the same neighborhood form the basis for the subject's value opinion. All sales compete for the same buyer. Minor adjustments are necessary resulting in a tight value range and minimal gross and net adjustments.

Adjustments are based on market extraction and represent the thinking of buyers and sellers in the market. **An adjustment for the green features is not warranted since there are no sales of similar properties with these newer features. All sales have similar energy efficient features.** The data strongly supports value at \$300,000 based on Comparable Sales No. 1 and 2, the most recent and least gross adjusted. The data suggests the subject sold over market value and no existing home sales exceeding \$325,000 were found in the last year.

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Challenge must....

- Be in writing
- Based on error of facts or omission
- Based on inconsistencies
- Addressed with the lender directly
- Addressed in a timely manner



Do not approach the appraiser directly – you are not his client.

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Steps to a Smoother Closing



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Solving the Data Challenge

- Get involved with MLS and assure the green fields are implemented and populated accurately
- Complete the AI Residential Green and Energy Efficient Addendum and make sure the borrower, appraiser, lender, and real estate agent has a copy.
- Attach full energy and green reports to Addendum
- Encourage agents to put Addendum, energy and green reports in MLS
- Communicate with industry parties

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Solving the Data Challenge

- Appraisers do not determine or calculate value!
- Appraiser develop value based on market data.



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Post the high performance features inside electrical box or near

- HERS Index and/or Green Rating
- Envelope Rating
- Duct Rating
- Insulation Installation Rating
- Date Rated
- Name of Rater



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Thank you for Attending!

**Sandra K. Adomatis, SRA, LEED
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