

Sales and Listing History Requirements

By Bill King, December 15, 2003

The 2003 Uniform Standards of Professional Appraisal Practice changed the requirement for reporting sales history for single-family dwellings and 2-4 unit residential properties from one year prior to the effective date of the appraisal to three years prior to the effective date of the appraisal.

With this change, some confusion has arisen regarding both sales history requirements for sale comparables, and for reporting the listing history of the subject property.

USPAP and Current Agreements

Standards Rule 1-5 (a) requires the appraiser to “analyze all current agreements of sale, options, or listings of the subject property CURRENT as of the effective date of the appraisal”. The intent is to cause the appraiser to investigate and report on all agreements in place as of the effective date of the appraisal. This rule does not require the appraiser to analyze or report on any agreements that are not current; thus, USPAP does not mandate investigation or reporting of listing history. While you and I might agree that analyzing and reporting listing history is a good idea, it is not a specific USPAP requirement under Standards Rule 1-5.

Standards Rule 1-5 (b) requires the appraiser to “analyze all sales of the subject property that occurred within three years prior to the effective date of the appraisal.” This rule does not require any analysis or reporting of sales history for the comparable sales, only the subject property. Again, you and I might agree that this would be a good idea, but it is not a specific USPAP requirement.

While Standards Rule 1-5 may not specifically address subject property listing history, recently expired agreements, or listing and sales histories of comparable sales, the introduction to Standard 1 is very clear that an appraiser must “correctly complete research and analysis necessary to produce a credible appraisal”. If there are recent listings, recently expired agreements of sale or options for the subject property that would affect the analysis, they need to be properly researched and analyzed regardless of what Standards Rule 1-5 requires. If there are current agreements or prior sales of the sale comparables that could be readily discovered by another appraiser in your market, the comment on Standard Rule 1 (b) requires us to “ensure that data that would have a material or significant effect on the resulting opinions or conclusions are identified, and where necessary, analyzed”. The importance of this concept cannot be overstated.

Supplemental Standards

The fact that USPAP does not specifically require a discussion of listing history, or the reporting of sales history for comparable sales does not preclude government agencies, government sponsored enterprises (FNMA, FHLMC), or other entities that establish public policy from creating a Supplemental Standard requiring these things. To date, there is only a supplemental standard (as evidenced at the bottom of the sales comparison grid) for the reporting of sales history for comparable sales. FNMA form 2055 has two lines at the bottom of the grid, “date of prior sales” and “price of prior sales”. The form itself does not specify the time period. FNMA Form 1004 asks for analysis of prior sales of the subject AND comparable sales within one year of the date of appraisal. There is no supplemental standard for the reporting of listing history.

The presence or absence of a supplemental standard for this or any other aspect of appraisal development or communication does not preclude clients or client groups from issuing appraisal policy. Users of appraisal services frequently ask appraisers to expand the scope of work beyond the minimum requirements of USPAP, and to provide information that exceeds the minimum reporting requirements under Standards Rules. Unlike Supplemental Standards published by public policy making entities that apply to all appraisers under their jurisdiction, appraisal policies can, and do vary from client to client. A key distinction between a Supplemental Standard and appraisal policy is that a violation of a Supplemental Standard can result in disciplinary action against the appraiser by a state licensing agency, whereas violating appraisal policy will probably only result in damaging your appraiser-client relationship.

Another important aspect of the Standards Rule is the use of the phrase “if such information is available in the *normal course of business*.” For many appraisers in non-disclosure states, sales history information can be difficult to obtain. The comment that begins on line 840 in the 2004 USPAP instructs an appraiser to include a statement on the efforts undertaken by the appraiser to obtain the information required. If sales history data is routinely unavailable in a given market, a statement to that effect should be included in the appraisal. Advisory Opinion 24, published with the 2004 USPAP discusses the concept of the “normal course of business”.

Client’s Appraisal Policy

There continue to be clients who issue appraisal policy believing that they need to do so to ensure compliance with USPAP, when, in fact, the policy they issue and the accompanying explanation make clear that they do not understand the Standards Rules. Telling appraisers to include a three year listing history because it is a requirement for USPAP compliance is simply not correct. Again, it may not be a bad idea, but it is not a matter of USPAP compliance. For clients who wish to make this practice part of their

appraisal policy, it is up to the appraiser to decide whether or not this is an acceptable assignment condition before entering into an agreement to provide appraisal services to that client.

It is important to keep in mind that even in areas with relatively open access multiple listing services, a three-year listing history is not always going to be available. In the Seattle area, the Northwest Multiple Listing Service has typically purged listing data after two years due to the overwhelming size of the database and limited server size. That is not longer an issue, but a full three-year history may still not be available for many properties.

Another problem with some multiple listing service data is that the agents sometimes corrupt records deliberately. There are a variety of reasons why they do this, but suffice it to say, none are honorable, and none serve the interests of the broker or appraiser communities that rely on the data.

Conclusion

In summary, a three-year sales history for the subject is a requirement for all real property appraisal assignments as of January 1, 2003. Supplemental Standards issued by FNMA and FHLMC also require reporting sales history for comparables. Listing history, when asked for, is appraisal policy and not a USPAP requirement, unless needed for credible analysis.

Bill King is President of ValueOne Appraisal, a residential real estate appraisal firm in Federal Way, WA. He serves as co-chair of the Government Affairs Committee for the Seattle Chapter of the Appraisal Institute. He has written a variety of articles on appraisal practice and valuation issues and is a regular guest on the "Real Estate Today" program on the Business Talk Radio Network