

Seller Disclosure and Appraisals

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Many appraisers may have read Tom Kelly's column in the Seattle Times on November 13th regarding the upcoming state seller-property disclosure law that goes into effect on January 1, 1995. According to Kelly, for any deal that closes after that date, the seller will be required to deliver to "potential buyers" a completed property transfer disclosure statement. The article is primarily directed at real estate agents and sellers, since failure to complete the form and give it to the buyer could result in the deal flipping. Expect most agents to be on top of this one. In fact, most are currently using PSMLA form 17 in King County. The new form will replace Form 17 and should be available December the 1st.

As it stands, when appraising property that is the subject of a sale, all appraisers should be getting a copy of the Form 17 along with copies of the purchase and sale agreement. After January 1, 1995, appraisers would be well advised to REQUIRE the sellers' disclosure form BEFORE making the inspection.

Alan Tonnon, Bellevue Attorney and former member of the Washington Real Estate Commission, is quoted in the same article: "I don't envision the form being used solely by potential buyer. Because the completed form will become a mandatory part of the selling process, lenders will want a copy too. There will be very few cases where the form is waived."

Since the completed form will "become a mandatory part of the selling process", it will necessarily become a mandatory part of the appraisal process as well. Standards Rule 1-5 requires the appraiser to "consider and analyze any current Agreement of Sale, Option or Listing of the property being appraised." This means the Purchase and Sale Agreement AND appropriate addenda.

Why worry about getting the disclosure form before the inspection as long as we get it before we turn in the appraisal? First, because it may identify things like homeowner dues, private roads or easements, recent repairs or other items not visible or obvious that could affect value. Second, it may bring to our attention things we may want to examine more closely that we might otherwise have thought to, like a crawl space or attic that has had recent work. Third, we might discover things that are obvious to us but were not included in the disclosure form (No Way!) Yes Way. Request that the lender provide the disclosure form along with the Purchase and Sale Agreement. When making the appointment with the agent, also tell them that you require the form and request that they bring it when they meet you at the property. Let the lender, broker and seller know that it is improper to proceed without it.

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