



# Your input matters more than you realize

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**Y**our lenders' needs  
Every report needs to meet  
*Canadian Uniform Standards  
of Professional Appraisal*

*Practice (CUSPAP)* requirements, but your lenders also need details about the subject property that matter to them. Banks have their own set of property standards that are the minimum requirements a property must meet in order for the bank to accept it as collateral for a loan. Lenders receive thousands of residential appraisal reports every month and they rely on technology to help track and flag the important details within a report.

Every check box and all the narrative details you input in the report matter. Before joining the bank as an Appraisal Reviewer, I did not think these check boxes really mattered, but now my understanding has completely changed. These check boxes and your input are very important. Technology is used to scan your reports for ticks in these check boxes and for key words in your narratives.

The form report is designed to keep you on track to provide a thorough description of the subject property. Remember, the person reading the report has not seen the subject property or may not be familiar with the area in which the property is situated. Items you take for

granted because you are familiar with the subject property and the area may not be known to the reader or reviewer of your report. Going through your report should allow the reader to see it as through your eyes. The following are the common items that lenders want to know about and see throughout the report.

### **What the lender may be looking for in a form report Detrimental Conditions**

Since the new *0518 form* came out last year, lenders have seen a large decline in the use of the check box for Detrimental Conditions Observed. Lenders see narrative on items that are indicated to be adverse influences, but the check boxes are left unchecked. This will not trigger the addendum for the Detrimental Conditions page. Lenders use technology to scan for ticks in these check boxes so that these items can be quickly brought to the reader's attention. This will not work without the check box being ticked. The Detrimental Conditions check box is in three areas: the neighbourhood, site, and improvements sections of the report.

### **Zoning/Highest and Best Use**

The zoning of the property and whether or not it conforms is important information

to the bank; this is a check box for which lenders scan. If a property has a secondary suite, lenders would like to know first if it is allowable under the current zoning. Stating just 'residential' when the subject has a secondary suite is not enough. Lenders rely on the appraiser to look at the zoning to see if it allows for the secondary suite, and realize you cannot state if the suite meets all the by-laws and fire code requirements.

Here is an example of a well-explained zoning from a recent report: "The subject site is zoned RS-1, which allows for the development of a secondary suite or laneway house on a minimum site size of 334 meters squared."

Often, in BC and Ontario, lenders see confusing things in a report about zoning, conformity, and what was observed on the site. Lenders see things like 'Zoning: residential single-family dwelling, check box for use conforms: Yes.' Then, in the HBU existing use, lenders see: 'Residential Single-Family' and, in the improvements section, lenders see 'there are three suites in the dwelling.' Is this really conforming? Are all these suites legally allowable per the zoning? Be clear that lenders have not read the zoning use and the reader of the report is not clear that you have an understanding as to what is legally allowable. Then lenders look at the grid and sometimes appraisers

apply adjustments that align (or not) with what they have previously explained or described. Be clear and make sure that what you are writing in one section matches what is said further in your report. There should be a logical flow; anyone reading it should have an accurate picture of what you are appraising.

### Direct comparison approach

In the grid, lenders focus on your total gross and net adjustments, where technology is used to look at these percentages. If you apply your adjustments incorrectly, you could be causing an unnecessary flag to occur. It is surprising how often lenders see adjustments applied incorrectly. Take a moment at the end of every report and double check the adjustments you have applied and reread your narrative – it all should align. Lenders will not accept a report without an appraiser putting any adjustments on the grid, because the gross and net percentage would be too high. When an appraiser did this recently, the lenders returned the report and asked for the adjustments to be applied appropriately.

### Sales history

Sales history of the subject is also an area lenders review closely. Ensure that you are providing all the details of the history. If the subject property is currently listed, it is important to provide all the dates and price changes. Appraisers often do not give us these details, but it is a *CUSPAP* requirement.

### Exposure time

Exposure time is of importance to the bank as well. If there are seasonal fluctuations, please explain them. You are the expert and lenders rely on you.

### Reconciliation

Reconcile your approaches used through what you provided earlier in the report and let the reader understand your conclusions. The reader of your report is not necessarily an appraiser.



### Certification and professional assistance

A new item on the form is Question #8 in the Certification section, which addresses whether or not you have required professional assistance. There are two check boxes – you are required to answer this question by ticking one of the two boxes. Lenders often see that this question is overlooked.

In summary, these are some of the highlighted areas that are important to the lender and how you answer the check boxes is very important. Good data in, good data out.

### Some final points to remember for your reports

Ensure your reports meet the terms of reference for that client/lender.

If you are using the current form, there is no need to have extra addendum

pages with the assumptions, limiting conditions, disclaimers and limitations of liability. These are already in the report.

Review your addendum comments. If you quote something from an outdated version of *CUSPAP*, lenders see that you are not up to date with what is in your report. When was the last time you went through your report?

This is also true with statements about the market. If your addendum has comments about the uptick from 2017, it is not really relevant to the spring of 2019. Take a quick review of the parts of your report you stopped looking at; you may be surprised at what you find.

Remember to delete empty pages and use spellcheck.

Hopefully, these points will be helpful to you in improving your reports. I look forward to seeing your next appraisal.