APPRAISALS & TITLE INSURANCE
2 CREDIT HOURS

Appraisals (45 MINUTES)

- An appraisal is a professional appraiser's opinion of value. The preparation of an appraisal involves research into appropriate market areas; the assembly and analysis of information pertinent to a property; and the knowledge, experience, and professional judgment of the appraiser.
- Appraisals may be required for any type of property, including single-family homes, apartment buildings and condominiums, office buildings, shopping centers, industrial sites, and farms. The reasons for performing a real property appraisal are just as varied. They are usually required whenever real property is sold, mortgaged, taxed, insured, or developed. For example, appraisals are prepared for:
  - Mortgage lending purposes
  - Tax assessments and appeals of assessments
  - Negotiation between buyers and sellers
  - Government acquisition of private property for public use
  - Business mergers or dissolutions
  - Lease negotiations
- Role of the Appraiser
  - The role of the appraiser is to provide objective, impartial, and unbiased opinions about the value of real property—providing assistance to those who own, manage, sell, invest in, and/or lend money on the security of real estate.
  - Appraisers assemble a series of facts, statistics, and other information regarding specific properties, analyze this data, and develop opinions of value.
- Market Value
  - The definition of market value taken from the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, is as follows:
  - The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
    - Buyer and seller are typically motivated;
    - Both parties are well informed or well advised, and acting in what they consider their own best interests;
    - A reasonable time is allowed for exposure in the open market;
    - Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
- Valuation Approaches
  - Sales Comparison Approach
    - The sales comparison or market data approach to appraising makes the most direct use of the principle of substitution.
    - The appraiser finds three to five (or more) properties that have sold recently and are similar to the subject property.

- The appraiser notes any dissimilar features and makes an adjustment for each by using the following formula:
  - Sales Price of X + or - Adjustments = Indicated Value of Comparable Property Subject Property
- The appraiser adds to the sales price of a comparable property the value of a feature present in the subject property but not in the comparable. The appraiser subtracts from the sales price of the comparable property the value of a feature present in the comparable but not in the subject property.
- Major types of adjustments include those made for physical features, location influences, conditions of sale, and time or date of sale.
- After going through this process for each of the comparable properties, the appraiser assigns a value to the subject property that is within the adjusted sales price of the comparable most like the subject.

When Property does not Appraise (15 MINUTES)

Rule #1: DO NOT PANIC

Summary of New R:ules

- Fed Implements Dodd-Frank Appraisal Independence Requirements
- The Federal Reserve Board (Fed) announced an interim final rule (see 75 FR 208, p. 66553) on October 18 to implement section 129E of the Truth-in-Lending Act (TILA), which was enacted under section 1472 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
- TILA section 129E establishes new requirements for appraisal independence for consumer credit transactions secured by the consumer's principal dwelling. The amendments are designed to ensure that real estate appraisals used to support creditors' underwriting decisions are based on the appraiser's independent professional judgment, free of any influence or pressure that may be exerted by parties that have an interest in the transaction.
- Specifically, the appraisal independence provisions in Dodd-Frank:
  - Prohibit coercion, bribery, and other similar actions designed to cause an appraiser to base the appraised value of the property on factors other than the appraiser's independent judgment;
    - Prohibit appraisers and appraisal management companies from having a financial or other interest in the property or the credit transaction;
    - Prohibit a creditor from extending credit if it knows, before consummation, of a violation of the prohibition on coercion or of a conflict of interest;
    - Mandate that the parties involved in the transaction report appraiser misconduct to state appraiser licensing authorities;
    - Mandate the payment of reasonable and customary compensation to a "fee appraiser" (e.g., an appraiser who is not the salaried employee of the creditor or the appraisal management company hired by the creditor)

Appraisal Rebuttal (15 MINUTES)

Dodd-Frank Wall Street Reform and Consumer Protection Act does not consider the following as coercion or undue influence:

- Requests for reconsideration of property information
- Requests for reconsideration of additional relevant comparable sales
- Requests for further detail, substantiation, or explanation for the reconciliation and Conclusion
- Requests to correct errors in the report

Title Insurance (15 MINUTES)

- Title - The right of ownership and possession of a property.
- Insurance - A contract under which, for a consideration, one party (the insurer) agrees to indemnify another (the insured) for a possible loss under specific conditions. In this case loss of property or property rights.
- What is Title Insurance?
  - Title Insurance - A contract that protects a policy holder against errors or omissions or defects in the title of the property.
  - Title insurance is a form of insurance that was first sold in the United States in 1867 to protect property owners and mortgagees against loss through adverse claims or hidden interests in their properties.
- Why the Lender Requires Title Insurance
  - Most lenders generate loans and then immediately sell those loans to secondary market investors, such as Fannie Mae.
    - Fannie Mae, in order to protect its security interest in the loan, requires title insurance coverage.
    - Even those lenders who keep original loans in their portfolio are wise to get a lender's policy to protect its investment against title related defects

10 Reasons Why You Need Title Insurance (30 MINUTES)

1. Title defects are discovered by our search and examination professionals in more than 36% of all real estate transactions.
2. Title insurance covers attorneys' fees and court costs for defending your title.
3. Title insurance helps speed negotiations when you're ready to sell or obtain a loan.
4. Title insurance reimburses you for the amount of your covered losses.
5. Each title insurance policy we write is paid in full by the one-time premium at closing for as long as you and your heirs own the property.
6. A deed or mortgage in the chain of title may be a forgery or signed by a person under age.
7. A deed or mortgage may have been made by a person other than the owner, but with the same name as the owner.
8. A deed or mortgage may have been procured by fraud or duress.
9. Title transferred by an heir may be subject to a federal estate tax lien, or an heir or other person presumed dead may appear and recover the property or an interest.
10. Claims constantly arise due to marital status and validity of divorces. Only a title insurance policy protects against

COURSE MATERIALS

Course Outline (*Attached*)

BOOKS UTILIZED IN COURSE

N/A

INDIVIDUALS AUTHORIZED TO SIGN CERTIFICATES

Jamie Heiberger Harrison, Esq.

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SIGNATURE

LIVE DISTANCE EDUCATION

PROPOSED METHOD: Zoom Video Conferencing/Webinar

This course shall be offered in person via Classroom Instruction or as a Live Distance Education Course.

As a Live Distance Education Course, the Instructor, Jamie Heiberger Harrison, Esq., shall teach using Zoom Video Conferencing/Webinar, utilizing both video and microphone. The Instructor shall monitor attendance and maintain an attendance roster, verifying remote attendance. All attendees must "attend" the course on a device with video and/or microphone for required participation and verification. Course materials shall be distributed to attendees via email.