

VA Lenders Handbook (VA Pamphlet 26-7), Chapter 11, Topic 14 — Sales Comparison Approach

Register va-m26-7-ch11-t14

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14. Sales Comparison Approach Change Date February 22, 2019 • This Chapter has been revised in its entirety. a. Comparable Sale Selection The appraiser must include, at a minimum, three closed sales which the appraiser believes are the best available sales and provide comments to support the selection, when appropriate. Comparable sales should be selected based on similar locational and physical characteristics, not sales price. Recent sales in the same established subdivision, condominium or PUD are typically the best indicators of value. The sales should be similar to the subject property to the extent that the sales would be competing properties if they were on the market at the same time as the subject property. b. Comments Explaining Adjustments The appraiser should provide comments when adjustments are made for points of comparison that are not self-explanatory or when large adjustments are made. Providing detailed commentary about the market and comparable selection may reduce the number of requests for revisions of appraisals. c. Limited Sales Data If the sales data from the market area is limited, the appraiser must provide the best information available and comments with the appraiser's professional opinion about the market, any reasons for the lack of sales data, and the various differences between the subject and the comparable sales. d. Distance of Comparable Sales VA does not set minimum or maximum distance requirements between the subject and comparable sale properties. In suburban or rural communities, the market areas may be greatly expanded and suitable comparable sales may be many miles away from the subject. In such cases, the appraiser should specify why those comparable sales were used and how they compare with the subject. e. Sales of REO Properties The appraiser may use sales of Real Estate Owned (REO) properties or short sales if transactions of this nature are prevalent in the market. A transaction involving a foreclosure transfer to a mortgage servicer is not evidence of market value and must not be considered as a comparable sale. Continued on next page VA Pamphlet 26-7, Revised Chapter 11: Appraisal Report 11-21 14. Sales Comparison Approach, continued f. Sales From Competing Developments If the property is in a new subdivision or condominium, the appraiser should include, if available for comparison, properties constructed by a competing builder in the subject market area as well as properties within the subject subdivision or condominium. g. Market- derived Adjustments All adjustments on the market data grid should be market-derived, based on the amount the appraiser estimates a typical buyer would pay for the item in the market. Adjustments reflect contributory value in the market, which does not necessarily equal the cost of an item. h. Sales Concessions Sales concessions typically include financing incentives or non-realty items. As all adjustments must be market-derived, the adjustment should reflect the difference between the sales price with the sales concessions, and what the property would have sold for without the concessions under typical market conditions. The sales concessions on the comparable properties are adjusted to typical market expectations, not to the specific terms or conditions of the sale of the subject. Any concession adjustments must be downward adjustments as positive adjustments for sales concessions are not acceptable. i. Recent

Sales Comparable sales should reflect the most recent activity in the market. Comparable sales are preferably sales that have taken place within the last 6 months, and generally sales that are not more than 12-months old, unless explained by the appraiser. Continued on next page VA Pamphlet 26-7, Revised Chapter 11: Appraisal Report 11-22 14. Sales Comparison Approach, continued j. Time Adjustments Market condition (time) adjustments are made to reflect value changes in the market between the date of the contract for the comparable sale and the effective date of the appraisal. The appraiser must provide comments about current market trends to support any time adjustments. In an increasing market, positive market condition adjustments should be made if there is evidence, based on a thorough analysis of specific market trends, of increasing prices, a shortage of homes for sale, or decreasing marketing times. In a declining market, negative market condition adjustments should be made if there is evidence of a decline in prices, an oversupply, or extended marketing times. k. Condition Adjustments Since VA appraisals must be prepared “subject to” the completion of any repairs needed in order for the property to meet VA’s MPRs (see Chapter 12 of this handbook), the condition for the subject property compared with the comparable sales on the market data grid should reflect the condition with the repair items completed. VA Pamphlet 26-7, Revised Chapter 11: Appraisal Report 11-23

Source: VA Lenders Handbook (VA Pamphlet 26-7), Chapter 11, Topic 14 — Sales Comparison Approach · snapshot faa7d8c84a0580f3