

**STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE DIVISION**

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COMP CHECKS

Recently the Division has received numerous inquiries regarding the legality of lenders requesting that appraisers perform “comp checks.” The Uniform Standards of Professional Appraisal Practice (USPAP) Scope of Work Rule does allow appraisers to perform comp checks; however, they must be performed in compliance with USPAP.

First and foremost, it is of utmost importance to carefully consider the request to be very sure you are not accepting an assignment with a pre-determined value. Accepting an order/assignment that states something similar to “I need a comp check; I need \$300K to make this deal work” would be a violation of USPAP and you should not accept the assignment.

The following information will help you determine how to prepare a comp check in compliance with USPAP.

What do you do when a client requests a comp check? A comp check can mean several things, but primarily it means that a lender or another individual would like to know if a property is within a value range or meets certain criteria. There are two ways to approach a request for a comp check, whether a verbal request or a written request.

The first way is to handle it as a **Valuation Service**. A valuation service is something an appraiser does that does not come under Standards 1 through 10 or the record keeping requirement. This type of service requires the appraiser to be competent, ethical, independent, unbiased, and give credible results given the intended use and the intended user.

As a valuation service, an appraiser can provide a comp check by giving specific factual data. In Nevada, specific property information is generally available over the Internet by accessing assessors’ offices or other public departments. This factual property information includes year built, approximate building size, number of bedrooms, number of bathrooms, type of garage, area, last sale, assessed value, etc. This is all public information and accessible to all.

In a comp check, the appraiser can give factual data located in the area of the subject property in question. Factual data without qualification, interpretation, or analysis would include such things as all sales within a specific neighborhood or area or all sales data from an appraiser’s database.

Under a valuation service, the appraiser gives out factual information. Sales or listing information in a specific area without qualification or comparability to the subject property can

be given and the user of this information can then make their own decision as to the relevance of the information, given their need.

In the second scenario, the appraiser can do a comp check under **Appraisal Practice**. Under appraisal practice, a comp check indicates that the appraiser is actually doing an appraisal in conformance with Standard 1 and reporting it in conformance with Standard 2. As appraisal practice, the appraiser takes the information gathered and makes judgments as to its comparability to the subject property and then gives a value indication or a value range. This is also acceptable; however, this type of comp check is considered to be an appraisal, requires the creation of a work file, and a summation of any oral reporting to the client along with a signed certification.

In either scenario, the appraiser is required to be competent and make sure that his results are credible and not misleading. In a valuation service, the appraiser is only giving out factual information, information that is easily retrievable from his files but not property specific. In the second scenario, the appraiser must remember that he is actually doing an appraisal that has to be credible given the intended use and the intended user and that a work file retention is required.

In the final analysis of a comp check, it goes to the new Scope of Work rule which was established by the Appraisal Standards Board in the 2006 USPAP. There are many appraisal assignments, either **valuation service** or **appraisal practice**, that appraisers can and should be able to conduct as long as their results are credible, given the intended use and the intended user, and they are not misleading.

Example

Appraiser gets a request for a comp check on a property located in subdivision "A". It has 2,000± square feet of living area containing 3 bedrooms, 2 baths and a 2 car garage built in 1998.

Appraiser sends the requestor a list of **all** the recent sales in Subdivision "A". This is a **valuation service** since it is not property specific and the appraiser offers no conclusion as to value. This service does not require a work file.

Or

Appraiser sends the requestor a list of recent sales of 2,000± square foot homes in Subdivision "A" and tells the requestor that the value of the subject should fall in the range indicated by the sales. This is **appraisal practice** since the appraiser is being property specific and gives a value range or indicator. A work file must be in existence prior to and contemporaneous with the issuance of a written or oral report. A written summary of an oral report must be added to the work file within a reasonable time after the issuance of the oral report along with a signed certification.

For more information see Advisory Opinion 19 (AO-19) and the Appraisal Standards Board USPAP Q&A Vol.8, No.5 from May of 2006.