



ANALYZING A CONTRACT

What residential appraisers say with respect to contract analysis doesn't have to be limited to the UAD-required commentary. Of course, appraisal software sets off alarms and tells you you're ignorant if you don't write things *just so* in the *Contract* section of the report. Then, your AMC wants a little something special, too. I feel ya!

That doesn't stop us from supplementing that information with commentary on the appropriate page.* I recommend that appraisers do this *every time* a purchase is what prompted the appraisal. Here's a checklist I use:

1. How many pages were provided?
This is an actual count; as in, "What I was given consisted of 14 pages." This will prevent future confusion since the size and content of a purchase agreement can change between the contract and close dates.
2. Was it executed ("ratified" in Fannie Mae Selling Guide)?
 - An *executed contract* is one that's been signed by all parties to the agreement. In this case, the buyer(s) and seller(s). If the document provided was not signed by both parties, I don't have a "contract". I'm still going to describe the document, but I'm going to make clear that it wasn't executed, and that I'm *assuming* the terms of the executed contract are consistent with what I have in my possession. **
 - If amendments are attached to the document, or if they're provided to me afterward, I see if they've been signed *and* I state when they were received and what they amended.
3. Who provided the document?
Usually, it's the client or their AMC. Even if that's the source 99% of the time, it doesn't hurt to say so.
4. What was the condition of the document?
If it's legible, I say nothing. However, the tech-savvy real estate agents who send these documents back and forth have an amazing capacity to cut off portions, smear others, and scan the remainder on the diagonal.
5. Is it missing pages or addenda?
This goes back to the count described in Item 1. The pre-printed contract forms that make up the bulk of what the appraiser sees have a section which states which addenda are attached to the agreement. ***
6. How did the *Sale Type* come to be known?
 - The UAD requires the appraiser to choose one of *seven types* of transaction: REO Sale, Short sale, Court ordered sale, Estate sale, Relocation sale, Non-Arm's-Length sale, and Arm's-Length Sale.

- The first five types are fact, and should be quite clear based on instructions from the client and/or specifics in the contract. So, I can say, “Per the client/AMC/Contract, the transaction is a *Short Sale*.”
- The last two can be subjective since I don’t know the motivation of the parties, whether they’re well informed, etc. That’s why I end my comments with, “Based on the foregoing in the purchase agreement, the *Sale Type* is xyz.”

The end result is much simpler than the explanation. It can be done in a couple sentences. The intended user is better informed while I’m better covered in the event of a complaint or other problem arising from my appraisal report.

I employ numerous devices such as this when I write an appraisal report or appraisal review. During the years I was an investigator, I saw very clearly how the lack of a brief comment could land an appraiser in trouble. Today I assist appraisers in producing comprehensive reports which say what they mean, and mean what they say. Follow this link to learn more: <https://www.appraiserconsult.com/uspap-check-up-1.html>

*What is often redundantly called the *Supplemental Addendum*

**An alternative action is to put everything on hold; insisting that you must have a true and correct copy of the contract. This will endear you to the client and, ironically, you’ll never really know if what you received was the real deal.

***An addendum is different from an amendment. The addendum (the plural is *addenda*) is usually included with the agreement at the time it is first executed. Examples would be for third-party financing, or the inclusion of non-realty items in a sale. An amendment describes a change to the terms of the agreement between the parties, such as the closing date, sale price, seller concessions, etc.