



Episode 17: For What It's Worth

Let's be honest -- REALTORS face an ever-changing industry. With emerging tech, growing trends, and a booming market, it's vital to keep up. Join me, Gilbert Gonzalez, CEO for the San Antonio Board of Realtors, as I get real with experts on what REALTORS need to know about this industry. It's time to get real.

GG ([00:23](#)):

So today we are joined with Pamela Teel, the 2021 Vice President of the Association of Texas Appraisers. Pamela, thank you for joining us.

PT ([00:32](#)):

Well, thank you, Gilbert, for having me.

GG ([00:35](#)):

You know, we obviously have our own association. Can you tell us a little bit about yours? That's pretty exciting.

PT ([00:41](#)):

Sure. the association is Texas appraisers first founded in 2006. Headquartered out of New Braunfels, Texas at that point. And the whole purpose behind that association is, you know, we're called upon as appraisers to promote public trust. And so, in regard to that, we felt like there needed to be a Texas association that would help hold us to a higher standard of integrity and professionalism and the industry itself. And so, we have about 300 members currently. They are mostly from Texas obviously, but we do have some from Louisiana and Mississippi as well, that stay in touch with us, help us with some of the education aspects of what we do. And that's a big part of what we do is try to educate appraisers. And then we also will host four to six meetings a year that are strictly for that purpose. And of course, it's great networking, appraisers have a tendency to isolate themselves and work in offices a lot of times where it's just them. So having that body is very helpful.

GG ([01:58](#)):

Excellent. So, you, you have kind of like real estate agents. There are, they are licensed by the state authority, which I'm assuming there's a licensing authority for y'all and then there's the association, which is where we get the name realtor, if you're a member. So, the licensing authority is the one who issues the license and then the association is all about increasing the professionalism.

PT ([02:21](#)):

Exactly. And for us as appraisers, it is the Texas appraiser licensing and certification board that actually does hold our license. We have to renew that every two years and much like you guys do, I think, and

we're, we have to have 28 hours of continuing education. And so that's part of what ATA strives to help appraisers to do is get that continuing education.

GG (02:47):

That's awesome. Well, congratulations on all that good work. I wanted to take the opportunity to talk to you a little bit about the process. I think I assume I know how the process works, but I'm sure there's a lot of things you could tell us that we, we take for granted or didn't know. And one of the first things I would ask is who do you work for? Right? Like who you, who are you the client? Who is your client? Is it the mortgage company? Is it the person who pays? How would you explain that?

PT (03:19):

I think the more that answer, you have to look at our ruling document with nationwide, not just Texas, but nationwide. The uniform standards of professional appraisal practice tells us that that document exists to help us as appraisers to promote public trust. And it goes very line by line into our problem identification. And one of those is, who is our client? Who is our client? They are the person that engages us. They engage us to do that appraisal, now in a mortgage lending transaction, it may be that the bank itself that's actually engaging the appraiser or there could be an AMC that engages the appraiser on behalf of the lender. And so, who our client is, is still that window in that respect. However, you know, Gilbert, if you call me up and he said, Pam, can you come and tell me what my house is worth, now you're my client. And so, I have a fiduciary responsibility to you just like I would have to go to a lender if I were doing an appraisal for a mortgage finance transaction.

GG (04:40):

Gotcha. So just because I'm buying this house and the lender, I'm paying all the lender fees and technically the cost of the appraiser is going to be on my bill still means that you work for the lender because they are retaining you to evaluate whether they want to go into this investment.

PT (04:56):

Exactly. And you think, why do we have an appraisal in the first place and exactly what you just said, Gilbert. Is, does the bank, they want to know if that property is going to be worth the money that they're going to lend on it and who is responsible for determining that would be us as the appraisers. And we're called again by, by our standard professional practices to be fair and impartial not biased. And that's just a given that we have to do. So, we're not doing anything to promote the cause of our clients or any of that kind of thing. We are doing it to protect them and obviously protect the public trust.

GG (05:46):

Would you say it's a little different because when I think of the agent who represents the buyer, they're advocating for that buyer to get the house and the seller is advocating, you know, for the seller. Do you think that you also take on the position of being the advocate or are you taking the position of being as impartial as possible for all parties

PT (06:06):

To be an advocate would be a violation of our standards and that could cost us our, our appraisal license in the long run. So, we have to be very careful in walking that line. We are not to be an advocate for our clients. And we are to be impartial unbiased.

GG (06:26):

Before I get too far, you mentioned an AMC and perhaps others know but I don't. What is an AMC?

PT (06:33):

I'm sorry. We have so many acronyms in our industry.

GG (06:37):

Ours does too. That's perfectly. All right,

PT (06:40):

Exactly. It's an Appraisal Management Company. You know, there were several years ago that a lender would just direct engage with an appraiser. And some of them still do particularly local lenders. The most of them have now turned that over to an appraisal management company to handle that process for them. That takes the lender out of that ordering and assigning and receiving that, that appraisal. So that appraisal management company gets the appraisal, reviews it, if there are any questions or concerns about it and they go back to the appraiser and ask those before they send it to their client, the lender.

GG (07:28):

Now I want to jump into the process. You've been retained. You're going to go do an appraisal for a property. Where are you going? What is the first thing you're going to start doing?

PT (07:39):

The first thing I want to know is what kind of property am I appraising. Is it a single-family residence, or am I doing commercial property? You know, we have different licensure in the state for different types of properties that you can appraise. And if I'm going to be doing a commercial property as the estate certified general, which I happen to be, by the way. I did a lot of commercial appraising in the Corpus Christi area before I moved to San Antonio. And then let's assume that it's a single-family residence, right? If it's a single-family residence, the beauty of what we have is the MLS that you guys provide for us to help us find all of the data that we possibly need to do that, that appraisal. If it is strictly an existing home, then we can rely upon that MLS for that data.

PT (08:37):

So that's what we do. We start to go out, we'll measure the property. We take the photographs and get the history on the property. If there's a contract involved, we are required by our standard again, to analyze that contract. And so if there are concessions in there, or let's say you sold last year for 200,000, this year, it's selling 400,000. What happened in that timeframe becomes critical for the appraiser to try to understand. So we'll do all of that kind of research. And then we start looking at it's possible. So, there's kind of an unwritten rule if you will, based on the guidelines that we have to follow. If a lender is selling to the secondary market, and by that, I mean to Fannie Mae, Freddie Mac, FHA, VA Loan, any of those, there are guidelines that we have to follow in finding comparables that we use for sale.

PT (09:44):

First and foremost, let's talk about what a comparable is. What we're looking for, something that is close to the subject, close in proximity. Some things within the neighborhood, if you will, something that is current. How many sales has there been within the last six months? If there are plenty of sales to choose from in the last six months, we probably want to use those sales, rather than most recent, and then the third part is the clone. I would love to find a house that looks just like this one to be able to use it for my comparable sales. Now where we run into trouble, obviously, is in markets where you're doing rural properties, for instance, and there aren't a lot of sales. Then you have to expand your time. You have to expand your distance, to try to find truly, properties that would be considered comparable.

GG (10:39):

So, my first question was based on residential, how important is it that the MLS data is accurate for you? That those listings, is filled out correctly. I'm guessing you've gone through it and you can tell, okay, this one wasn't completely filled out or this one is inaccurate.

PT (10:56):

Yeah, yeah. It's doing no one, any good for that data not to be accurate. Gosh, I wish, I wish there could be a state mandate that realtors had to go out and measure a house before they could ever list it. Because how do you get the square footage of the house you know, where does it come from? I taught a course here a while back on a American national standard of measurement. And this gentleman had done a nationwide survey and there was something like 70% of all of the data that he, he found between the realtor and the appraiser and public records, none of it matched, none of it. So, we've got three different sets of square footage. Where does that come from? You know? And so, I, that would be my first thing. If I were queen, I would just declare that you guys have to go measure it before you go list a house. Nobody wants to hear that.

GG (12:05):

You know, I think that they, they, they, they were told to rely on the information from another source, right. Never be the source of the information, be the source of the source, whether it's the appraisal district, whether it's the original home builders' plans. So, what do you do when you have three different competing data's, but you don't want to put your neck out on the line, just like y'all don't right. To do it

PT (12:26):

Well. And there, there are a couple of solutions to that. One is do a spot check yourself. Take that form, that building plan that you have from whatever source it's gotten it from. And remember what GLA is, it's Gross Living Area. So, will not include things like garages, carports, balconies. If you have an accessory dwelling unit that is separated like a casita that is separated from your main dwelling area, it's not contiguous to it. You have to leave one building to go to another, that secondary building cannot be included in your gross living area. So that's extremely important to know. So, my advice is number one, take that plan and say, okay, this says it's 50 feet. Let me get a tape measure and just double check it. If it's a rectangle, it's pretty darn easy. You know, just run a tape around it and there you got it. You know, you know approximately what your square footage is. And I think that will do a lot to prepare your client in advance for the differences in the square footage that we might encounter when we do the appraisal.

PT (13:53):

And it's not necessarily, it's not actually our fault. A lot of builders will include garages and balconies. You name it to inflate the square footage of the house. And when the plan says it's X number of square feet, that does not mean that it's really gross living area. And so that's what we encounter. And the second part to that Gilbert that your, your audience might want to consider is if it is a complicated property and you're concerned about the square footage, spend a few dollars and call an appraiser, ask them to go and measure it for you. And that way you've got something that you know, is fairly reliable. Now, are we going to measure slightly differently? Probably you know, two people don't do things exactly the same. But we should all be measuring gross living area as appraisers. We kind of know what that drilled is, and it might help if that time and effort was spent on the front end, rather than waiting till little things that are falling apart to say, wait, what's with the square footage issue here.

GG (15:09):

When you talk about residential listings, you mentioned the use of the MLS. I'm assuming it's not going to be the only thing you use because if you also refer to commercial appraisals where there is no MLS, there's no, none of that sold data, what would, what else are you looking at to create that? And if you could elaborate more on the contract, I think you're required to see the contract as part of your appraisal, correct?

PT (15:37):

That's correct. That's correct.

GG (15:39)

What else is a part of that research?

PT(15:42)

So, from that particular perspective, we are told to analyze the contract, not just re regurgitate the details of it. We'll look at the purchase price. The Sales price is shown in the contract. How does it match up to what's going on in the market? Do we have to say that this property is under contract at the upper end of this particular neighborhood, or has it exceeded the upper end of the neighborhood, that kind of thing for an analysis. Plus, we're looking at concessions that are included. What's the rest of the market doing as far as concessions are concerned and is this normal? Is, you know, the 5% normal for this market, or is nobody offered concessions at this point? You know, what is, what is the market doing? So we compare it to what the market is doing to try to do the analysis.

PT (16:45):

And then the other piece of that has to do with, can we tell it if it is truly and arms length transaction. And if it is a tenant that is living in a home, buying it from a landlord that is not an ongoing transaction, because they do have a relationship already, it's not personal, you know, blood kin relationship but they do have a relationship that could impact that, that transaction. And so that's what we're looking for. Things that, that in the contract that would influence what that purchaser is paying for that particular property.

GG (17:30):

So, if I'm buying a house from my brother, you're trying to make sure that, and the house is valued. The market would probably sustain 150, but all of a sudden, the contract is for 200. You're, that's what you're saying. You're like, are they trying to get, am I trying to get an extra \$50,000 out of the deal kind of thing? Is that what you're saying?

PT (17:51):

Yes. And conversely to that and let me give you a real-life example when I moved from Corpus Christi to San Antonio, I sold my home. At that time market was really slow. We've had it rented for quite a while and my son said, you know what, I want to buy your house. And so, I had a list of things that I, to put it on the market, that I knew I would have done that would have totaled about \$30,000. And so I said, son, here's the list. Here's what I've priced everything out at. So here's what I was listed for if I were going to sell it on the open market. So I will take that \$30,000 off. And so he bought it for 30,000 less. There was a contract between us and of course his last name is different than mine. And so it was never caught by the appraiser that there, that it wasn't an arms length transaction. And so the appraisal's coming in at 30,000 more than what he was paying for it. And the reason was because there were some things that the appraisers didn't even know about that really needed to be done to the property and sold it as a discount.

PT (19:11):

So that's the kind of thing that we have to analyze. So it helps to know, Hey, this is, this is not an arm's length transaction, and they're probably selling it below market because it's a family member or in the case of the landlord tenant, a lot of times the landlord will sell it to the tenant because they don't have to mess with doing anything to the property which go sell it as is. And is the person's already living there.

GG (19:36):

So one of the things you mentioned earlier in is that you'll have to go a little bit further and further out. And I remember once talking to an agent who was having a real hard time with the appraisal, because he was trying to buy a house that was designed and built like a log cabin. And that comparables for a log cabin was very difficult. So, they were looking at new Braunfels or in Kerrville. Is there a limit as to how far you will go outside a neighborhood in order to get those comparables?

PT (20:08):

No. There really is not. I used to do a lot of rural properties in South Texas area. And so therefore you'd have to go from one small community to another, to find anything that was truly comparable. So again, thinking of those three categories as an appraiser, I'm still going to be looking for anything that's close. What if I got this closed? This is reasonably similar that I could, that could use for comp okay. Check that box. Now I need to find one that's current. What's the most recent sale that I have that is remotely comparable. All right. Check that box now, where is my clone? Where is my log cabin? You know, where's my log home. How far do I have to go get it? And so, a smart appraiser when you've got a unique property, such as that log home knows that you have to expand those parameters.

PT (21:07):

You can't just stay within, like you'd have in an established subdivision, one mile, six months, you know, and, and same square footage within 10% of your square foot. It just doesn't happen on a lot of unique properties. And the same is true of commercial by the way. I mean, all you just, all bets are off. You really have to just open up the floodgates and see what you can find commercially. And to your point, since we don't have a commercial MLS, and gosh, I can remember back in the nineties fighting for commercial MLS, even then when I was doing commercial work, because it was very, very, very hard to get the comparables that you need. And most of the time that's going to be about a relationship within your market. So, if you have realtors that are working with appraisers who are doing nothing but commercial, helping them understand how important it is to be able to talk to each other is extremely important. When I was in Corpus Christi, I did have a, a panel of realtors that I could call to help me find those comparables that I need. Now, nowadays, there are more things on the market. Like CoStar, for example, that is a commercial database, but it costs quite a bit of money to be a part of that. And unless you're churning out a lot of reports, it can be kind of cost prohibited.

GG (22:48):

So, one of the questions, I'm sure you get a lot and I know I'm curious about is, what can the agents do to help and not be an obstruction, right? They, they want to, they know the property. They're familiar with the comps. They want to tell you the work that's been done. What, what can an agent do to help you in this process?

PT (23:10):

I love to see the, the ones who put together a binder and leave it at the property so that when the appraiser goes in, that binder is there for them to look at you know, what is, what has ,has been done to

the property is on there as well as anything that they think is pertinent for anyone, a buyer or the appraiser to know. That is a nice, soft way of getting information in front of the appraiser. What appraisers do not appreciate, appraisers who are familiar with your market, who do have access to the same MLS that you have. They don't appreciate being given a list of truly what usually are comparables, a list of 10 properties. You know, they're going to turn on their MLS. They know how big the house is. They know the neighborhoods, they know the, the, the nuances of that particular subdivision, for example and, and they're going to choose the best comparable on that basis.

PT (24:25):

Now, could they overlook something, yes they can, and it doesn't happen very often, as long as this is the MLS and it's in there properly. If there's a standard residential subdivision, that's not a big issue. Now it's just a unique property providing to the appraiser, hey, no pressure here. Because again, that would go, that would help violate from the lender side any pressure on the appraiser, but no pressure here, but here are the comparables that I look, here, here are the properties that I looked at to determine what to price this property at, to put it on the market. That that's the help. That is the help. But if I'm in a standard subdivision, please understand that the appraiser is probably going to pull out the most comparable properties and it doesn't help. We have to realize that they Fannie Mae guidelines for example, say that if we're doing a single-family residence to go outside of that neighborhood, without considering, should there be a location adjustment, is a violation of appraisal process?

PT (25:41):

And so therefore we're, we're, our hands are tied with having to look at the closest comparable, which is the way it should be. They should be the closest in proximity, the closest in design and style, et cetera, size, that kind of thing. And so, and, and to go back to my point earlier, too, knowing up front that your square footage is accurate or reasonably so. And if you don't know, hire someone to go and measure it for you. Do yourself a favor, do the client a favor and make sure, if you can see that there's going to be a discrepancy, let's say you have building plans. If you look on the building plans and it differs from what County records show, you may want to have it measured, just so you'll have an accurate square footage.

GG (26:37):

So you mentioned the neighborhood real quick. Are you looking at just the house? Are you looking at whether it has a community pool or are you looking at whether there's close to parks? I happen to live next to UTSA so does it matter that there's a apartment complex that students live in, does all of that affect the process and perhaps that's what you want to put in the binder either to validate your point or to, you know, to like maybe I, I know that you're gonna use that against me and I'm going to say, look, but it's really, really far, you know, like that's what I'm going to put in the binder, but how does the neighborhood conditions affect all of that?

PT (27:14):

Those are what we classify as external factors. And so the external factors can be, like you said, the proximity to multi housing, multi housing living, for example that can be a negative external factor just because of the traffic and the noise and that kind of thing that you might have. Highline wires that run right through the property, those are negative factors. And so, as an appraiser too, if I'm appraising the house that backs to that multifamily complex, that's the other kind of comparable that I'm looking for is how do I count for that external factor. Is backing to that Multifamily complex a negative in a purchaser's mind. Would they, given two houses and identically the same, square footage covers a whole nine yards, one backing to that, that apartment complex of one backing say, backing to a Greenbelt, which would they choose? And so we have to start to try to measure that in an economic

fashion. And that's kind of hard to do as you know. I mean, when you're pricing property for sale, that's part of the issue too.

GG (28:36):

So, I mean, you mentioned it's I t's, do you take into consideration the mindset of the potential buyer as part of the process?

PT (28:45):

Yes. That's what a comparable is. It's a property that a buyer would consider instead of the subject property. So yes, you try to put yourself in the shoes of that buyer. And a lot of times we do it through conversation with our realtor friends with saying, Hey, have you noticed that a buyer in this subdivision prefers four bedrooms over three, or are they more concerned about the square footage? And so if now we're appraising a fourth bedroom and you, I interviewed my realtor friends, now I got a survey and the survey says in this market, people prefer four-bedroom homes. So now I've got a comparison between a four-bedroom, three bedroom, squarefootage being the same, my four bedroom is going to be worth a little more.

GG (29:45):

You know when you talk about value, I think the other thing that my members would be very interested in is how are you adjusting to it now, if houses are going for way more than asking price due to the limited supply, and there may not be comparables out there to justify the price on the contract. And it has nothing to do with me and my brother trying to make some extra money. So how, how are y'all dealing with that? What's the advice you give to realtors on how to help?

PT (30:22):

Yeah, well, the number one thing that I have found, those of us, and you realize, I don't know if you know it or not, but the average age of the appraiser is over 50. So, most of it's been around through a number of cycles. And you think back to the savings and loan crisis, for example, in the 1980s, in the nineties, lending, Savings and Loan were lending for more than was prudent when it came to real estate. And so there was a lot of unsound real estate lending going on, and appraisers got blamed for the failure of the savings and loan industry during that timeframe, because we were just trying to, you know, help the deal and move on. And yes, some of it was, should not have been done, granted, and really it was not the appraisers, solely the appraisers, issue at that particular point.

PT (31:21):

But those of us who've been around, remember that. And so it's very hard for us to take a market that is rising as fast as what's going on right now and be able to capture something that's going to tell us what this property is worth today. Again, let's go back to our comparable sale. If I've got something that's across the street that closed yesterday, that's the same floor plan as my subject, that's pretty easy for me to figure out, you know, that's what it is. But now take that same situation, move it down a block and it was 60 days ago, and it's got a swimming pool, now I've got a different issue to try to deal with. When I teach classes, so I do a lot of instruction for appraisers, and when I teach classes, I advise them not to be afraid of doing time adjustments or market conditions.

PT (32:24):

Adjustments is really what they should be called. If we can track the history of the sales and show that increase, then there's nothing for us to be afraid of as appraisers to employ a market condition, adjustment in our appraisal. So, what can a realtor do to help us realize that. I was just looking at a blog, not, yesterday. A realtor who had gone on in, let me make up some numbers, the house was listed as

150, It went under contract at 180. So the realtor went in before putting that contract price in and upped the listing price to 180 so that the contract price and the listing price now matched. I don't know what they were trying to accomplish, I can only guess. But I could tell you that an appraiser is going to see that and go, what the heck. We have to report those changes in that, that listing price. We have to analyze that. And so that doesn't help the cause any. It's better for it to be left at 150 and the contract price is 180 and that serves as the port for a market increase. Does that make sense?

GG (33:57):

Yes. So, let's say your appraisal comes in at 170 because you know, the market increases, is subjective, right? Well, this neighborhood, you know, it's had a 20% increase in value, you know, based on that, what can an agent do when they disagree with the value? How does that process work?

PT (34:22):

So, unfortunately the appraisers cannot talk to someone who's not the client and that client, as we talked about earlier, is that lender. That is the person, the only person that we can discuss the value with any kind of conclusion that we've drawn. And again, that's not us, that's our standard appraisal practices that we are obligated to follow. And so, if the Len, if the realtor really feels that there have, there are comparables that the appraiser does not consider they need to go or have the client go to the lender and say, okay, here, here are comparables that are on the same street that occurred three months ago, but the appraiser did consider and truly make sure that they are more comparable than the property that the appraiser used within their report. I worked at USA, federal savings bank for a while, and staff appraiser.

PT (35:33):

And one of the things that I would see is that realtors was just shipping a list of 10 properties and say, well, these are ones that the realtor that they excuse me, the appraiser should have considered. And I would take that list and look at what was in the report. Well, three of them are already there. So don't send me ones that are already in the report. As a realtor, you should really know what's comparable to your property. You know, your subject's a thousand square feet. We don't want to talk about a 2000 square foot house. So, we see a lot of that. So, so I would say, you have, have your client, whoever the borrower is, they're the lenders concern. So have them submit those on your behalf, help them submit those to for consideration, but make sure that they're truly comparable.

GG (36:28):

Excellent. Pamela, I appreciate you being with us today. If you were going to give any last bit of advice to our, our realtors on how to either increase their value or how to work best with appraisers, what would you send them off with?

PT (36:42):

I think we need to remember that we are on the same side. We are truly in the same profession, just in different arms and legs of that. We should work together as a unit. So if an appraiser calls and ask you for information on a property that you sold, please take the time to call them back so that they have a real story straight from you and don't have to guess.

GG (37:09):

Pamela Teal, 2021 Vice President of the Association of Texas Appraisers. I thank you so much for joining us today.

PT (37:16):

Thanks.

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