Example

Vacant lot in affluent, high demand neighborhood appraised at approximately $900,000 on date of death (for estate tax). IRS rules allow for alternate value date election of six months later. Same appraiser arrives at (approximately) $570,000. Appraisal Fee was $650 for what should have been $1,500 to $2,500 worth of work required to properly complete the assignment. (a) It is questionable whether the signing appraiser personally inspected the property as claimed. Numerous egregious \ novice mistakes were made that are abnormal for a certified appraiser. (b) Factual data was either not adequately researched, or was deliberately misrepresented. (c) Nature of errors made, if reported to the state, were egregious to a degree that the appraisers license would likely be suspended (with a fine) or revoked. (d) Value on alternate date of value was actually (approximately) $2.7 to $2.9 million dollars! (e) The appraiser "was unavailable" for the resolution meeting between the IRS attorney & appraiser; and the taxpayer's attorney.

Same taxpayer as above. Same fee ($650) paid to different appraiser to perform estate tax appraisal on beach front single family dwelling in the $4.0 to $5.0 million dollar range. Actual value was only 7% variance with IRS appraisers lower end of probable range. By itself, this would not normally trigger an adjustment, however the report quality was worse than the one noted above. Appraiser reported incorrect city for the property; this results in incorrect highest and best use analysis & incorrect zoning, neighborhood description and analysis incorrect. Property effective age inconsistent with appraisers cost & depreciation estimates. Comparable sales taken from 25 miles away - closer (same street) comps were available. Subject was an SFR. All but one comp used were duplexes. No income approach performed. Railroad running within fifty feet of site not reported. Home owners association unreported and not analyzed. The nominal adjustment potential of approximately $50,000 (-) would not normally be pursued on a $4.5 +- million property, however, it WAS used as a negotiating lever by the IRS attorney, ie; "we will waive the $50,000 adjustment IF the $2,000,000 "+" deficiency noted above is settled. Net Effect? Taxpayer is on the hook for taxes (35% +- on over two million dollars, PLUS three years interest, Plus 40% penalty) for egregious under reporting of tax liability. Interest cannot be waived. Assume the penalty was waived. This taxpayer still has to pay over $700,000 (plus 3 years interest) ! Contrast this with an original liability that never would have challenged in the first place if it has been within even 10% or 15% of real FMV (for the land). Taxpayer could probably have limited the original additional tax payment burden to $500,000 +- (FMV of +- 1.5 million IF a reasonably decent report had been presented). This was a complex land-lot assignment under conditions the IRS would have preferred to avoid challenging, if at all possible. A realistic fee, for competent appraisal services for both properties would have been in the range of $3,000 to $4,500 +-. Counting attorney fees, interest and penalties, this taxpayer would likely (settle) at a total cost of around $750,000. Roughly 1/4 million dollars more than the original liability. For $650 the taxpayer got want they wanted to hear ...for awhile, anyway.

See the lawsuits ‘n such page on this site. FDIC sues LSI and CoreLogic. Over 90% of appraisals reviewed were no good! Set aside the defaults for a moment. How many other property owners did NOT get refinances to avoid high rate interest readjustments, due to the same appraiser incompetence? LSI has been infamous for many years with respect to paying (among) the lowest appraisal fees for the fastest turn times required, across the whole country. I have been a reviewer for over 25 years. It is unreasonable to expect the bulk of their appraisals were any higher quality than the defaulted loan appraisals. The two firms processed well over 350,000 appraisals. Even applying the lower 75% ratio of reported “seriously deficient” appraisals, this would mean that over 260,000 appraisals were unreliable. Mortgages ‘at risk’ are in excess of a trillion dollars just due to these loans, alone! Thank you American taxpayers for co-signing to have an efficient, surviving lender buy out Washington Mutual’s bad loans.

Property owners have a right to good quality appraisals. Loan agents depend on good quality appraisals. Investors depend on good quality appraisals.

Why are they unwilling to pay for them?

Bad appraisals don’t always over value property; just as often, they under value them!