



PHOTOS:

The Good, the Bad and the Ugly

Back in the days when we used Polaroids, it was understandable that appraisers took only the photos they were requested to take: back, front and street scene. However, with the advent of small cameras, one-hour photo service and digital photography, photos may be one of the appraiser's best defenses in the event a claim is made.

Why are photographs important? Photographs reflect the condition of the property at the time of the appraisal inspection. Photographs prove that the appraiser was actually at the property despite allegations no inspection ever took place. Lastly, photos can simply help the appraiser remember the property when a claim is brought or a lawsuit filed several years later.

We frequently see claims where the lender alleges the property was overvalued because the true condition was not reported. The lender makes a loan based on



the value of the property as verified in the appraisal report, and the borrower defaults several months or years later. Typically, the borrower who defaults is not only unable to make mortgage payments but also lacks the resources and incentive to adequately maintain the property. In many instances, when the borrower vacates the property he takes along not only personal belongings, but also cabinets, bathroom fixtures, etc.

Not surprisingly, when the loan goes into default, the lender gets possession, and these properties are often in pretty bad shape. After obtaining a BPO from a local real estate agent, the lender learns that it will not be able to resell the property to recover the outstanding loan balance. Very often the lender then makes a claim or files a lawsuit against the appraiser claiming that the appraiser must have overvalued the property in the original report.

When faced with such a claim or lawsuit, the appraiser realizes the condition of the property has severely deteriorated since the date of the original inspection. Today with the ease of photography, it is very simple for the appraiser to take interior photos of the kitchen, bathroom and other living areas. A few additional exterior photos will prove that the landscaping at the time of the inspection was very attractive and well maintained compared to the overgrown tangle of weeds currently found in the yard. The interior photos reflect a well maintained property which would clearly contrast with the stained and damaged carpeting, and disrepair which the lender's agents encounter at the time of foreclosure.

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Without photos, what we have is simply the appraiser's word to stand on. Additional costs may be incurred to locate witnesses who were at the property at the time of the appraiser's inspection who could corroborate his or her version of the facts. With the right photos, we have solid evidence of the fact that the property was in fine condition at the time of the appraisal and that the appraiser cannot be held accountable for deterioration and deferred maintenance occurring long after the fact.

In another typical claim situation, sometime after moving into a property the borrower will claim that the appraiser failed to discover and disclose defects which now require significant funds to accomplish necessary repairs. The borrower alleges that the appraiser should have discovered the leaky roof or shoddy roof repairs which are now evidenced by water stains on the ceilings. The borrower claims that the appraiser should have noticed significant structural problems which are now apparent by cracks around door jambs, windows and in the garage floor.

Again, with the ease of digital cameras, the appraiser can provide interior photographs to prove that no water stains were apparent at the time of the inspection and that any pre-existing stains must have been painted over. Photos would prove that the cracking which is now evident around the doors and windows must have been caulked and repainted, which served to conceal any problems from the appraiser. A photo of the garage filled to the roof with boxes demonstrates how the appraiser could not have seen the significant cracking now apparent in the garage floor. Some exterior photos would prove that at the time of the inspection dense shrubbery surrounded the home thereby making it impossible for the appraiser to have access to the foundation. Again, without the photographs all we have to defend the appraiser is his or her word. With photographs, we have solid evidence which cannot be refuted.

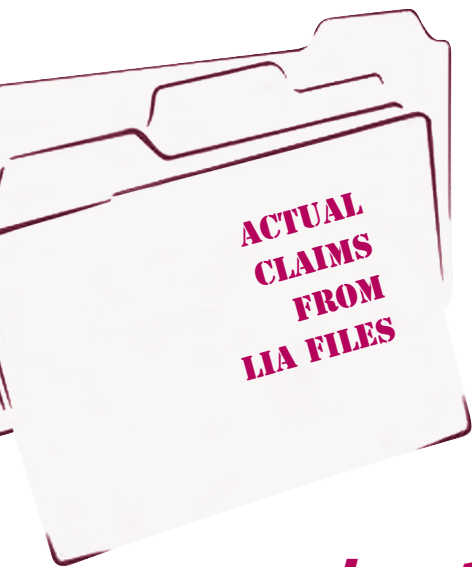
Photographs can also be incredibly valuable when attempting to defend an appraiser in a claim involving construction progress inspections or completion reports. Even if the lender does not require photographs, we encourage appraisers to take photos to document the degree of construction completed at the time of each inspection. If questions arise later, the appraiser has photos to support the estimated degree of completion reflected in his or her reports.

When using a film camera, it is not necessary that all the additional photos be printed. Simply keep the negatives in the appraisal file as they can always be reprinted later, if necessary. When using a digital camera, we recommend printing the additional photos and retaining them in the file, unless you are sure that years later you will be able to print out digital photos taken today.



Summarizing, we have seen numerous claims where having the right photos in the appraiser's file enabled us to either prevent a lawsuit or resolve it on an expedited basis. We have also seen far too many claims where the lack of photos has caused us to do significant discovery to corroborate the appraiser's position. Often times, these claims are settled because we cannot support the appraiser's version of the facts.

A photo is truly worth a thousand words, and with today's technology it only takes a few minutes to take photos throughout the property. Photographs can save countless hours and dollars if you later find yourself in the position of having to defend an errors and omissions claim.



TELL TALE CLAIMS...

Investor to Investor

An appraiser appraised an SFR that had been purchased in a foreclosure sale by an investor who specialized in rehabilitating distressed properties. Purchased for under \$20,000, the subject property was in terrible shape, showing obvious signs of deferred maintenance. The investor installed new carpet, repainted the entire interior, and put new appliances and linoleum in the kitchen and the 2 baths. A new toilet replaced one that was cracked and stained. The property was under contract for \$96,000 when the appraiser inspected. He noted the prior sale, detailed all the rehab work done by the investor/seller and also took photos of the freshly painted walls, new carpets, kitchen and baths. Little did he know how valuable those photos would be.

The new buyer, an investor who unfortunately bought too many properties to manage well, rented out the subject property. But when the buyer defaulted on the loan, the lender took over. The tenant stopped paying rent because the lender refused to make minor repairs. Unhappy, the tenant vacated the property, taking with him light fixtures,



kitchen appliances and even the new toilet. Months later, the lender had a realtor inspect the property for resale. The place was in deplorable condition: dirty walls, stained and torn carpeting, torn linoleum, no kitchen appliances and only a hole in one bathroom floor where the toilet had been ripped out.

The lender sent a letter to the appraiser stating he would be accountable for any losses incurred to resell the property under value to the outstanding loan balance. It alleged the appraiser had misrepresented the rehab work done by the seller, as well as to the overall condition of the property. We assisted

the appraiser in preparing a response to the lender's demand letter. The appraiser pointed out that the property had been in excellent condition at the time of the appraisal, and provided file photo copies to back up these claims. Nothing further was heard from the lender and no lawsuit was ever filed.

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Damaged Custom Home

The subject property was a unique custom home. The appraiser described the unique and valuable amenities in an addenda: hand-painted, imported tile, and slate, antique light fixtures, sconces, and antique wooden doors from a local historic church. The estimated value was over \$1 million, with a second loan for \$400,000. The borrowers soon defaulted on both loans, then filed for bankruptcy. The house sat vacant a few years pending



resolution on the bankruptcy and foreclosure. When the lender gained possession to list the property for sale the home was deteriorated, many of the amenities either damaged or destroyed by the former homeowners.

After months of marketing it was sold at auction for only \$450,000. The sale price did not cover the first loan, and the entire second loan was lost. The lender sued the appraiser claiming an overstated value, and further claimed the amenities described by the appraiser did not justify the property valuation. We were unable to find an appraiser to support the original appraised value. All we had to work with was the appraiser's comments on the amenities. Interior photos could have demonstrated the unique showplace this had been, and we may have been better able to support the original value. Without any such real evidence we wound up settling the case for \$225,000 prior to trial.



Older Home

An appraiser retained to appraise an 85 year old home noted cracking throughout the house and garage that appeared to be consistent with a home of that age. She wrote that she was not an engineer and could not comment on the structural integrity of the home. However, she took photos of the hairline cracks around a door jamb, along the foundation and in the garage floor. We later learned that the property did have serious structural problems. Several interior cracks had been patched and painted by the sellers. More serious cracks were in the foundation, hidden by

foliage, and in areas of the garage floor obscured by boxes until the sellers moved out. The insured's photographs proved that the only apparent cracks appeared minor and that the more serious cracks had not been observable by the appraiser. We were successful in having the appraiser dismissed from the case; the buyers pursued the sellers for fraud.



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