



# Protecting Yourself

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HOW TO WRITE YOUR REPORT FOR YOUR READER(S)



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# What are we Doing Here?

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CREDIBLE: worthy of belief.

Comment: Credible assignment results require support, by relevant evidence and logic, to the degree necessary for the intended use.

Craig's Comment (Not Found in USPAP): So why should I believe you?



# Who are we Doing it for?

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... inspect and estimate value of the subject property, (2) inspect the neighborhood, (3) inspect each of the comparable sales in at least the street, (4) research, verify, and analyze data from reliable public and/or private sources, and (5) report his or her analysis, opinions, and conclusions in this appraisal report.

**INTENDED USE:** The intended use of this appraisal report is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction.

**INTENDED USER:** The intended user of this appraisal report is the lender/client.

**DEFINITION OF MARKET VALUE:** The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is



# Who are we Doing it for?

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pertain to disclosure or distribution by me.

23. The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties.

- Can we limit the reach?
- Can we protect ourselves further?



# Who are we Doing it for?

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## INTENDED USERS

Client only - No other users are intended by Appraiser or Client. Appraiser shall consider the intended user when determining the level of detail to be provided in the Appraisal Report(s). The appraiser recognizes that the Client may consult with its attorney and that a copy of the Appraisal Report may be given as part of that consultation or to the condemning authority, but this does not create a client/intended user relationship with any 3<sup>rd</sup> party.

## INTENDED USE

The intended use is for the Client for decision making relative to an eminent domain action by the State of [REDACTED] for the widening of [REDACTED], a state highway.

## TYPE OF VALUE



# Know Your Limitations

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The appraiser shall not be required to give testimony or appear in court by reason of this appraisal with reference to the property herein described, unless prior arrangements have been made.

Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute. Possession of this report, or a copy thereof, or any part thereof does not carry with it the right of publication, nor may it be used by anyone but the applicant without the previous written consent of the appraisers.

It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.

- Use Language to Help!
  - You may not contradict pre-printed form language, but you can expand on it in certain circumstances.
  - Don't forget, your report is not a contract, but it can clarify terms for the reader.
  - Also use your own engagement letter when possible.



# If You're Going to Do Something, Do It...

COST APPROACH TO VALUE (not required by Fannie Mae)				
Provide adequate information for the lender/client to replicate the below cost figures and calculations.				
Support for the opinion of site value (summary of comparable land sales or other methods for estimating site value) <b>Site value is based on review of land sales if available and site-to-total value percentage.</b>				
ESTIMATED <input type="checkbox"/> REPRODUCTION OR <input checked="" type="checkbox"/> REPLACEMENT COST NEW				
OPINION OF SITE VALUE ..... = \$ 15,000				
Source of cost data <b>Cost Schedule &amp; Local Builder Input</b>				
DWELLING 2,176 Sq.Ft @ \$ 121.00+/- ..... = \$ [REDACTED]				
Quality rating from cost service Average Effective date of cost data 2/2011				
Basement 1,088 Sq.Ft @ \$ 19.00+/- ..... = \$ [REDACTED]				
Comments on Cost Approach (gross living area calculations, depreciation, etc.)				
Extras Included Above ..... = \$ [REDACTED]				
<b>See Attached Sketch</b>				
Garage/Carport 378 Sq.Ft @ \$ 21.00+/- ..... = \$ [REDACTED]				
<b>No functional or external obsolescence noted.</b>				
Total Estimate of Cost-New ..... = \$ [REDACTED]				
<b>Measured by the appraiser</b>				
Less Physical Functional External				
Depreciation [REDACTED] ..... = \$( [REDACTED])				
Depreciated Cost of Improvements ..... = \$ [REDACTED]				
*As-is* Value of Site Improvements ..... = \$ [REDACTED]				
Estimated Remaining Economic Life (HUD and VA only) 60 Years				
INDICATED VALUE BY COST APPROACH ..... = \$ [REDACTED]				

- “Because the client wanted it” does not waive USPAP.
- Understand whether the request adds to, or detracts from, credibility. Educate the client accordingly.
- When in doubt, do it right and explain why it is (not) relevant.



# Location: Earth

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<b>NEIGHB</b>	Brach- west	1,277	19	0.70
	Neighborhood Description	The area is comprised of a variety of home styles on nicely maintained sites. Schools, shopping, parks and recreation are within 1-1.5 miles. Buyer appeal is generally rated as good in this residential area.		

<b>NEIGHB</b>	Neighborhood Description	Subject is located in an older established neighborhood on the south side of the city of Chicago. Properties within the area are predominantly older dwellings, however some newer dwellings located in the area. 2-4 family and multi-family uses scattered throughout the area. The appraiser did observe some boarded up dwellings in the neighborhood. Nearby commercial uses do not appear to have any adverse effect on value or marketability. Most all amenities and major expressway access nearby.		
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- Be concise but instructive.
- Sometimes, to say nothing, really is to say nothing.





# Snapshot in Time...less

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This is an APPRAISAL REPORT that is intended for use by the lender/client and/or their assigns for mortgage/finance transactions only. This report is not intended for any other use. The purpose of this appraisal is to estimate the market value of the subject property, as of the effective date of the appraisal.

The report is a limited appraisal composed in summary format which is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice. The report presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the opinion of value. Supporting documentation that is not provided within the report concerning the data, reasoning, and analyses is retained in the appraiser's workfile. The depth of the discussion contained in this report is specific to the needs of the client.

- Words matter – appropriate words matter more!
  - Proofread and update at regular intervals (Quarterly? Semi-annually?).
  - Get a reader.
  - Read it again.



# I Do Not Think That Means What You think That Means

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## Highest and Best Use

THE SUBJECT'S PRESENT USE AS A TWO FLAT ON THE 50 X 125 LOT IS THE HIGHEST AND BEST USE BECAUSE OF LOCATED OF THE SUBJECT'S BUILDING ON THE LOT.

- You will be judged by your application of the appropriate methodology and your ability to support your conclusions.
- Also by making sense.





Craig Capilla is a trial lawyer, concentrating his practice in a wide range of civil litigation, including professional liability and commercial claims. He has successfully defended residential and commercial appraisers and appraisal firms accused of negligence or improper activity in their valuation services. Craig has also represented numerous licensed professionals in Illinois and Wisconsin state licensing matters including real estate brokers, real estate appraisers, and medical doctors, process servers, mortgage loan originators and brokers. He has represented clients in both state and federal lawsuits and has appeared in various judicial circuits across Illinois and in Wisconsin. He has also assisted professionals with licensing proceedings in Iowa, Minnesota, Michigan, Colorado, Idaho, Delaware, Maryland, Nevada, and Missouri.

Craig earned a B.A. from the University of Michigan in 2004, majoring in History and Political Science. He then earned a Juris Doctor from the DePaul University College of Law in 2007. Craig is authorized to practice law in Illinois, Wisconsin, and is a member of the trial bar of the United States District Court for the Northern District of Illinois, and is also admitted to practice before the United States district Court for the Eastern District of Wisconsin, Northern District of Indiana, Western District of Michigan, and the United States Court of Appeals, Seventh Circuit.

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