

# Al Gage Report

June 2018

## A Tale of Two Appraisals!

This is a story of two separate transactions, on two separate homes, occurring in the same time period. One of them is a transaction in which we represented the buyer and they were obtaining a new VA loan. We will call this one the Buyer Transaction. The second was one, in which we represented the seller and the buyer was obtaining a new VA loan. We will call this one the Seller Transaction. In both cases, our team represented only the single party stated in the description. The names have been changed to protect the uninformed.



### The Buyer Transaction:

Representing the buyer, we offered full price for the property and asked the seller to contribute 3% towards buyer's closing costs. The sales price was \$250,000. The comparable sales justified this price, but just barely. We hired a professional home inspector and they found many repairs that were required for the property, some of which might have affected the appraisal.

### Tidewater:

After the appraisal was scheduled, but before we received the actual amount of the home's appraised value, we received

a Tidewater Initiative Notice from the lender. No, this is not a notice that the home is in a floodplain. It is a notice from the appraiser, via the lender, that they are having trouble with the valuation requested for the sale. The appraiser is giving the buyer's and seller's agents the opportunity to supply them with additional comparable sales and/or upgrades to the home to justify the price valuation requested. They usually give us 48 hours to submit the information.

Representing the buyer, I prepared a market analysis for the appraiser, which came up with a recommended price of \$247,500, and submitted it to the lender. The other agent, who represented the seller, basically conceded to the lower price and submitted nothing to the appraiser.

### The Result:

A few days later, the appraised value actually came in at \$240,000! The seller, of course, asked us to contribute the extra \$10,000, which we simply did not have. The buyer wrote a very nice letter to the seller, who was also a veteran, and we ended up agreeing on a sales price of \$240,000 with all the terms remaining the same and the escrow proceeded.

### The Seller Transaction:

Representing the seller, we received an offer from another agency for full price, or \$300,000, with the buyer obtaining a VA loan. As a part of the inspection it was discovered that the roof, which had recently been replaced, was done

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incorrectly. We guided the seller to demand the roof be replaced, by the contractor, under threat of complaint to the Registrar of Contractors. This was successful and the roof was being repaired (at minimal cost to the seller) when the appraiser called to make an appointment to inspect the home. In order to avoid a re-inspection fee (of up to \$200) by the appraiser, we had to reschedule the appointment a couple of times. In conversation, initiated by the appraiser while making this reschedule, they mentioned that they were having trouble getting to the requested value and that a Tidewater would likely be initiated. The appraiser also mentioned that it appeared that the home was in the floodplain.

One of the unfortunate requirements for appraisers is that they have to take into account if concessions were involved in a prior sale. We have a basic philosophical disagreement with this requirement. Assume you had three identical homes and the market was neither appreciating or depreciating. The first home appraises for \$300,000 and gives a \$5,000 concession. This requirement would dictate that the subsequent homes, being identical, would then appraise for \$295,000 and

then \$290,000 respectively, without anything else in the market changing.

We submitted three things to the appraiser. In the conversations, they had mentioned that there were model matches that were at \$289,900 and \$270,000. We were convinced that our value was correct (Zillow said so), so we reviewed the comparable sales. The \$270,000 sale was 7.5 months old and should not be used. The more recent sale was similar, it was two months old, but backed to a major street; ours backed to a greenbelt on 2 sides. Additionally, the seller submitted a professionally written list of the repairs that he had done to the property, plus obtained proof that the property had been removed from the floodplain.

In these instances, the appraiser can obtain data on the agent and determine whether they regularly work an area or are working a one-off sale across town. Being able to talk "appraiser" talk, along with the credibility of being the area experts with years of experience, certainly doesn't hurt in the quest for an accurate value. In this case, having been in the two comparable sales myself also lent credibility to the situation.

### The Result:

Bottom line, the home appraised for \$305,000; \$5,000 more than what we needed and the sale proceeds.

### Arizona Revised Statutes states:

*"A person who induces or influences the actions of an appraiser for purposes of securing an appraisal that is grossly misleading, or fraudulent, is guilty of a class 6 felony."*

Arizona Revised Statutes 32-3633

That is not what happened in either of these circumstances. We were simply trying to make sure that errors in value were corrected according to the procedures for a VA loan, but both instances certainly worked out in our client's favor.

Contact us if you would like the same level of service and expertise in the sale of your home at 623.536.8200 or [al@algage.com](mailto:al@algage.com)



## RITA'S CORNER

### Source of Funds

One of the most difficult and frustrating requirements of the loan process is identifying where the funds for down payment and closing costs are coming from. Generally, we ask for the last two months bank statements. This requires us to identify each deposit that has been made and to identify where it came from. Cash on hand is not acceptable, unless you do not have a bank account at all, and you can prove where the cash came from. For instance, if it was a gift from a parent, we would need the parent's bank account to show the money leaving their bank account.

Call me for information about all loan programs. I pride myself on keeping up to date with the ever changing mortgage market.

**PINNACLE CAPITAL**  
mortgage corporation

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## featured listings



### 13010 W. Flower St.

A 2832 S.F. Model,  
5 BR, 3 BA on a cul-de-sac lot  
in great shape in Sage Creek.

**Listed by Al Gage for \$300,000**



### 12912 W. Earll Dr.

A 2113 S.F.  
4 BR, 2 BA split floorplan  
in Las Palmeras.

**Listed by Al Gage for \$230,000**



### 11811 W. Windsor Ave.

A 1687 S.F. Model, 3 BR, 2 BA  
with many upgrades and solar  
in Garden Park!

**Listed by Al Gage for \$230,000**



### 2562 N. 124th Dr.

A Stetson Model, 1899 S.F. 4 BR, 2 BA  
with RV parking and a pool  
on a huge lot in Rancho Santa Fe.

**Listed by Al Gage for \$310,000**

## What's My Home Worth?

Email Al at [al@gage.com](mailto:al@gage.com) with the address, a list of upgrades, the current condition of the property rated < from 1 being terrible condition and 5 being model perfect > and he will personally prepare a professional market analysis of your home free of charge. Use "What's my home worth?" in the subject line and also include the purpose of the evaluation in the email.

*No automated valuations here!*

Want a current and local Market Update go to [www.al@gage.com/June2018MarketUpdates.html](http://www.al@gage.com/June2018MarketUpdates.html)

In 2017, Al Gage successfully represented 72% more clients than the closest competitor and 328% more than the average of the Top Ten Agents in your neighborhood! #1 in your neighborhood four years in a row!



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**Over 1400 Homes Sold in Avondale and Litchfield Park!**

**recent listings**



**1043 E. Segovia Dr.**

A beautiful 3 BR, 2 BA, 1697 S.F. and completely remodeled with lots of upgrades in Old Litchfield Park.

**Listed by Al Gage for \$305,000**



**10609 W. Windsor Ave.**

A stunning 3 BR, 2 BA, 2155 S.F. with laminate flooring and ceramic tile in perfect condition in Garden Trails.

**Listed by Al Gage for \$260,000**



**12349 W. Virginia Ave.**

A Brigata Model (2335 S.F., 4 BR, 2 BA) with tons of upgrades and a pool in Rancho Santa Fe.

**Listed by Al Gage for \$325,000**

See inside for this month's **featured listings**