

2010 Sale Qualification Code Updates



Presented to:
Florida Chapter IAAO
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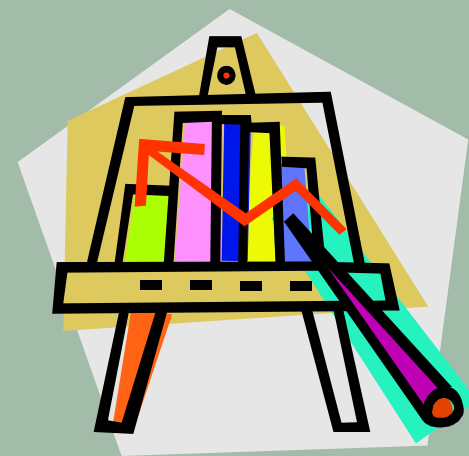
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Presentation Overview

- Recent Additions
- Changes to the Sale Qualification Codes
- Commonly Asked Questions
- Additional Information



You Asked...We Listened



Recent Additions

Recent Additions

The Department has added two items to the sale qualification process based on feedback from the counties.

- Code 98- A new code for sales that cannot be processed due to deed error.
- Code 41- Revised the requirements for requesting approval to use Code 41. Requirements are now separated into two groups and the documentation requirements have been clarified.

Code 98

To be used when a deed error prevents accurate processing. Examples:

- The deed contains an incomplete or incorrect legal description
- The grantor is not the current owner

* This is a “qualification pending” code. Once the error has been corrected, the sale needs to be updated with the applicable qualification code.

Code 41

Definitions:

Properly specified real property group: A group where the property characteristics are as similar as possible and where there is not wide variation in property characteristics.

Fair market value: The amount a purchaser willing but not obliged to buy, would pay to one willing but not obliged to sell.

Code 41

To be used for sales that meet the following three conditions:

1. No other disqualification codes apply;
2. Attempts to verify the sale(s) were unsuccessful; and
3. The transaction(s) do not reasonably reflect the fair market value of the sold property

Prior approval from the Department is still required to use this code.

The requirements have been expanded and separate the requirements for sales transactions into two groups:

- Multiple sales transactions within a properly specified real property group; and
- Single sale transaction within a properly specified real property group.

Code 41

Examples

- In an area of similar properties, 30 sales occurred in 2009. The required evidence shows that five of those sales do not reasonably reflect the fair market value of the sold properties. Verification of the sales is unsuccessful. Requirements for multiple sale transactions within a properly specified real property group are followed.
- In an area of similar properties, 10 sales occurred in 2009. The required evidence shows that one of the sales does not reasonably reflect the fair market value of the sold property. Verification with the parties involved in the transaction has been unsuccessful. Requirements for a single sale transaction within a specified real property group are followed.

2010 Sale Qualification Codes



Code Changes & Explanations

Code 03

What changed

Added language for sales that included property characteristics not present at the time of sale.

When to use

1. When the physical characteristics of the property significantly change after the sale but prior to the date of appraisal OR;
2. When the sale included improvements that were not substantially complete or were not yet built by the date of appraisal.

Code 03

Examples

- A house sells in September 2009. The new owners significantly renovate the house in November 2009. The physical characteristics have significantly changed between the time of sale and the date of appraisal.
- A vacant lot sells in August 2009. The sale price includes a single family residence that will be constructed by April 2010. The sale included improvements that didn't actually exist at the time of sale or on the date of appraisal.

Code 19

What changed

Added “personal representative” to the list

When to use

When the deed indicates that the grantor or grantee is a bankruptcy trustee, administrator, executor, guardian, receiver, or personal representative.

Code 19

Examples

- Jane Doe, as Personal Representative of the Estate of John Smith, deceased
- John Doe, as duly appointed Chapter 11 Trustee in bankruptcy for the estate of ABC Corporation

Code 32

What changed

Revised description from “pre-construction” to “abnormal period of time between contract date and sale date”.

When to use

When the length of time between the contract date (meeting of the minds) and the sale date (property transfers) is unusually long and the sale price is not reasonably indicative of fair market value as of the sale date.

Code 32

Example

- A contract is signed in April 2008 on a condo unit with an anticipated completion date of January 2009.
- Problems arise and construction is not complete until December 2009, at which time all of the sales are executed and deeds are recorded.
- The contract price from April 2008 is substantially different from the contract prices in mid to late 2009.

Code 34

What changed

Revised description; replaced “recorded” with “prior”.

When to use

When the deed is being recorded as a satisfaction or payment in full on a prior contract or agreement for deed.

Code 34

Examples

- An Agreement for Deed was recorded and executed in September 2005. The buyer satisfies the agreement and a warranty deed is executed in October 2009. The 2009 warranty deed would be coded 34.
- A deed was recorded in June 2009. Verification with the buyer reveals that the parties had a contract that was executed in March 1997, but was never recorded. The 2009 sale would be coded 34.

Commonly Asked Questions



The following are some of the more common questions that the Department receives on sale qualification

General Requirements

1. Can a county change a qualification code after submitting a sale data file?
 - Yes, as long as there is credible, verifiable, and documented evidence to support changing the qualification decision.
2. Can a county use its own internal qualification code list?
 - If a county chooses to use its own internal sale qualification codes, those codes must be converted to the Department's codes prior to submitting each sale data file to the Department.

General Requirements

3. Do ALL sales have to be verified?

- Sales which are qualified or disqualified based on deed exam do not have to be verified. However, credible, verifiable, and documented evidence is required to qualify a sale that would be initially disqualified based on deed exam & to disqualify a sale that would be initially qualified based on deed exam.
 - Qualified based on deed exam (Code 01); Disqualified based on credible, verifiable, documented evidence (Codes 30-42)
 - Disqualified based on deed exam (Codes 11-20); Qualified based on credible, verifiable, documented evidence (Code 02)

Specific Scenarios

1. What is “atypical motivation”?
 - When a buyer’s motivation to purchase a property or a seller’s motivation to sell does not represent the conditions of the definition of fair market value.
 - In some instances, atypical motivation coincides with a property not being exposed to the open market.

Specific Scenarios

2. Why isn't there a code to disqualify a sale where the buyer purchases a parcel adjacent to one he already owns (assemblage)?
 - The location of the property being purchased does not make the sale non-arm's length; the conditions of the sale are what determines whether the sale was arm's length.
 - There are several scenarios where this could be considered a disqualified sale. Examples are provided on the following slide.

Examples

The following are examples of a buyer purchasing a parcel that is adjacent to one he already owns and the sale conditions that make the sale disqualified.

- The two parties were family members and the seller sold the property for less than he would have to another individual. This could be considered affiliation (code 30).
- A buyer really wanted a property built by his grandfather that was not currently for sale. He contacted the owner and offered to purchase the property for an amount significantly higher than fair market value. This could be considered a sale involving atypical participant motivation (code 37) .
- A seller wanted to get rid of a property quickly because of a financial hardship. He contacted several of his neighbors about purchasing the property. One of the neighbors agreed to buy the property for an amount significantly below fair market value. This could be considered a sale under duress (code 38).

Additional Information



Things to Remember

Additional Information



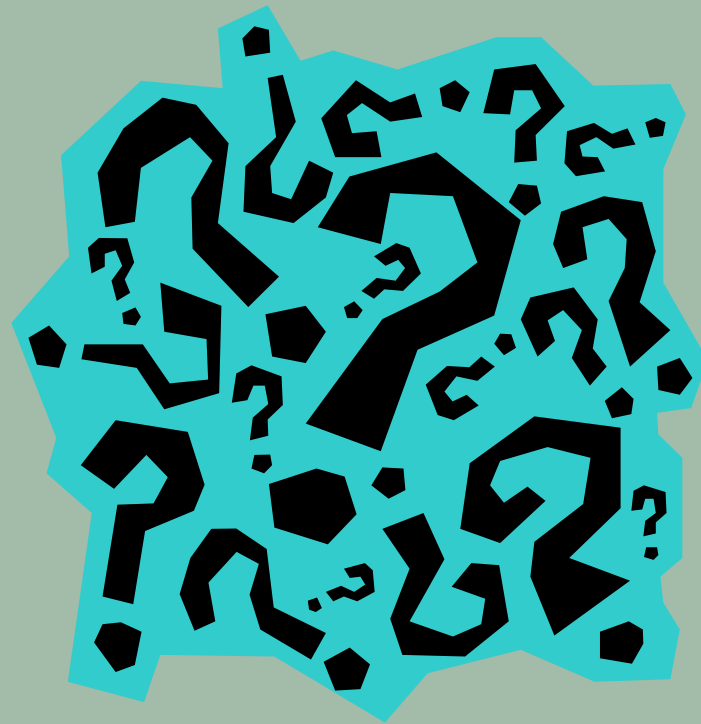
- The 2010 Sale Qualification Study is being conducted on all 67 counties.
- For any sale discrepancy, the county must provide to the Department all documentation that the county wants the Department to consider in determining whether the Department will change an initial qualification decision. The Department will not search for documentation referenced but not provided.
- The Department will request credible, verifiable, documented evidence for all sampled sales that have a qualification change by the county from the April 1st Sale Data File to the Preliminary Sale Data File that justifies the qualification change.

Additional Information

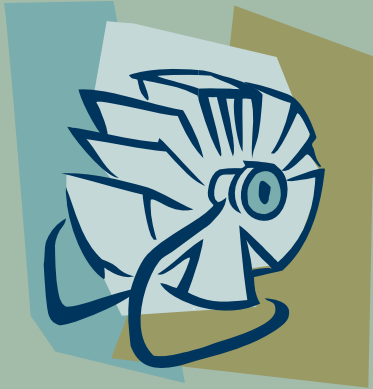
- The Department will send the county a Sale Qualification Overview report that will include all of the sampled sales for the study.
- The revised Code 41 requirements are intended to apply to 2010 sales. However, for 2009 sales in the 2010 Sale Qualification Study, if there is a sale on the discrepancy report for which the county believes the revised Code 41 is appropriate, the Department will consider the county's request and documentation on a case-by-case basis.



Any Questions?



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- ❖ 3. Basics of Assessment Data Management and Reporting
- ❖ 4. Sales Qualification and Verification
- ❖ 5. Residential Field Data Collection I
- ❖ 6. Commercial Field Data Collection II
- ❖ 7. Sales Ratio Studies and Data Analysis
- ❖ 8. MS Excel and Other Spreadsheet Software for Mass Appraisal
- ❖ 9. Land Valuation
- ❖ 10. Mass Appraisal Quality Assurance
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- ❖ 12. CAMA/GIS for Appraisers II
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- ❖ 14. Sale Documentation
- ❖ 15. 2010 Sale Qualification Code Updates

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