

Wait Until It's Done



the facts

Mrs. Monts owned a high-end property that consisted of offices and various studios. When she went to refinance the property she was also performing a renovation. The lender, Lawston Bank, hired Mr. Little of Millrock Appraisal Group to appraise the property. In order to complete his appraisal, Mr. Little visited the property a number of times. During the appraisal process, Mr. Little did not take photos to document the condition of the property.

Risk Factor #1

By not taking photos of the property, Mr. Little had no way of proving that the property was near completion at the time of the appraisal.

After the appraisal, Mr. Little stated the building was worth \$8.5 million and submitted a Satisfactory Completion Certificate to Lawston Bank. In this certificate, it was noted that at the time of the appraisal, \$50,000 was needed in construction repairs to finalize the renovation. Based on the report, Lawston Bank funded a loan of \$6.4 million and \$50,000 for completion of repairs to Mrs. Monts. However, Mrs. Monts defaulted on the loan and the property went into foreclosure. Lawston Bank bought back the property but was unable to sell it for the original appraisal price. The property eventually sold for \$4.3 million, resulting in a loss of \$2.1 million. As such, Lawston Bank filed a claim against Mr. Little and Millrock Appraisal Group seeking money for the damages lost by funding the loan.

Risk Factor #2

Mr. Little made himself susceptible to risk by submitting the Satisfactory Completion Certificate with no proof to support the amount that he determined was needed for the repairs to be completed. If he would have waited for these repairs and collected sufficient data, he would have seen what was truly needed to be done and possibly avoid being sued.

the result

Lawston Bank maintained they would have never approved the loan to Mrs. Monts had they been aware that more than \$50,000 was needed to complete the renovation. Mr. Little stated that he saw certain repairs done, but it was maintained by the lender that no such repairs had been made. As Mr. Little had no evidence to support his claim, his credibility was challenged. The suit was eventually settled for \$725,000. There is no harm done in allowing construction to proceed before completing an appraisal. Documenting a visit through mediums such as photographs can greatly reduce risk.

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