

UNDERSTANDING THE APPRAISAL PROCESS

BEFORE THE APPRAISAL INSPECTION

WHY IS A REAL ESTATE APPRAISAL NECESSARY?

Usually the appraisal is a part of a loan application where real estate is being used as collateral or security for a loan. The lender needs an accurate estimate of value, which can be used in the loan application process.

WHAT DOES A REAL ESTATE APPRAISER DO?

A real estate appraiser values real property (land, houses, buildings, etc.), not personal property (cars, jewelry, boats). The appraiser determines the physical characteristics of the property to be appraised and estimates value based upon three common approaches to value (1) Market Approach (2) Cost Approach (3) Income Approach.

WHO DOES THE APPRAISER WORK FOR?

The appraiser usually works for an appraisal firm; sometimes he/she is self-employed. The appraisal firm is usually not affiliated with the lending institution.

WHO HIRES THE APPRAISER?

The appraiser is hired by the lending institution (Client). The appraiser is working on behalf of the client (Lender) and no one else.

IF I PAID THE LOAN APPLICATION FEE, DOES THE APPRAISER WORK FOR ME?

This is a common misunderstanding. The appraiser works for the Lender (Client). The borrower and or purchaser are the customer. As a professional the appraiser needs to extend courtesy and respect to the customer. However, the appraiser is not employed in any way by the borrower or any one else besides the Client and cannot discuss specifics of the appraisal with anyone but the Client.

ARE APPRAISERS LICENSED AND OR BONDED?

Appraisers are licensed by the State in which he/she appraises through the Division of Commerce. An appraiser must meet specific criteria in order to be licensed.

Appraisers do not need to be bonded. The appraiser does not handle cash or valuables and therefore bonding does not apply. Most appraisers do, however, carry liability insurance to cover accidental damage.

THE APPRAISAL INSPECTION

HOW LONG DOES AN APPRAISAL TAKE?

The physical inspection of a typical property usually takes between five and fifteen minutes. Some times an inspection can take longer if the house is difficult to measure or has some unique features that require additional investigation by the appraiser.

After the initial inspection of the property the appraiser spends time touring through the neighborhood or area. The purpose of this tour is to search for other properties that are similar to your property that have

sold within the last year. When the fieldwork is finished, the appraiser completes the report at his office. The report usually is about ten pages long and has taken over four hours to complete.

WHAT DOES THE APPRAISER CONSIDER IN DETERMINING THE VALUE OF MY PROPERTY?

The appraiser measures the house from the outside to determine square footage. This external measurement is standard throughout the industry. Usually no interior measurements are required. The appraiser takes notes concerning the features of your house such as room layout, number of bedrooms, baths, etc. The appraiser also makes a determination of the general condition, appeal, and functional layout of your house. All of these items are taken into consideration in the appraisal report.

DOES THE APPRAISER DO A WHOLE HOUSE INSPECTION?

NO. The appraiser is not a whole house inspection, engineer, architect, electrician, plumber, H.V.A.C. technician or contractor. The appraiser briefly walks through the house to get an idea of the general condition and room count. An appraisal is not a guarantee of condition. You are encouraged to seek the advice of experts if you have any questions about the mechanical aspects.

WHAT SHOULD I TELL THE APPRAISER ABOUT THE PROPERTY?

To help the appraiser complete the assignment, the owner, purchaser, or Realtor can provide some information that is helpful to the appraiser. Please tell the appraiser of any previous sale on the property within the last 12 months. Indicate if there is a pending contract to purchase on the property. Does the property have any right of way or other easements? Is there structural damage, or water leakage in the house. Is the property in a flood zone? Basically, inform the appraiser about any hidden features or detriments to the property.

MUST I WALK THE APPRAISER THROUGH THE HOUSE TO POINT OUT IMPROVEMENTS I HAVE MADE?

Usually, the improvements and features of the property are readily evident to the appraiser. It is not necessary to follow the appraiser around pointing out each detail of the property. We do not discourage you from walking through the property with the appraiser; especially if it makes you more comfortable...it just isn't necessary. If you think there might be a feature of the property that is not readily evident please mention it to the appraiser.

AFTER THE APPRAISAL INSPECTION

WHAT'S MY PROPERTY WORTH?

It is common for the owner to ask the appraiser this question as soon as the appraiser has inspected the property. The truth is at that time the appraiser doesn't know what the property is worth. The inspection is the first step of many the appraiser must go through before a value is determined. Also, remember that the appraiser is working for the lending institution (Client) and cannot divulge any information concerning value to anyone but the Client.

WHAT EFFECTS THE VALUE OF MY PROPERTY?

The sales of similar properties in your area directly effect the value of your property. Items that usually contribute greatly to value are room additions such as bedrooms, bathrooms, garages, etc. Items that usually contribute very little to value are swimming pools, finished basements, landscaping, new roofs, new furnaces, etc.

IF THE APPRAISER IS NOT FROM THIS AREA HOW CAN HE/SHE PROPERLY VALUE MY PROPERTY?

Certainly an appraiser should be familiar with the specifics of an area or neighborhood to value a property. The misconception is that only someone who lives “close by” would know the area. Our appraisers are chosen by county thus, they are familiar with the counties that they are appraising.

DO I GET A COPY OF THE APPRAISAL?

If you are the borrower and the appraisal is used in granting credit you are entitled to a copy of the report. This copy can be obtained from the lending institution by written request. A copy is given as part of fair credit guidelines and should not be relied upon by the borrower. The report will have specific terms and limiting conditions posted. It is essential anyone viewing an appraisal report read these conditions.