



Appraiser Task Force

PAGE 17

Residential real estate appraisers produce a variety of appraisal reports that are specific to the property type, the value definition used, and the client's needs. For residential financing purposes, lenders/clients most typically request appraisals and the associated report that will meet guidelines established for either FHA or conventional mortgage loans. While the appraisal report for either type of mortgage loan will most likely be presented on a standard 1004 Form, also known as a Uniform Residential Appraisal Report (URAR), the scope of work employed by the appraiser will be different.

Very basically, an appraisal prepared for an FHA mortgage loan will typically start the same as an appraisal for a conventional loan. However, with the FHA appraisal, additional requirements are put in place that are designed to insure that any major repairs, health and safety issues are identified and taken care of before closing. These requirements are spelled out in detail in HUD Handbook 4150.2 and various Mortgagee Letters issued by HUD. A few of the extra checks required for an FHA appraisal are noted below:

- Identify any chipping, peeling or cracked lead-based paint – interior and exterior
- Verify there are no issues with water damage or drainage
- Insure proper ingress and egress
- Test for a properly working heat source and, if present, air conditioning
- Test for adequate water pressure and no water leaks
- Validate every bedroom has exterior access
- Verify electrical service meets minimum requirements
- Test a sampling of electrical outlets and fixtures in every room
- Verify roof condition and number of layers of roofing materials
- Head and shoulder inspection of attic and crawl space

Many appraisers will check the above items for conventional loan appraisal assignments; however, they might only report the deficiency and the final decision to repair or not might be up to the lender/client and not required for the loan to close.

Appraisals prepared for a lender/client for a conventional mortgage loan can not simply be converted to an FHA appraisal for several reasons. However, the primary reasons that an easy conversion is not possible is because an FHA case number was not assigned to the property before the property inspection took place and because the appraiser may not be on the FHA roster of approved appraisers. Finally, the inspection for the conventional mortgage appraisal may not have included all of the additional requirements dictated by FHA/HUD.

The above examples are just a few of the FHA requirements pertaining to single-family housing. There are many more FHA requirements and issues regarding eligibility. A copy of the FHA Handbook (4150.2), in Word or PDF format, is available on the US Department of Housing and Urban Development (<http://www.hud.gov/groups/appraisers.cfm>).

Do you have a question or issue for the newly formed WSRAR Appraisal Task Force?

If so, please email Susan Jester, sjester@wsrar.com. The primary objectives of this task force are to improve communication between the two professions and to educate brokers about the appraisal process and issues that affect the appraisal industry.