

APPRAISAL TASK FORCE UPDATE

Can You Head Off Inaccurate Appraisals?

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Appraisers lacking experience or familiarity with an area continue to be a major problem for home sales, but you can minimize the chances of a bad appraisal killing your transaction by helping to ensure the appraiser knows what you know about the property, valuation pros say.

Ever since New York entered into an agreement with secondary mortgage market companies Fannie Mae and Freddie Mac in the wake of the mortgage crisis several years ago, the industry has been plagued by what practitioners say are inexperienced and geographically incompetent appraisers. That agreement, called the Home Valuation Code of Conduct (HVCC), has since been replaced with provisions in last year's Dodd-Frank Wall Street reform act. The new law aims to curb bad appraisals by regulating how appraisers are chosen. Although the use of third-party appraisal management companies (AMCs) isn't mandated under the rules, many lenders comply with the law by contracting with or operating their own AMC. Practitioners say many of these AMCs are undermining appraisal quality by hiring inexperienced appraisers who are willing to work for less money and comply with what many appraisers say are unrealistic time frames for turning around valuations.

Whatever the experience level or geographic competency of the appraiser who's been assigned to conduct a valuation of the house you're listing or selling, you want to minimize the possibility of an inaccurate appraisal by doing four things.

1. *Meet appraisers when they arrive at the house.* Offer to show them around just as you would if they were home buyers. That way there's a better chance they'll see the unique features of the house the same way the buyers do. And don't let the appraisers tell you they can't talk to you. They can. The law prohibits agents and others from pressuring them to arrive at a certain value, but there's nothing in the law that prohibits the two of you talking and sharing information.
2. *Provide them with comparables that you think are appropriate.* They might or might not use them but at least you've made them available.
3. *Provide a sheet of predominant features.* These can be anything that sets the house apart from others.
4. *Document any discrepancies with the assessor's data.* It's not uncommon for there to be inaccuracies, so you want to make sure the appraiser knows if something's not right. Sometimes the inaccuracies are as obvious as a misstatement of the number of bedrooms.

You also want to ask questions of the appraisers. That way you can determine their level of experience and geographic competency. The fact is, there are rules for establishing geographic competency, and if they don't meet those rules, you can raise the point with the AMC or lender. Among the questions you want to ask:

1. *How far is their office from the property?*
2. *Do they have access to the local MLS data?* They can't know all the facts of the listing if they don't have that.
3. *Are they familiar with the area?*
4. *How frequently are they in the area?* When was the last time they were there?

If you suspect the appraiser lacks geographic competency, raise the issue with the AMC.