



WHAT IS A MORTGAGE APPRAISAL?

Results Mortgage
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A mortgage appraisal is an independent assessment of a property's value by a state-licensed or state-certified appraiser to assess the market value of a property in connection with a mortgage transaction. Typically, an appraisal is ordered by a lender to determine value of the property. The appraiser inspects the property taking into account factors such as the following:

- the condition of the property
- the value of comparable properties
- and market conditions.

APPRAISAL INDEPENDENT REQUIREMENTS

Appraisal Independent Requirements (AIR) have been established under the Dodd-Frank Act to create standards on selection, compensation, conflicts of interest and appraiser independence. Lender's loan production staff is prohibited from:

1. Selecting, retaining, recommending, or influencing the selection of an appraiser.
2. Having any substantive conversation with an appraiser or appraisal management company regarding valuation, including ordering or managing an appraisal assignment.

HOW DOES AN APPRAISER REACH A VALUE?

The opinion of value comes from several indicators:

- Recent sales of comparable properties
- The current cost of reproducing or replacing a building
- Condition of subject property
- Market conditions



WHAT ARE THE OPTIONS IF THE MORTGAGE APPRAISAL COMES IN LOW?

Get in touch with the mortgage company and real estate agent and review your options. Don't forget all parties would like to see the transaction close.

1. Seller reduces price given the low appraisal, the seller may be willing to negotiate to save the sale of their property.
2. Buyer May Need to Put More Money Down The lender is generally comparing the appraisal to the mortgage amount (and not to the contract price), those making bigger down payments might still get loan approval on a property with a transaction price above the appraised value. If the homebuyer really wants the home they will have the option of making a larger down payment.
3. Appraisal review request if the mortgage appraisal contains errors in factual information or comparable sales selection, the lender could initiate an Appraisal Review Request. Have the real estate agent provide actual sold pertinent comparable (reported in the MLS) that can be submitted to the appraiser for consideration. If the information provided is deemed to be correct and/or the sales provided are more indicative of the market value than that which was first used, the appraiser will complete the necessary analysis and amend the appraisal report.
4. Ending the deal - Finally, the homebuyer may decide the difference between the appraised value and purchase price is too large to move forward. In this case, they may decide to end the deal utilizing their appraisal contingency clause.