



# Understanding Appraisal

May 5th, 2020

# Build Good Relationships With Appraisers

- Every Realtor wants the appraisal process to be fast and smooth.
- It's important to keep good relationships - real estate is a small world and its likely you'll work with the appraiser again in the future.
- Appraisers don't want to kill transactions, but we are legally obligated to give an honest opinion of value to the mortgage bank.
- If any party is not happy with the appraisal results, they can provide sales or ask for clarification from the lender.

# Important Parts of the Appraisal Process

## Scheduling Inspection

It's helpful if we can schedule through CSS or online.

The appraiser needs to inspect all rooms and buildings on the property. If we can't inspect, then we need to charge a trip fee and reschedule.

## Researching Properties

The best comparable sales are;

- Closest in proximity
- Most recent in date
- Bracket the major defining features of the property.

## Developing the Report

- Sales Comparison Approach
- Cost Approach
- Income Approach
- Reconciling Values

# What Are Major Defining Features?

- Location, Location, Location
- Views (Positive or Negative)
- External Factors (Positive or Negative)
- Gross Living Area (GLA)
- Bedrooms
- Bathrooms
- Lot Size
- Quality of construction
- Condition of the property

# Secondary Features - Less Impact on Value

- Garages / Shops / Barns
- Solar Panels
- Guest Houses / Casitas / ADU's
- Pools / Spas / Saunas
- Cabanas
- Sheds / Gazebos
- Patios / Decks
- Fireplaces
- Other unique features that aren't typical

# What Counts as GLA?

FNMA sets the standards for what is considered GLA. In general it has to have;

- Finished walls and flooring
- Heating and Air Conditioning - Gravity Vents Allowed
- Be contiguous to the main dwelling (If access is not contiguous the area will be considered a separate amenity)

## **Making Adjustments:**

**There are no “set” adjustment rates. The appraiser lets the market data tell us what the adjustment should be.**

# Cost v.s. Contributory Value

The cost of the improvement is almost always more than the value it contributes to the property.

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To find out how much value a feature contributes, we have to find sales that bracket the feature and determine the market impact.

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# Case Study: The Shop

Size: 26x30 = 780 sq. ft.  
Cost: \$35 / sq. ft. = \$27,300



## 3 Comparable Sales with Shops

1. 950 sq. ft. shop with \$15,500  
contributory value = \$16.32/sq. Ft.
2. 625 sq. ft. shop with \$11,000  
contributory value = \$17.60/sq. Ft.
3. 1200 sq. ft. shop with \$17,220  
contributory value = \$14.35/sq. Ft.

Contributory Value: \$17/sq.ft.

**\$13,260**

# Items That Bring Highest Dollar For Dollar Value:

## Remodeling:

- Kitchens
- Bathrooms
- Interior / Exterior Paint
- Flooring
- Updating Plumbing and Electrical Fixtures
- New Appliances

## Improvements:

- Shops / Garages
- Basic Landscaping
- Repairing Existing Structures

# Items That Bring LOWEST Dollar For Dollar Value:

## Remodeling:

- High end finishes in a low to medium priced neighborhood.
- Replacing roofs and windows (unless they are really needed)
- Replacing HVAC systems and units
- Replacing plumbing or electrical lines

## Improvements:

- Pools / Spas
- ADU's or Detached Guest Quarters
- Extensive Landscaping
- Solar Panels

Buyers expect homes to have basic functionality like working roofs, foundations, walls, heating, AC, electrical and plumbing systems.

Improvements based upon the owner's personal taste are likely to have a low dollar for dollar contribution.

# How We Find Comps

## Step 1

- Look at all sales in the market neighborhood that have sold in the past 12 months.

## Step 2

- Find sales that bracket the Major Defining Features of the subject property.

## Step 3

- Select sales that are below and above the subject property.

## Step 4

- If there aren't enough sales, we expand the distance before time criteria.

# Changes During COVID- 19

FNMA is allowing some inspections to be EXTERIOR only. Check with your lender to see if they allow this. All our appraisers;

- Wear Facemasks
  - Wear Gloves
  - Sanitize Their Equipment Between Inspections
  - Stay Home if They Are Sick
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# How To Order An Appraisal

[www.AppraisalDen.com](http://www.AppraisalDen.com)

*Click Here for  
the Realtor  
Portal*



The screenshot shows the Appraisal Den website homepage. The header features a dark wood background with the Appraisal Den logo (a dog silhouette) and the text "APPRAISAL DEN". Navigation links include Home, Appraisal Services, Locations & Coverage Areas, Order Now, Work For Us, Contact Us, and About Us. A shopping cart icon shows "Cart 0" and a "Log In" button is present. The main content area has three circular buttons: "FOR REALTORS", "FOR ATTORNEYS", and "FOR HOMEOWNERS". Below each button is a text label and a "Enter [Role] Portal" button. A red arrow from the text on the left points to the "FOR REALTORS" button.

Home Appraisal Services Locations & Coverage Areas Order Now Work For Us Contact Us About Us

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Services for Realtors

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ATTORNEYS

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— FOR —  
HOMEOWNERS

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# Important Products for Realtors



**Did you get a bad appraisal?**  
We can do a review as part of your rebuttal to a lender.



**Difficult to price?**  
We can give you a fair market value to take to the owner for listing.



**Unsure of GLA?**  
We can do a property measurement report to give you accurate listing information. It could add **\$1,000's** to the sale price!

# Perks To Working With Appraisal Den

- Build strong relationships with local appraisal professionals.
- Online ordering and status updates.
- Easy online quotes based upon unique features of the property (acreage, price range, location, etc.)
- Fast service - usually within 5 business days or less.



# Thanks For Your Time

We look forward to working with you in the future!

## Important Reference Links

FNMA Handbook - <https://www.hud.gov/sites/dfiles/OCHCO/documents/4000.1hsgh.pdf>

FNMA Selling Guide - <https://singlefamily.fanniemae.com/media/22431/display>

Order An Appraisal - <https://www.appraisalden.com/>