

There are occasions when you receive your appraisal back and it does not meet your expectations. What do you do next?

First: Review and Research:

- Remember that an appraisal is based upon data. So verify the key facts in the appraisal:
 - ✓ Is the square footage of the subject property correct? Remember only legal and continuous space can be counted in the gla (gross living area)
 - ✓ Is the lot size correct?
 - ✓ Did the appraiser note the level of improvements? Remember this is a macro-approach, the appraiser does not do a line by line cost assessment of improvements.
 - ✓ Have values been declining recently? It is typical for home values to fluctuate along with market trends.
- Appraisers must use the **most recent and most similar sales** in analyzing the value of the subject property. So look to recent sales in your neighborhood:
 - ✓ Was there a more similar sale not utilized?
 - ✓ Was there a more recent sale not utilized?
 - ✓ Was there a sale closer in proximity that should have been considered?Remember – appraisers cannot overlook sales in the immediate neighborhood that have like-features in lieu of properties that are farther away and are more dissimilar. An appraiser that did this would then not be acceptable to the lender.
- How do you decide what is a similar sale? Appraisers use lender **guidelines** in determining comparables. They first try to stay within these guidelines and can only exceed them when such sales do not exist:
 - ✓ Homes of similar real AND effective age.
 - ✓ Home of similar size AND relatively similar bedroom/bath count.
 - ✓ Home of similar lot UTILITY (different than total lot size).
 - ✓ Home of similar condition AND quality.While appraisers make adjustments for minor differences, a significant adjustment would mean the properties were not that similar – therefore they can't overlook a property of similar condition to one that would require a large condition adjustment to make it. If you are going to offer alternative sales for the appraiser to look at, try to follow these guidelines as well.
- Look at the **adjustments** made for the comparables used in the report. Important features include:
 - ✓ Location – including external influences, school districts, etc
 - ✓ Condition
 - ✓ Views
 - ✓ SizeDo the adjustments seem reflective of these critical elements? Did the appraiser explain how the adjustments were arrived at?

Second: Write your Appeal

You cannot request or imply a target number that you are hoping for but you can ask questions regarding your findings from your research. A couple of other tips:

- ✓ Ask good questions.
- ✓ Present facts without emotion.
- ✓ Be consistent. If the concern is a distant comparable that is a mile away, don't suggest another comparable a mile away. This can hurt the appeals credibility.
- ✓ Consider your tone and language choices – you have an audience – the appraiser. And you want to invite him or her to enter in a respectful written “dialogue” about your property. Remember the appraiser was not out to disappoint, and confronted with strong facts that are aligned with the above, results in a careful and thoughtful response back. If you state that the appraiser is wrong or you are quick to point out what you feel are “errors,” you might be working against yourself and your cause. Instead, ask the appraiser to “consider” or “please explain the difference.”

Third: Read the results with an open mind AND if you still have questions, let your account executive at Axis know

Our goal is to provide clear explanations and to answer questions. One of our staff appraisers is available to answer any outstanding questions you may have.

Remember too, that your client is counting on your leadership. You manage their expectations now about the loan process; help them to understand (and believe) in the appraisal process. If the ultimate answer isn't the one they'd like, then help them to understand why it's the right one. If you need help doing that, we're available. It's part of the AXIS Advantage.