

## Getting Ready for Your Appraisal

**Dear Homeowner,**

On behalf of your loan originator, lender, and appraiser, we would like to thank you for choosing to work with all of us in financing your home or prospective home. We would also like to provide you a few tips for preparing for the appraisal phase of the lending process. Today there are three phases to the appraisal process:

1. The lender or its agent (Axis in this case) selects an appraiser to determine information about the property. Please note that the appraiser is bound by independence rules and standards found in USPAP. The fee for the appraisal is for the appraiser's independent assessment and cannot be reimbursed if you disagree with the assessment – although there is an appeals process, should you have questions.
2. The appraiser sets an appointment with the contact and inspects the property. The appraiser must inspect every room and take photos and measurements of the home and any out buildings. If the appraiser uncovers any health and safety issues, or finds the condition of the property to meet a C5, C6 or Q6 rating (see reverse), the lender will likely require repairs before lending on the property. Therefore, before the appraiser comes to your home, you may want to review common repair requirements (see our Tips sheet) and the attached ratings to make repairs prior to inspection. This will save you time and money!
3. The appraiser takes the data gathered at the inspection and begins to research the recent and similar sales in your home's neighborhood, and develops analysis to determine how to adjust for differences between properties. The appraiser then develops a report to explain the property to the lender and develop an opinion of value. The appraiser must use acceptable lending guidelines in developing the value. Essentially this means homes should be recent sales from the same neighborhood and be of similar size, quality, effective age, condition, and lot utility. When the appraiser has to expand basic guidelines, it is only because there have not been sales that first meet these requirements.

### Getting ready for the inspection

In preparing for the inspection, an appraiser will look past your personal items to examine the home itself. If the appraiser notes health or safety repair items, the lender will often require you to fix those items, and pay the appraiser to come back and verify the repair. If in reading the C5, C6 or Q6 ratings, make sure to disclose this to your loan originator right away. Most lenders will require work to be done so that the home meets a minimum C4 and Q5 rating.

At the inspection, make sure to tell the appraiser the features of the home that made you want to live there – those are critical market factors! Was it the school district, the larger lot size, an open floor plan? Share information with your appraiser! Lastly, give the appraiser a list of recent improvements – this is especially true for items that are not readily seen to the human eye – a new heating system, for example. Also, for kitchens/baths, the appraiser must describe them in terms of the below improvement definitions and state the number of years since the improvement – so make sure to let the appraiser know about any improvements you have made. Share permits if available also.

### Definitions for Improvements

**Not Updated** - Little or no updating or modernization. This description includes, but is not limited to, new homes. Residential properties of 15 years of age or less often reflect an original condition with no updating, if no major components have been replaced or updated. Those over 15 years of age are also considered not updated if the appliances, fixtures, & finishes are predominantly dated. An area that is 'Not Updated' may still be well maintained & fully functional, & this rating does not necessarily imply deferred maintenance or physical/ functional deterioration.

**Updated** - The area of the home has been modified to meet current market expectations. These modifications are limited in terms of both scope & cost. An updated area of the home should have an improved look & feel, or functional utility. Changes that constitute updates include refurbishment &/or replacing components to meet existing market expectations. Updates do not include significant alterations to the existing structure.

**Remodeled** - Significant finish and/or structural changes have been made that increase utility & appeal through complete replacement &/or expansion. A remodeled area reflects fundamental changes that include multiple alterations. These alterations may include some or all of the following: replacement of a major component (cabinet(s), bathtub, or tile), relocation of plumbing/gas fixtures/appliances, significant structural alterations (relocating walls, &/or the addition of) square footage). This would include a complete gutting & rebuild.

## Requirements - Condition & Quality Ratings Usage

Appraisers must utilize the following standardized conditions & quality ratings within the appraisal report.

### Condition Ratings & Definitions

#### C1

The improvements have been very recently constructed & have not previously been occupied. The entire structure & all components are new & the dwelling features no physical depreciation. *Note: Newly constructed improvements that feature recycled materials and/or components can be considered new dwellings provided that the dwelling is placed on a 100% new foundation & recycled materials & the recycled components have been rehabilitated/re-manufactured into like-new condition. Recently constructed improvements that have not been previously occupied are not considered "new" if they have significant physical depreciation (i.e., newly constructed dwellings that have been vacant for an extended period of time without adequate maintenance or upkeep).*

#### C2

The improvements feature no deferred maintenance, little or no physical depreciation, & require no repairs. Virtually all building components are new or have been recently repaired, refinished, or rehabilitated. All outdated components & finished have been updated and/or replaced with components that meet current standards. Dwellings in this category either are almost new or have been recently completely renovated & are similar in condition to new construction.

#### C3

The improvements are well maintained & feature limited physical depreciation due to normal wear & tear. Some components, but not every major building component, may be updated or recently rehabilitated. The structure has been well maintained.

#### C4

The improvements feature some minor deferred maintenance & physical deterioration due to normal wear & tear. The dwelling has been adequately maintained & requires only minimal repairs to building components/mechanical systems & cosmetic repairs. All major building components have been adequately maintained & are functionally adequate.

#### C5

The improvements feature obvious deferred maintenance & are in need of some significant repairs. Some building components need repairs, rehabilitation, or updating. The functional utility & overall livability is somewhat diminished due to condition, but the dwelling remains useable & functional as a residence.

#### C6

The improvements have substantial damage or deferred maintenance with deficiencies or defects that are severe enough to affect the safety, soundness, or structural integrity of the improvements. The improvements are in need of substantial repairs & rehabilitation, including many or most major components.

### Quality Ratings & Definitions

#### Q1

Dwellings with this quality rating are usually unique structures that are individually designed by an architect for a specified use. Such residences typically are constructed from detailed architectural plans & specifications & feature an exceptionally high level of workmanship & exceptionally high-grade materials throughout the interior & exterior of the structure. The design features exceptionally high-quality exterior refinements & ornamentation, & exceptionally high-quality interior refinements. The workmanship, materials, & finishes throughout the dwelling are exceptionally high quality.

#### Q2

Dwellings with this quality rating are often custom designed for construction on an individual property owner's site. However, dwellings in this quality grade are also found in high-quality tract developments featuring residences constructed from individual plans or from highly modified or upgraded plans. The design features detailed high-quality exterior ornamentation, high-quality interior refinements, & detail. The workmanship, materials, & finishes throughout the dwelling are of exceptionally high quality.

#### Q3

Dwellings with this quality rating are residences of higher quality built from individual or readily available designer plans in above-standard residential tract developments or on an individual property owner's site. The design includes significant exterior ornamentation & interiors that are well finished. The workmanship exceeds acceptable standards & many materials & finishes throughout the dwelling have been upgraded from "stock" standards.

#### Q4

Dwellings with this quality rating meet or exceed the requirements of applicable building codes. Standard or modified standard building plans are utilized & the design includes adequate fenestration & some exterior ornamentation & interior refinements. Materials, workmanship, finish, & equipment are of stock or builder grade & may feature some upgrades.

#### Q5

Dwellings with this quality rating feature economy of construction & basic functionality as main considerations. Such dwellings feature a plain design using readily available or basic floor plans featuring minimal fenestration & basic finishes with minimal exterior ornamentation & limited interior detail. These dwellings meet minimum building codes & are constructed with inexpensive, stock materials with limited refinements & upgrades.

#### Q6

Dwellings with this quality rating are of basic quality & lower cost; some may not be suitable for year-round occupancy. Such dwellings are often built with simple plans or without plans, often utilizing the lowest quality building materials. Such dwellings are often built or expanded by persons who are professionally unskilled or possess only minimal construction skills. Electrical, plumbing, & other mechanical systems & equipment may be minimal or non-existent. Older dwellings may feature one or more substandard non-conforming additions to the original structure.

Upon completion, your lender will provide you a copy of the appraisal. If you have questions, or believe additional considerations should be examined, your loan originator can contact the lender and Axis to answer your questions.