

What you NEED TO KNOW about Appraisals in the home buying process Information and useful tips for Home Buyers, Lenders, and REALTORS®

The appraisal process is just one of the many important steps that will likely be part of your home buying experience. Here are some things to know and understand about appraisals:

1. Appraisals are ordered by the lending institution handling the mortgage financing.
2. Requests for appraisals are typically placed in a que where a pool of appraisers may accept or reject an appraisal assignment. Reasons for rejecting an appraisal include:
 - a. An appraiser may be unable to meet the requested deadline.
 - b. An appraiser may not be qualified or willing to take an appraisal if they are not familiar with the complexity of the property or the area or where the property is located.
 - c. Some appraisers may not be willing to complete the required work for the offered fee.
3. Appraisers' workloads can be impacted by:
 - a. Low mortgage rates providing current home owners with incentives to refinance existing loans.
 - b. A brisk real estate market.
 - c. A combination of low rates and a busy market compounds the workload on appraisers.
 - d. On the flip side, if market activity is slow or the interest rates rise, and there is less demand on the appraisers, appraisals might be completed in a shorter period of time (one to three weeks).
4. Complex and rural property appraisals will take longer and cost more than standard metro area appraisals.
5. Why aren't more appraisers hired when the demand for appraisals increases? Expanding the pool of appraisers is a process. National requirements state that an apprentice appraiser must be supervised by a licensed appraiser for a period of time and for a certain number of appraisals. Licensed appraisers are apprehensive about taking under their wing apprentice appraisers due to added liability; and, if their workload is already demanding, it is challenging to supervise another's work in addition to their own.
6. Renters might consider delaying notice to their landlord until the appraisal is back and the closing date and time is confirmed. Paying another month of rent may be a safer option than creating an emergency housing situation where you might find yourself without a place to live if there is a delay with the loan or appraisal process.

(See more on Page 2)

7. Follow the lender's advice on rate locks, rate lock times, and closing expectations to alleviate stress and pressure.
8. Hooray! The appraisal is in – can we close today? Let's give it just a little more time. When the lender receives the appraisal a few more things need to happen before closing on your new home (days indicated are estimates):
 - a. 1 day for the lender to process intake of the appraisal
 - b. 2 days for review by the underwriter
 - c. 2 days for document and title preparation
 - d. 3 days required under TRID ("TRID" is an acronym that some people use to refer to the TILA RESPA Integrated Disclosure rule. This rule is also known as the Know Before You Owe mortgage disclosure rule.)
 - e. 2 days for appraisal corrections and underwriting discrepancies or errors, vacations, holiday lag, etc.
9. Work closely with your agent and lender on closing date expectations as soon as you know the appraisal due date. Address the need for all contract extensions sooner rather than later.
10. The key is for all parties to communicate, communicate, communicate so that everyone involved is clear about expectations and to assure a smooth transaction.

Note to REALTORS®: REALTORS® help increase timeliness of appraisals by providing complete, accurate data in the MLS and by responding in a timely manner when appraisers request information.