

Five Easy Tips for Real Estate Agents for 2009 Conforming Appraisals

As of May 1, 2009, all Freddie/Fannie/conforming loan appraisals are required to be administered through a third party company (called an Appraisal Management Company, or AMC), to avoid the direct contact from lender to appraiser. This program, called the Home Valuation Code of Conduct (HVCC) is the result of a December 2007 settlement between a national lender and the New York Attorney General, for threatening appraisers, to push appraisal values higher.

<https://www.efanniemae.com/sf/guides/ssg/relatedsellinginfo/appcode/pdf/hvccfaqs.pdf>

To avoid similar inquiry, most major lenders have agreed to adopt this program. When adopted, they can no longer hire local expert appraisers for a conforming mortgage loan, and must go through an AMC, to avoid the lenders talking with the appraiser. Appraisers can have the purchase agreement, but are not allowed to talk to the lender at all. They can talk to the listing/selling agents.

While this was designed for conforming/Freddie Mac/Fannie Mae loans, those up to \$729,750, in California, many lenders are applying it to all loans, including jumbo, super jumbo, & FHA, though is has not been required.

As real estate agents, you will have out-of-area appraisers calling to schedule your appraisal, and they may not know the area. Following are five tips to implement, to reduce the danger of a low appraisal:

1. Write your loan contingencies and escrows for a longer time period, to allow for the extra steps now required, as the order now has to go to the bank, to the AMC, to the appraiser, and then the report, back to the AMC, back to the bank, and then to the client. Also, add days to anticipate conditions, low appraisals, and value re-considerations.

2. Prepare an appraiser-friendly package of comparables that you feel are important. When you get the call from the appraiser, greet them and find out where they are from, how often they work your area. Don't ask if they need comps, of course they do. Tell them you will email them the most similar sales in the market, with additional notes from you, based on your local expertise. These personal perspectives are invaluable. Things like: "Backs to freeway", "Was tenant occupied, needs updating", or "Bad floor plan, lots of stairs", or Investor purchase, needed \$50,000 in repairs" really help.

Currently, most lenders are requiring:

- 2 closed sales within past 90 days, plus the required 3rd sale within 6 months.
- 2 pendings or actives, that can support value, even with a 5-10% discount.
- Add an older 4th closed sale, that with a 5-10% time discount, still supports the value.

3. With HVCC, appraisers are required to do 4-5 more pages of additional market research, and fill out more forms, yet, with the 40% AMC commissions off the top, they are only getting 60% of previous pay. This means they are working twice as hard, to try to survive.

Typically, they will be pulling up only the most obvious local comparables, those nearby, and missing those few full-value sales you used to develop your pricing. The only way to make sure the appraiser can see the right comps, is to email them to him, and then hand them to him again, at inspection, and review them.

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4. Work closely with the broker that is listing the property. Offer to provide the significant comparables, and to meet the appraiser at the site, to review the important comparables. Tell the listing broker, to forward the appraiser call to you.

5. Pre-qualify the buyers to prepare for the appraisal coming back slightly low, due to the difficult market. Explain to them that the appraisal process is not as accurate in difficult and turbulent times. They, the buyers, and the sellers, and their real estate professionals, most likely have a stronger sense of the market value of the property, especially if the appraiser is from out of the area. If this is the right house for them, and it is the best fit for their family, they should develop a contingency plan. Before the appraisal comes back, plan how you will respond, if it is slightly low. Many folks want to get the house, and the price difference of just a few thousand dollars, spread out over the length of owning the home, is insignificant. They then often plan to "buy it down", or add a bit more to the down payment, and go ahead with the mortgage loan on the balance. In fact, this appraiser, himself, has used this same plan, for the last few homes purchased, as they were a perfect fit for our family. We did not want to miss the opportunity to own the home.

Yes, there are processes for re-evaluating a low appraisal. But that can add weeks to the process. You do not want to wait, you have to take these steps immediately. You have only one shot at this.

Some banks are exempt. Small banks, those under \$250 Million, and credit unions can set up their own in-house system to order appraisals, without using the AMC's. Check with them, individually. It is also possible that an out-of-town local lender can use a local recommended appraiser.

Your favored local appraiser can still help you with VA, FHA, Relocations, trusts, estates, divorces, tax rebuttals, restoring HELOCs, and other valuation needs.

Another option is to use your local appraiser as a consultant, to prepare material to give to that random appraiser. A local appraiser could be hired to review the local sales and listings, to determine a listing price, or to interpret how difficult it might be for the random appraiser to support the sale.

Check out these website connections:

<http://209.85.173.132/search?q=cache:vh8WqFGOCZQJ:https://www.thinkbigworksmall.com/mypage/tbws/7789/661622+hvcc+realtor&cd=1&hl=en&ct=clnk&gl=us>

<https://www.realtor.org/referral.nsf/pages/StoptheHVCCFAQs>

<http://activerain.com/blogsview/1012353/HVCC-effective-May-1st-How-Realtors-can-make-a-difference-right-NOW>

And remember, our office is here to answer any and all questions, at any time.

James Ebert

310.505.5916 / 818.991.9322

james@eas2.com

4607 LAKEVIEW CYN #253 WESTLAKE VILLAGE, CA 91361
310.505.5916 / 818.991.9322 / FAX 818.991.2866
WWW.EAS2.ORG / JAMES@EAS2.COM

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“Your experience in understanding the market, including the specialty market, has been invaluable. Most appraisers do not have the depth of knowledge that you have. I thank you for your diligence.” Broker, JPMorgan /Chase Home Mortgage

“In my opinion, there is no better appraiser to properly ascertain an architectural home’s true market value than James Ebert. I would highly recommend Mr. Ebert for any appraisal, particularly a home with architectural merit. I am happy to speak on his behalf, should you desire.” Respectfully, (President), Architectural Realty Firm

“I want to thank you for your assistance in the appraisal audit. The Internal Revenue Service had challenged the values of their property and, before an appeals officer, because of your expertise and professional representation, I won the case. The Internal Revenue service accepted your valuation, with no changes.” - Certified Public Accountant

“As president of a company providing over \$2 Billion in mortgage loans annually, I know many appraisers, and Mr. Ebert has continued to be on my first call list. For over fifteen years, he has assisted many of my fellow colleagues as well. He continually receives high praise from my clients.” - (President), Los Angeles Mortgage Company

Realtor thanks to us, about a 1946 Historically / Architecturally Significant Home Purchase:

“Well it took 30 days – but the bank approved your appraisal – we had appraisal review, then a desk top appraisal, then appraisal review of the desk top appraisal, then a field appraisal, and then finally an approval – set to close this week – Thanks again” – West Los Angeles Realtor

“James Ebert is an appraiser with a thorough understanding of Southern California residential architecture and the special value placed on this significant architecture by enthusiasts, art collectors and homebuyers with an appreciation for exceptional design.... Those of us who deal in architecture appreciate James’ expertise and his thoughtful and professional assessment of these unique homes.” - Sincerely, (Westside Agent / Senior Partner), Beverly Hills Architectural Realty

“Jim has a unique understanding & appreciation for historically significant homes. He is extremely diligent and detailed. Historic homes have unique value and demand and often command a premium. Unfortunately, there are not more appraisers like Jim that really understand how to evaluate such homes. The real estate world needs more appraisers like Jim that have the experience to truly determine these values.”

Sincerely, (Seller of architectural home, a 1946 Gregory Ain Original)

“I would like to offer my sincere thanks for all your effort on my behalf during my ongoing negotiations with the Los Angeles International Airport concerning the acquisition of my house. The advice you gave me regarding likely negotiation tactics proved to be very accurate, and as a result I was well prepared during my meetings with representatives of the Airport. The thorough and articulate appraisal you prepared for us proved invaluable during the process.” West Los Angeles Homeowner

4607 LAKEVIEW CYN #253 WESTLAKE VILLAGE, CA 91361
310.505.5916 / 818.991.9322 / FAX 818.991.2866
WWW.EAS2.ORG / JAMES@EAS2.COM