

Final

**UNDERSTANDING THE HOME APPRAISAL PROCESS:
WHAT CONSUMERS SHOULD KNOW...AND WHY**

Knowledge of the home appraisal process -- and the differing credentials of those who provide appraisal services -- benefits home buyers and sellers alike. This knowledge is a powerful information tool to help them make wise real estate investment and sales decisions.

The appraisal process and written reporting formats vary, depending upon the nature and purpose of the appraisal. But the appraisal's *fundamental purpose* is this: To establish a well-researched, impartial and carefully documented estimate of property value, thereby protecting the interests of buyers, sellers, mortgage lenders and other involved parties.

Mortgage Financing/Refinancing and the Appraisal

Home buyers seeking financing, and homeowners seeking refinancing, are required by their mortgage lenders to underwrite the cost of an appraisal, which typically ranges from \$200 and \$400. Indeed, the appraisal is the essential component in determining loan limits for the property in question.

Mortgage lenders typically select appraisers from "approved" lists they compile and maintain. Consumers can request a copy of these lists and request that an appraiser be selected with specific credentials or formal professional designations.

Who Owns the Appraisal

Consumers pay for their home/property appraisals. But their lending institution legally owns the appraisal report document. Unless the lender "releases its interest" in the document, it remains the lending institution's property.

Request and Read the Appraisal

Consumers must be given a copy of the appraisal report, upon written request, under the Equal Credit Opportunity Act. It is in their best financial interest to make this request *and to take the time to carefully review the report.*

The written appraisal contains valuable and often-revealing information -- including the legal and physical description of the property, square footage measurements, list of comparable properties in the neighborhood, a neighborhood description, and a narrative of current real-estate activity and/or market trends in the vicinity.

Seeking the Best-Qualified Appraiser: Protect Your Major Investment

To get the most accurate and impartial appraisal by the best-qualified appraisal professional, consumers should distinguish between appraisers who are only state licensed or certified and those who have demonstrated the advanced levels of education and experience required for membership in the Appraisal Institute. Cost considerations are likely to be negligible.

Appraisal Institute-designated professionals must:

- Demonstrate knowledge of the fundamental principles of real property appraising by passing a series of rigorous examinations .
- Have the proven ability to produce concise, well-reasoned valuations and reports that conform to the Appraisal Institute's strict Code of Ethics and Standards of Professional Practice.
- Display technical skills in various appraisal assignments.
- Hold an undergraduate degree from a four-year accredited college or equivalent.
- Fulfill continuing-education requirements to maintain their certification.

This commitment to professionalism makes Appraisal Institute members the preferred choice for real estate appraisal services.

Editors' Note: Consumers and other users of appraisal services can obtain a free copy of the Appraisal Institute's *Directory of Designated Members* by calling (312) 335-4472; sending a written request to the Appraisal Institute, 875 N. Michigan Ave., Chicago, IL 60611; or accessing it electronically at www.appraisalinstitute.org