



Appraisal Tips from AXIS Appraisal Management Solutions

MAKE SURE YOUR HOME IS READY FOR THE APPRAISAL INSPECTION

While appraisers can see past clutter, they must disclose deficiencies which may affect the health and safety of the occupants or the continued marketability of the property. Often times, if the lender believes those deficiencies are health and safety issues, the lender will require you to fix the items, and pay for the appraiser to return to the property to re-inspect. To avoid delays and extra fees, make sure your home meets basic health and safety requirements. Here is a list of common repairs required for FHA financing, although more and more conventional lenders are requiring such repairs as well:

- ✓ If the home was built prior to 1978, chipping, peeling paint must be scraped and painted. This includes interior, exterior, garages, sheds, fences, etc.
- ✓ Any useful components or mechanical systems (appliances, floor covering, etc.) of the home, especially the roof, should have 2 years of useful life remaining. A roof should have no more than 3 layers of shingles.
- ✓ Broken windows and doors should be replaced.
- ✓ Mold or mildew can be a serious health issue and should be removed.
- ✓ The cause of negative drainage must be cured (i.e., improve drainage away from house, gutters, French drains, etc.).
- ✓ Health and safety hazards (i.e. electric garage door opener won't reverse with resistance or burglar bars don't have safety latches). GFIC outlets are not an FHA requirement.
- ✓ Abandoned inoperable wells must be capped and sealed by a licensed well sealing contractor. Any large, unfilled holes must be filled (i.e. swimming pool must have water or dirt in it).
- ✓ Safety handrails should be installed - or repaired if unstable - in open stairwells of three or more stairs.
- ✓ Infestation of any kind should be exterminated (i.e., insects, mice, bats, etc.). Although termite inspections are no longer required on FHA appraisals, inspections are required when there is evidence of decay, pest infestation, or suspicious damage or when it is customary to the area or required by state law.
- ✓ Damaged or inoperable plumbing, electric and heating systems should be repaired.
- ✓ Structural or foundation problems must be repaired.
- ✓ Flammable storage tanks must be removed and filler cap sealed from the inside (i.e., buried oil tank).
- ✓ If there is a crawl space, it will be the homeowner's responsibility to make this area accessible so that it can be thoroughly inspected. Vapor barriers are no longer required in crawl spaces.
- ✓ Water heaters must be appropriately strapped and have a non-adjustable temperature and pressure relief valve.



Other things you should discuss with your broker prior to the appraisal process:

- ✓ Do you have an addition, out building, or finished rooms completed without permit? Lenders will often not consider the market value of the space without evidence of the final permit and some will not lend at all when there is finished unpermitted spaces. Either let your broker know about your unpermitted spaces at the beginning of the process, or consider getting permits retroactively.
- ✓ Is your foundation a concrete perimeter or slab? If your home is on a brick foundation or pier/post, let your broker know – not all lenders work with properties of varying foundations.
- ✓ Is there evidence of settlement? If so, has it been reviewed by an engineer for soundness?
- ✓ Is your home a traditional stick-built home? Modular or mobile homes are not homes that all lenders will loan on.

How does an appraiser determine value for lending purposes?

Appraisers must follow strict lender guidelines when determining which properties should be used in comparison to your home. Lenders prefer that these comparables be:

- ✓ Sales from within the past 90 days
- ✓ No more than 20% difference in square footage and parcel size
- ✓ Within the neighborhood – lenders have defined this as no more than 1 mile in an urban and 5 miles away from your home in a rural market
- ✓ Of similar condition and effective age
- ✓ Of similar finishes

If there are homes that sold 1.5 miles from your home 4 months ago, the appraiser can use them if similar in other significant ways, but not if it means they must overlook more recent and closer sales. If you are uncertain of recent sales in your neighborhood, AXIS posts a list of free databases to check out recent sales, as well as suggestions as to how to effectively use those databases: <http://www.axisofcalifornia.com/HelpDesk>

Helpful things to have available for the appraiser at time of inspection:

- ✓ Recent sales in the neighborhood that maybe were not posted on the local listing service
- ✓ List of recent improvements to the property
- ✓ Permits for recent additions
- ✓ Special agreements – for example if you share a driveway with a neighbor
- ✓ Homeowner's association documents including budget and dues (if applicable)

Your mortgage broker has partnered with AXIS to ensure that your home appraisal is completed by a highly qualified and local appraiser.

For more information about the AXIS Advantage: www.axis-amc.com