

Ask the Appraiser

By Amelia Lovorn Brown

In newsletters to follow for over the next several months I, along with other local appraisers, and some national experts will endeavor to answer some of the most common questions we encounter from you as Realtors concerning your appraisals. As a group, we understand there are many questions about the varying aspects of a residential appraisal and what constitutes a “good” appraisal. So if you have a question you think may be appropriate for this forum, please email me at amelialovorn@hotmail.com

How do appraisers determine what repairs are required and which ones are not?

This is always a hot button so let's take this piece by piece. In the present real estate market with a number of foreclosures on the market, lenders are especially concerned about the state of repair of any property on which they intend to lend money. With that said, many lenders are now requiring the appraisers to take interior photos and photos of any repairs including deferred maintenance such as chipping paint. Appraisers are required to note the condition of the property in factual terms including any item in disrepair. Even if the repairs are not required, the lender still wants to know if they exist because they can then make the decision to require the repairs as the lender. Appraisers are the eyes for the lenders. For instance in an appraisal I might note- three broken windows, rotten wood on the exterior gable, and the non-operation of the air conditioner. I might not require any of these to be repaired but I would still need to note these issues in the appraisal. If there are repairs needed but not required, there will probably be some deduction against the value of the home. We are finding more and more lenders who then require repairs the appraiser did not require themselves.

FHA now closely resembles conventional loans on their repair requirements. This was actually their intention as FHA was attempting to regain the market share they had lost for some years. The requirement of repairs is generally a lender decision now with a few exceptions. The exceptions for most lenders, including FHA, are anything that has to do with the safety, soundness, or structural integrity of a property. For example, a broken window that is cracked probably would not be a safety issue but a jagged broken glass in a door might rise to a safety issue. Rotten wood could have an effect on the soundness of a property. Another example is if the heat is non-operable, this could cause problems in the winter for pipe integrity.

Just remember, appraisers love properties with no repairs just as much as you. Sell, sell, sell!