

## **Appraisal 101: What Realtors® Should Know**

### ***What is an Appraisal?***

The act/process of developing an opinion of value based on;

- Type of Estate
- Type of Value
- Effective Date
- Intended Use
- Intended User

### ***Benefits of A List Price Appraisal***

- Differs from CMA
- Independent opinion of market value
- True GLA
- Property characteristics and adjustments
- Appraiser delivers the news to the homeowner
- Based on facts
- Ready for a lending appraisal
- Point out specific repairs/conditions

### ***Property Tax Assessment Appeals***

- [https://co.monmouth.nj.us/documents/18/InstructionsHandbook\\_M.pdf](https://co.monmouth.nj.us/documents/18/InstructionsHandbook_M.pdf)
- Is the subject over assessed?
- Assessed Value: Market Value Ratio
- [Common Level Range](#)
- 15% +/- average for each district
- October 1, 2018-October 1, 2019
- Gloucester County Filing Deadline January 15
- **Current Deadline Extended for COVID-19 to May 1 OR 30 days after emergency ban is lifted**
- 3-5 Closed Sales
- [Chapter 123](#)
- <https://www.visitmonmouth.com/page.aspx?ID=278>

### ***What Creates Value?***

- Property Rights
- Site
- Improvements

### ***The Site***

- Location
- Zoning
- Excess Land \$\$\$
- Surplus Land
- View

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### ***Legal & Non-Conforming Use***

#### **Lender Requirement**

- Single or Multi Family?
- Accessory Dwelling Unit or Duplex?
- Does the subject conform to the zoning requirements?
- Total Site Size
- Road Frontage
- Length and Width
- Can it be rebuilt if destroyed?

### ***Improvements***

- Gross Living Area
- [Tax Record Verification](#)
- Do Not Rely on Owner
- Call Assessor to Verify
- Substantial Improvement?
- Basement Area and Attic Space
- NOT PART OF GLA
- Garage Features
- Bedroom and Bathroom Count
- Condition- Baths and Kitchen

### **Other Factors**

- In Ground Pool
- Outdoor Living Spaces
- Hardscaping
- Outbuildings
- Fireplaces
- In Law Suites
- Fencing
- Finished Attic (Bedroom)
- Correct Ceiling Height -84" ([ANSI](#))

### **Comparable Sale Selection**

- Underwriter Requirements
- Proximity- Location, Location, Location
- Time Frame
- Bracketing
- Contract Price
- Age
- GLA
- Room Count
- Total Net Adjustment +/-
- Property Rights

### **Green Properties**

- Lack of MLS Data Fields
- Lack of Agent Knowledge

### **Leased and PPA - NO VALUE as per FNMA Selling Guide**

*"Solar panels that are leased from or owned by a third party under a power purchase agreement or other similar arrangement are to be considered personal property items and are not included in the appraised value of the property" (FNMA Selling Guide)*

### **Energy Efficient Items**

*"Appraisers must compare energy-efficient features of the subject property to those of comparable properties in the Sales Comparison Approach adjustment grid. If the appraiser's analysis determines that an adjustment is warranted based on the market reaction to such item(s), the adjustment must be included in the adjustment grid" ([FNMA Selling Guide](#))*

**Solar Leases are to be considered in the loan to debt ratio- can make or break a deal**

### ***Solar Ownership***

- Leased or PPA?
- UCC Filing
- LA must do due diligence
- BA must be sure buyer can qualify
- Owned- Must prove value
- Solar RECs?
- Can derive an income
- Paired Sales
- Energy Efficient/ Solar PV Features
- Increasing Popularity
- California-2020 Mandated for New Construction

### **FHA/USDA**

- FHA Insures the Loan
- Safety- Protect the health and safety of the occupants
- Security-Protect the security of the property
- Soundness- Structural integrity
- (Saleability- will it sell within a typical marketing period)
- [FHA 4000.1 Handbook](#)
- 800-CALL-FHA
- [WWW.HUD.GOV](http://WWW.HUD.GOV)

### ***Common FHA Issues***

- Location
  - Gas Stations, Oil Storage Tanks
  - High Tension Power Lines
  - Pump Stations
  - Busy Roads
- Zoning
- Defective Paint
- Deterioration
  - Foundation
  - Wood Trim
- Electrical Systems
- Septic/Well System
- Wet Basement
- More than 1 parcel of land
- Flood Issues
- Wetlands
- Loose Missing Handrails

### ***Enhanced MLS Photos***

- Marketing purposes
- Entice Buyers
- May be deceiving
- May not show true property conditions
  - Kitchens
  - Baths
  - Locational challenges
  - General dwelling layout
  - Enhanced MLS comments

### ***Agent Verification***

- **All sales must be verified by agent(s)**
- Transaction Details
- Sales Concessions
- Known Repair Issues
- Motivation-Arm's Length, estate, divorce, etc
- Any deals that fell apart and why
- Condition
- Timely Response

### ***How to Help***

#### **Homeowner Prep for Appraisal Inspection**

- Have all utilities turned on
- Remove excessive clutter
- Remove pets
- Have all rooms accessible
- Open Attics, crawl spaces, sheds, garages

#### **Realtor Prep for Appraisal Inspection**

- Be accessible to appraiser
- Verify all listing details and offers
- Provide timely appointment response
- Provide appraiser with market specific data & comps
- Provide appraiser with your CMA or buyers comps
- Verify tax record and zoning information
- Ask an Appraiser
- Get an Appraisal
- **DO NOT DISCUSS VALUE WITH APPRAISER**
- **DO NOT TRY TO INFLUENCE THE APPRAISER**

**Appraisal Value below Contract Price**

- DO NOT CONTACT THE APPRAISER
- Verify Subject Property Details
- Go through Lender
- Provide Comps and Explanation- Verify
- Discuss Renegotiating the Sale Price/Terms
- FHA 3 Month Duration