

*The six steps to the appraisal process!*

1. *A Definition of the Problem.....*
2. *Preliminary Survey & Appraisal Plan.....*
3. *Data Collection & Analysis.....*
4. *Application of the Three Approaches to Value.....*
5. *Reconciliation of Value Indicators.....*
6. *Final Opinion of Defined Value.....*

THREE APPROACHES TO VALUE

**1. Sales Comparison or Market approach:**

Estimate value by comparing market data, including prices paid for similar properties, prices asked by owners, & offers made by prospective purchasers. Adjustments are made between comparable properties and the subject property in location, gross living areas, lot size, condition/effective age, market condition, degree of remodeling, construction quality, & significant amenities.

**2. Cost Approach:** An estimate of land value with an estimate of depreciated reproduction or replacement cost of improvements.

**3. Income Approach:** Value is created by the earning potential of possession, operation, or resale of property.

**The APPRAISAL!**

- ✚ Is not a home inspection.
- ✚ It is an account of a home’s square footage & number of rooms.
- ✚ It is an account of visible problems & the general condition of the property as well as the rest of the neighborhood.
- ✚ It is an opinion of a property’s value in the market place as of a specific point in time.

THE FINANCIAL INSTITUTIONS REFORM, RECOVERY & ENFORCEMENT ACT OF 1989, TITLE XI (FIRREA)

The Appraisal Subcommittee was created to oversee activities of the States & Appraisal Foundation that sets the rules for developing an appraisal and reporting the results. It contains the recognized standards of practice for real estate, personal property, and business appraisers. It requires that real estate appraisals be used with federally related transactions.

This brochure is not inclusive of technical information further describing the appraisal process. It is designed for consumer educational purposes only.

The Division of Real Estate & Professional Licensing  
77 S. High Street, 20<sup>th</sup> Floor  
Columbus, Ohio 43215-6133  
(614) 466-4100  
TTY/TDD: 1-800-750-0750

*An Equal Opportunity Employer and Service Provider*

**CONSUMER  
FACTS &  
CHECKLIST  
OF THE  
APPRAISAL**

**PREPARE NOW**



[www.com.state.oh.us](http://www.com.state.oh.us)

# ALL ABOUT APPRAISALS

## What is an Appraisal?

An appraisal is an objective, impartial opinion of property value, done by a qualified appraiser who compares like properties within a close distance to the subject property. It protects real estate buyers from overpaying for property and lenders from over lending.

**1. Why is an appraisal important?** *It is the smallest part of the lending process but the KEY COMPONENT.* It influences the decisions of people who own, manage, sell, purchase, invest in, and lend money on the security of real estate in your neighborhood.

**2. When do you need one?** For an accurate opinion of Real Estate Value; Sale or Purchase of a Home; Mortgage; Estate Planning/Divorce or Property Settlement; Tax Assessment etc.

**3. What does an appraisal cost?** The cost varies depending on the type of appraisal ordered.

**4. How long does the appraisal inspection take?** Depending on the size and complexity of the property, the appraiser may spend from twenty-five minutes to several hours.

**5. What is PMI and how can I get rid of it?** Private Mortgage Insurance is required for a down payment that is less than 20% of your loan amount. When equity becomes 22% of your appraised value, PMI is eliminated, unless you signed your loan prior to July 29, 1999. You need an appraisal for this.

## DID YOU RECEIVE A COPY OF THE APPRAISAL? YES NO

Some lenders are routine providers and others may require a written request from the borrower. The lender shall promptly furnish copies of the appraisal within a reasonable period of time. There may be a fee if consumer has not already paid for this.

## DID YOU RECEIVE ALL PAGES OF THE APPRAISAL? YES NO

*An appraisal report generally contains more pages than just the form, including additional comments, photographs, sketches, & maps. Request all pages.*

## THERE ARE THREE PARTS TO THE APPRAISAL REPORT.

1. Basic Information About the Property
2. Value Conclusions
3. Comments About the Report

*Appraisers form an opinion of value of a property by gathering, analyzing, and applying information pertinent to a property.*

## THERE ARE SEVERAL TYPES OF APPRAISAL FORMS!

**The Standard Fannie Mae 1004;** this is the most extensive, single- family form, & most widely requested for all FHA loans by lenders. This is the most costly & most complete form.

**The Fannie Mae 2055 and 2065** are similar and used more in Limited appraisals. They often require no physical inspection of the property, less written reporting but do require the same type of data to be analyzed and reconciled so the processing time is shorter and less costly. Additional uses for these other than lending are in divorce settlements, establishing how much to pay for a home and PMI removal, sellers pricing their home for sale, an estate tax situation or tax assessment grievance

## THE LENDER'S REPORT

**Keep in mind, the lender is typically The Client of the appraiser and the intended user of the report. You, the borrower, are entitled to a copy, assuming you pay for it.** The lender's report needs many requirements such as a census tract and some information for tracking lending patterns. Additionally, details in a report are sometimes required to indicate necessary repairs before the property meets the underwriting requirements. To most consumers all of this information is quite useless when they just want to know the property's value.