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# Navigating the Appraisal Process (NAP) Guide



## Your Guide for Understanding Appraisals and How to Take Action against Low Valuations





## Workshop Opportunities

We partner with realtors and appraisers to deliver this presentation virtually and in person to a variety of groups from consumers to housing counselors.

If you would like to partner with us to deliver this presentation to your clients, please contact NHS housing policy associate Falon Young, [fyoung@nhschicago.org](mailto:fyoung@nhschicago.org)



# About NHS - What We Do



Education & Counseling



Neighborhood Revitalization

**NHS**



Affordable Lending



Housing Development

# NHS - Our Impact



# Definitions



**Appraiser:** An appraiser is a person licensed by the state after completing licensing coursework and internship hours

**AMC:** Appraisal Management Company is an entity through which mortgage lenders order residential real estate valuation services

**Comparables:** Also known as “comps”, is a real estate appraisal term referring to properties with characteristics that are similar to a subject property whose value is being sought.

**Multiple listing services:** database that can only be accessed by real estate professionals to find comparable properties.

**Reconsideration of value:** also known as a ROV, is the process in which you file an appraisal value dispute which can lead to getting a 2nd opinion on your home. The Reconsideration of Value comes into play when an appraiser's opinion of value is not agreed upon by the parties involved in the transaction

**Comparative market analysis:** a tool that real estate agents use to estimate the value of a specific property by evaluating similar ones that have recently sold in the area. This is different from an appraisal that can only be completed by an appraiser



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# Overview

- What is an appraisal
- The appraisal process
- Recognizing appraisal bias
- How to best prepare for an appraisal
- How to take action against a low valuation

# What is an Appraisal?

An appraisal determines the value of a home and is performed by a licensed appraiser.

Appraisals are critical to ensure homebuyers:

1. Pay a fair, reasonable price for their home
2. Receive the full value their home is worth
3. Can access all the equity in their home

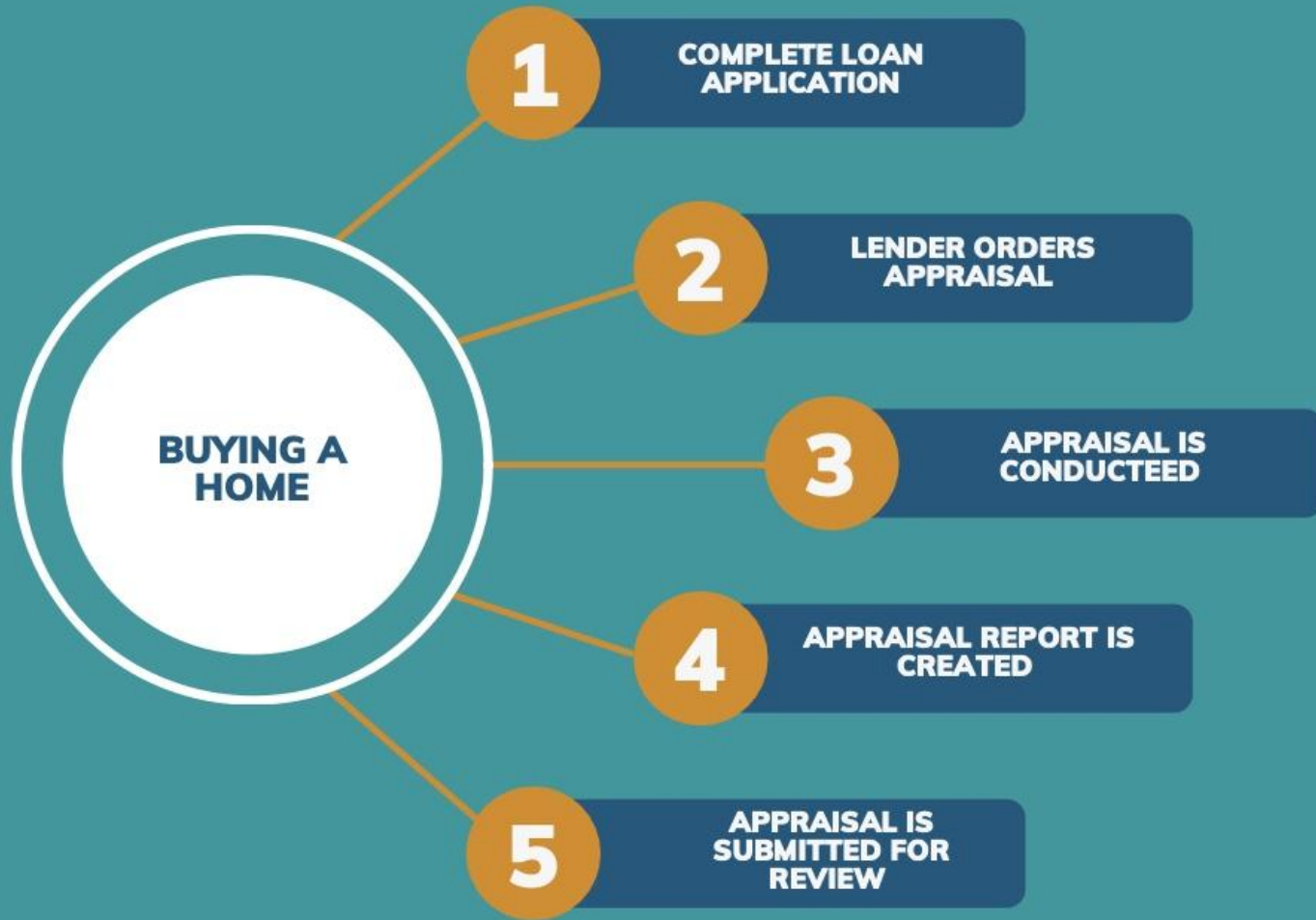


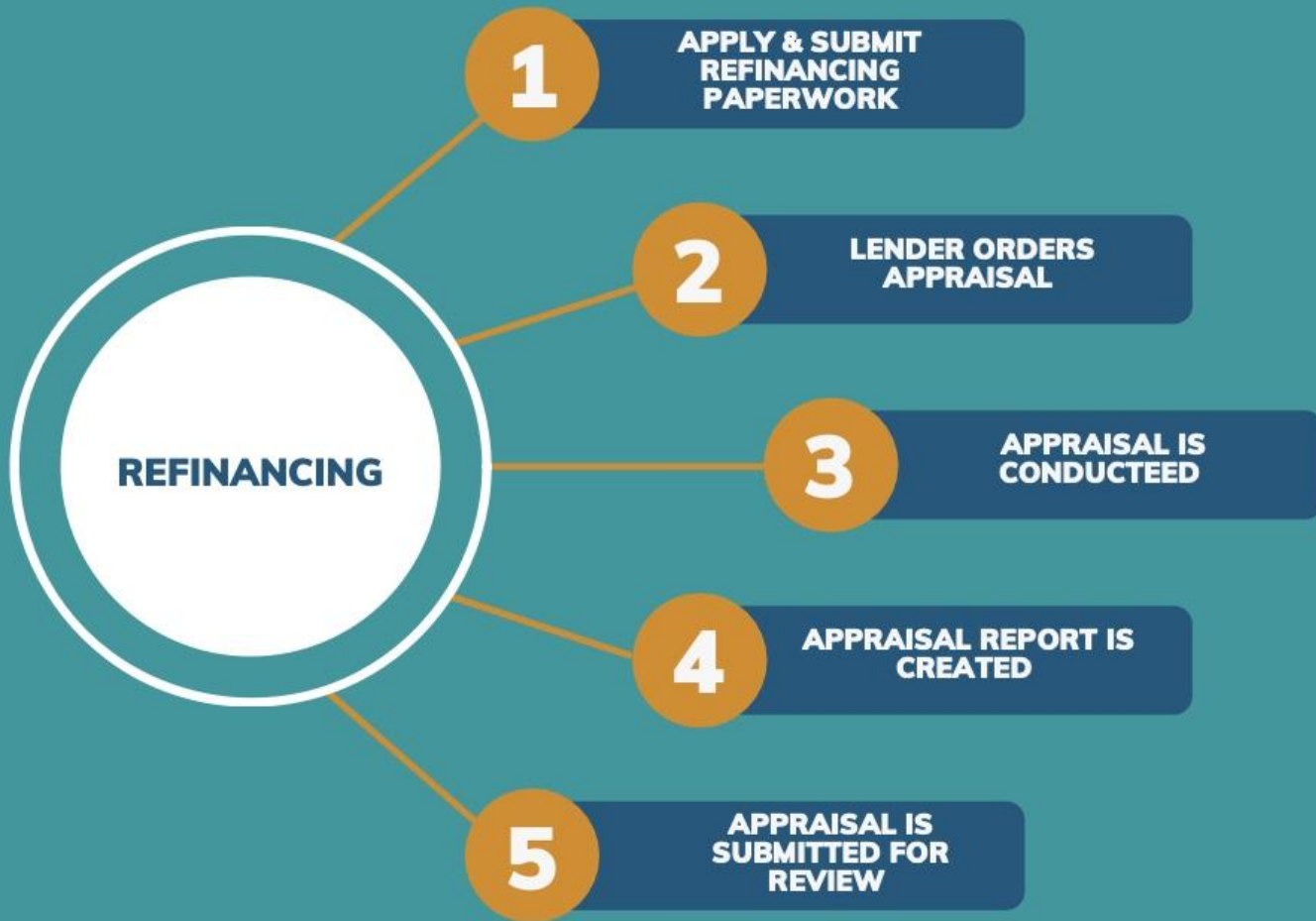


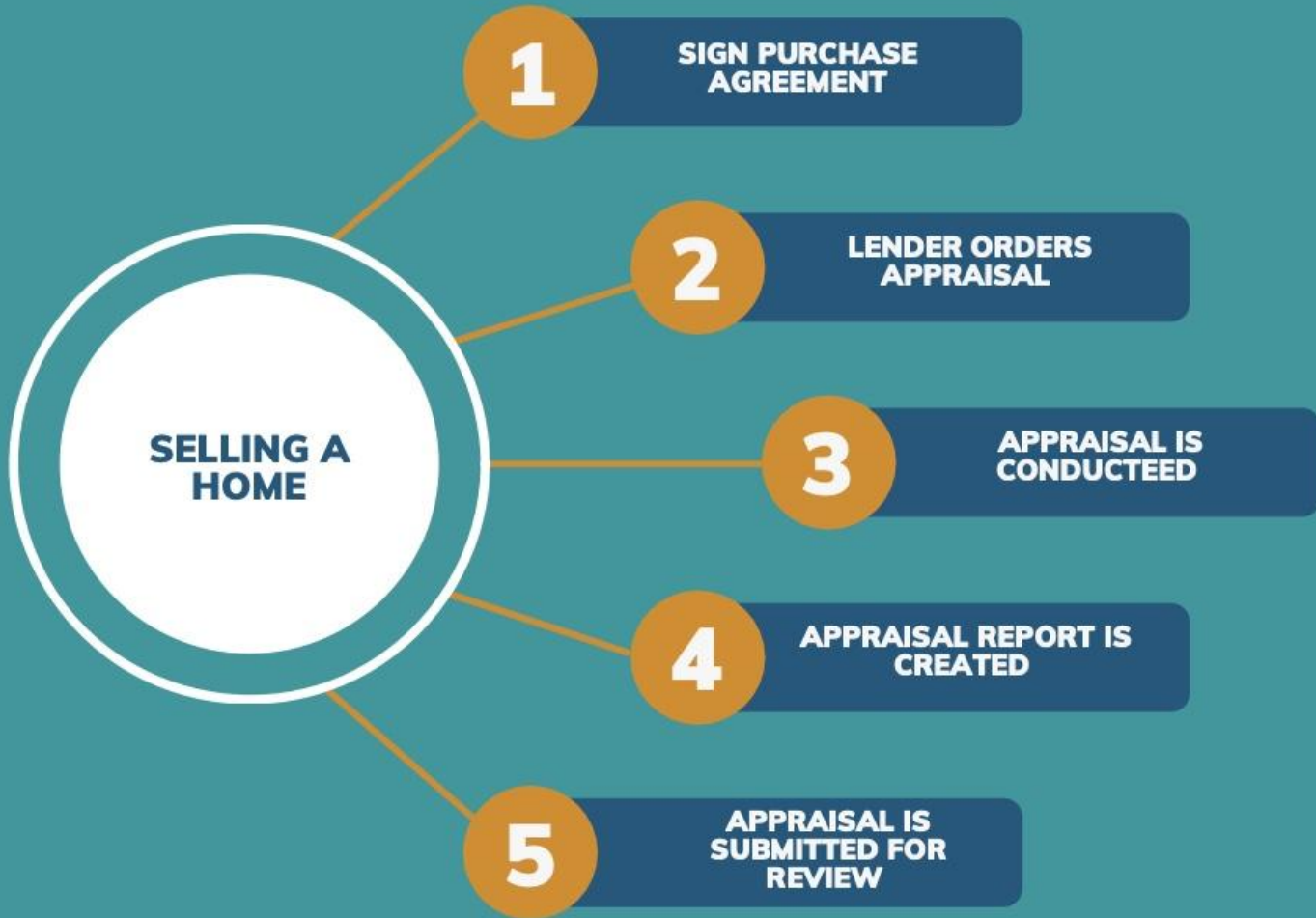
# Appraisal Process

Next, we will walk through the appraisal process if you are buying, selling, or refinancing your home









# 1. Loan Application

The first step is completing a loan application. Homebuyers, homeowners, or those seeking to build a home typically need financing and will apply for a mortgage loan (i.e., purchase, refinance, construction, home equity) with a lending institution.

The purpose of the appraisal is to ensure homebuyers

- Pay a fair, reasonable price for their home
- Receive the full value their home is worth
- Can access all the equity in their home



## 2. Lender orders appraisal

Your lender orders the appraisal after you put in an offer on the home, have it accepted, and the purchase agreement is signed.

The appraisal request is then submitted to an appraiser or appraisal management company (AMC) who will conduct the appraisal.

**You will be notified when the appraisal is scheduled.**



# Cost of an Appraisal

If you are buying or refinancing a home, you pay for your appraisal. Most single family conventional home appraisals cost \$200-600 while multi family homes can cost up to \$600. Appraisals for an FHA loans are more expensive than appraisals for conventional loans due in part to additional requirements and guidelines



**Tip:** The best time to bring up the cost of an appraiser is when you are ready to choose a mortgage broker

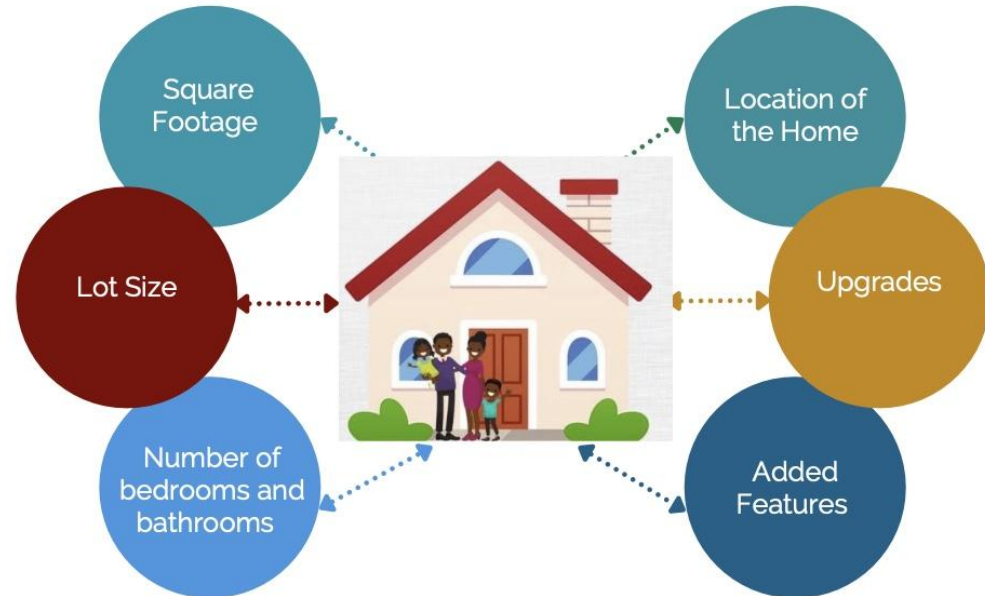


## 3. The Appraiser Comes to the Home

Next, the appraiser comes to your home. The on-site appointment can last anywhere from 15 minutes to several hours.

During the inspection, the appraiser will do a thorough evaluation of the home taking photos of the inside and outside of the home and make observations.

The appraiser will take note of the following:



## Different Types of Appraisals



### Drive-by Appraisal

An appraisal that is conducted without an appraiser entering your home. Rather, a licensed appraiser will examine the home from the outside and make their valuation based on the exterior, This costs less than a full appraisal.

This happens more often with home refinances but occurs frequently due to COVID-19



### Desktop Appraisal

An appraisal that is performed without an appraiser conducting an on-site inspection. All research is done, as the name suggests, at the appraiser's desk. This costs less than full appraisal.

Appraisers will use tax records and multiple listing services to find comparables to make a valuation on your home



Both types of appraisals could be less accurate than a full appraisal which could cost you thousands. **If your property needs an on-site full appraisal, please request one from your lender**

Continue

## Different Types of Appraisals Cont.

Due to COVID-19, an appraisal can also rely solely on exterior inspection and interior photos/videos of the home that **you** provide



**We recommend taking down any items indicating race such as family photos, paintings, etc to mitigate appraisal bias which will be discussed shortly.**

## 4. The Appraiser Creates the Report

The appraiser puts together a report on your home with everything they used to determine the value of your home.

Appraisers can use 3 approaches to get the value of your home:

1. **The sales comparison approach:** Selecting comparable homes to yours and making adjustments to the value of your home. **Note: This is typically the most common approach**
2. **Cost approach :** How much it would cost to build or replace your home depending on the size and local construction costs
3. **Income approach:** Used for income-generating property, in which the appraiser estimates how much the property is expected to make



## How are Comparables Chosen?

In the sales comparison approach, the appraiser will review comparable homes to come up with a value for your home. The report will contain these comparables (usually 3).

Comparables are chosen using the following criteria:

- Have sold recently in your neighborhood (sold in the last 3 months)
- Have the same characteristics of your homes
- In the same neighborhood as your home or one nearby



**Note:** The appraiser will make adjustments, additions or subtractions to the value of your home based on these comps. This is in your report.

Example: If one comp has an extra bedroom and bathroom but is priced the same as your home, the estimated value will decrease by an appropriate amount

## 5. Your Appraisal is Submitted for Review

Finally, the appraisal report is submitted to the lender for review. You will receive a copy of your appraisal.



The Equal Credit Opportunity Act requires that lenders send a copy of the report to the homebuyer or homeowner regardless of the loan decision. The seller does not receive a copy of the report but can request one.

The report will contain:

- Specific properties used as comparables
- Location of the home
- General market data



# Recognizing Appraisal Bias

Many Black and Brown families across the South and West side of Chicago and across the nation have experienced appraisal bias and discrimination resulting in significant devaluation of homes and neighborhoods.

When a home is improperly undervalued, that hurts you, the homeowner, and the surrounding neighborhood

If you have suffered discrimination, please fill out this survey so we can better understand your situation and help you seek relief:

[Appraisal Incident Survey](#)

BLACK VOICES

Home Appraisal  
Discrimination Puts a Dent in  
Black Wealth

[WTTW](#)

## Black Homeowners Face Discrimination in Appraisals

Companies that value homes for sale or refinancing are bound by law not to discriminate. Black homeowners say it happens

anyway

[NYTIMES](#)

## Black And Latino Homeowners Are About Twice As Likely As Whites To Get Low Appraisals

September 23, 2021 · 6:00 AM ET

JOE HERNANDEZ



[NPR NEWS](#)

## Black homeowner had a white friend stand in for third appraisal. Her home value doubled.

Alexandria Burris Indianapolis Star

Published 5:53 a.m. ET May 13, 2021 | Updated 1:17 p.m. ET Nov. 26, 2021

[View Comments](#)



[INDYSTAR](#)



# Preparing for your Appraisal

Next, we will review how to best prepare for your appraisal whether you are buying, selling, or refinancing. This is important in order to get an accurate valuation on your home.



# Steps to Prepare

RESEARCH APPRAISER



CONTACT REALTOR

FIND COMPARABLES



SUBMIT APPRAISAL PACKAGE

EVIDENCE OF HOME IMPROVEMENTS



MAKE RENOVATIONS AND TIDY UP



BE PRESENT

## Research the Appraiser

### Questions for Lender

“What is the name of my appraiser”

“How much field experience does this appraiser have in my neighborhood?”

“What is the physical address of this appraiser's office?”

“What AMC does this appraiser work for?”



If an appraiser's office isn't local, that can be an indicator that they will not know how to assess your home accurately

### Questions for Appraiser

“What is your full contact information? Name, office address, email and telephone”

“How long have you been appraising in my local market?”

“What is the travel distance from your office to my neighborhood of (state census neighborhood name)”

“How familiar are you with the driving forces that affect sales prices in my neighborhood for my property type? What are some of those driving forces?”

## Research the Appraiser



### Tools for Research

- [IDFPR directory](#): Type in first and last name of appraiser to find their credentials, status, years active, or if appraiser has been discipling or has an infraction



## Contact your Realtor

Your realtor can help you put together an “Appraisal Package” which is information on your home that can be shared with an appraiser prior to the appraisal to help them with their valuation.

This package contains the following for your appraiser to consider:

- Property info
- Listing info
- An offer list if you have received multiple offers on your property
- Condition and room count
- Comparable homes and/or comparative market analysis
- Neighborhood market report
- Property upgrades and recent receipts of improvements



## Share Evidence of Your Home Improvements

Create an informational packet to give to your appraiser:

- Improvements over the last 15 years
- Upgrades
- Renovations
- Designations of historical value of your home in writing



**Remember to include receipts of all improvements and proof of permits**

## Tidy Up!

Make sure the home is show ready for the appraisal.

Here are some things to do that can raise the value of your home:

- Declutter
- Remove family photos to minimize bias
- Maintain landscaping/curb appeal
- Make minor repairs and upgrades



## Have a Representative at the Appraisal!



You can request for your realtor, broker, or another representative who is knowledgeable about the home, the process, and the neighborhood to be present





**“What can I do if my appraisal value is lower than expected?”**



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# Contest a Low Valuation

- Appeal the report
- Request a Reconsideration of Value
- Work with your realtor
- Find alternative comparables

## Request a Reconsideration of Value

If you receive a low valuation, there could be inaccuracies in your report and you will want to appeal your report. **This can lead to a Reconsideration of Value or (ROV)** from your lender. You will need to provide evidence to support your case.



### Review Report for Inaccuracies:

- ❑ Types of comparables used
  - ❑ make sure they are homes similar to your home and close or in the same neighborhood
- ❑ Room count
- ❑ Condition of your home
- ❑ Home improvements and upgrades
- ❑ Square footage
- ❑ Grade of materials
- ❑ Condition of amenities

## Contact your Realtor

Contact your realtor to help you make the case.

Your realtor can help you review your appraisal report for inaccuracies. They can also request that the lender request a “Reconsideration of Value” from the appraiser

In the meantime, your realtor can help you make your case by

- Finding comparable sales and listings
- Documenting home improvements and renovations
- Providing a neighborhood market analysis



## Finding Alternative Comparables

To support your claim, you will need to suggest alternative comparables



First, check the comparables used in the report. **This should be done with a realtor.** Make sure your new comparables can compete with those listed in the report. You will need to explain why each comparable used is better.

When choosing the best comparables:

- Similar size and style of your home
- Same age of your home
- Location; preferably within one mile
- Preferably sold within the last 3-6 months

# Collect Evidence

Provide any additional documentation to your lender to make your case:

- ❑ Receipts of home improvements
- ❑ Alternative comparable homes
- ❑ Information on your neighborhood

Explain exactly which parts of the appraisal are being disputed.

## Appeal the Report

What to say to your Lender:



- Explain that you are unsatisfied with the value of your home and would like to appeal your appraisal
- Make sure to list out the specific issues or inaccuracies and provide evidence

Your lender will have you fill out a **request for Reconsideration of Value** which is commonly used to appeal your appraisal report.



Example: [Sample ROV](#)  
by 1st mortgage

\*all lenders have different  
request forms

## Next Steps



Once the homebuyer has submitted the ROV to their lender, the lender will review the ROV and check if it meets their guidelines, and forward it to the appraiser.

Typically the appraiser will always respond, outlining your alternative comps and why they are valid or not.

**The appraiser has 2 options:**

1. Republish the report and send it back to the lender
2. Conduct a 2nd appraisal

A 2nd appraisal occurs if there is new information to be considered that was not available during the first appraisal

## The 2nd Appraisal

A 2nd appraisal will usually cost around the same as the 1st appraisal. The cost of the second appraisal will be assumed by the lender if they find fault in the first



## Next Steps

If the appraiser won't adjust the value and the lender can't help, it's best to consider going to another mortgage lender and re-applying for a loan.

Restarting the loan may delay the closing, but without a good appraisal, you're less likely to close at all





**“I need to file a  
complaint. Who do I go  
to?”**





## Tell Us Your Story

We are collecting the experiences of homeowners and homebuyers who have experienced issues with their appraisal. We help people:

- File an official complaint
- Speak with their lender
- Get a second opinion

## Appraisal Incident Survey



# Appraisal Complaint Agencies

## Problem

## Who to File with

Appraiser not performing job correctly

Illinois Department of Financial and Professional Regulation (IDFPR)

Outright discrimination

Illinois Attorney General

HUD's Office of Fair Housing

Discrimination but no evidence

Illinois Department of Human Rights (IDHR)

I need to be referred

Appraisal Complaint Hotline

I'm not sure

[Appraisal Incident Survey](#)

# Illinois Department of Financial and Professional Regulation (IDFPR)

**Who:** If you feel your appraiser is not performing their job correctly

**What:** IDFPR is the regulatory agency for appraisers and grants licenses, they can help look for a pattern of malpractice with a specific appraiser.

**Where:** You can [submit a complaint here through IDFPR](#)

You can use IDFPR to research [appraisal disciplinary actions](#)



**Note:** IDFPR cannot provide legal advice or act as an attorney, provide a refund, or award damages.

# Illinois Attorney General

**Who:** If you have suffered outright discrimination

**What:** The Consumer Protection Division of the Illinois Attorney General helps people who have been victimized by fraud, deception, or suffer discrimination. They can take action against an AMC or a lender

**Where:** You can [file a consumer complaint](#) through the Illinois Attorney General office online, mail, or in person.



Note: Their attorneys cannot represent you in a lawsuit but can help you resolve the dispute by sending your complaint to the appropriate party.

# HUD's Office of Fair Housing

**Who:** If you have suffered outright discrimination

**What:** The Fair Housing office will investigate your complaint at no cost

**Where:** If you have experienced discrimination, you can file a [fair housing complaint](#) directly to HUD or hire an attorney to file a complaint and represent you



**If you suspect discrimination, you have 1 year from the date of the alleged discrimination to file a fair housing complaint with HUD.**

# Illinois Department of Human Rights (IDHR)

**Who:** If you feel you have a low valuation that had to do with your race or background but you do not have evidence

**What:** The Illinois Department of Human Rights enforces the Illinois Human Rights Act, which prohibits discrimination in real estate

**Where:** [File a complaint with IDHR](#)



Note: If you are not sure whether your concern is covered, call their housing inquiry line: 312-814-6229 or [email](#)

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# Thank You!

If you found this resource guide helpful and would like to learn more, please visit,

<https://nhschicago.org/learn/workshops>

To learn more about NHS, please visit our website,

[nhschicago.org](https://nhschicago.org)