

Illinois REALTORS®

Appraisal FAQs:



From best practices to dealing with discrimination, this guide will serve as a valuable tool REALTORS® can use to advocate for their clients.

Appraisals 101: What every REALTOR® should know about appraisals.

Q: What is the role of the Appraiser?

A: The appraiser provides an independent opinion of value. When an appraisal is used for property loan purposes, federal regulation requires the lender to order an appraisal.

Q: Who is the appraiser's client?

A: Generally, the party that engages the appraisal, not the party that pays the appraisal fee. So, if there is a lender in the transaction, the lender is likely the appraiser's client even though the buyer/borrower pays the fee.

Q: Who orders the appraisal?

A: The mortgage lender orders the appraisal and is the appraiser's client. Some lenders use an appraisal management company as an intermediary to order the appraisal, some order the appraisal directly from the appraiser.

Q: Will the buyer receive a copy of the appraisal?

A: Yes, this is a requirement of the Equal Credit Opportunity Act (ECOA) that the buyer get a free copy.

Q: Does a buyer's financing choice impact the appraisal process?

A: Yes. The appraiser must comply with the Uniform Standards of Appraisal Practice (USPAP) and appraisal regulations but also follow additional requirements from the lender, Freddie Mac, Fannie Mae, FHA, USDA, or VA. Some loans require the property to meet certain minimum property requirements.

Q: How long does the appraisal take?

A: The length of time depends on the complexity of the assignment.

Best Practices: Working with the Appraiser

Q: What is an "Appraiser's Package?"

A: The REALTOR® can prepare this information in advance and have it available for the appraiser at the property. It might include plats, surveys, deeds, covenants, HOA documents, floor plans, specifications, inspection reports, neighborhood details, recent comparable properties, detailed list of upgrades, remodels, costs and dates and any energy efficient or green features.

Q: May I meet with the appraiser?

A: Yes, you can meet the appraiser at the property and answer any questions they might have. Don't get in the way of the appraiser but make yourself available to help provide the full and accurate picture of the property.

Q: May I speak to the appraiser?

A: Yes. Regulations allow real estate agents, or other persons with an interest in the real estate transaction, to communicate with the appraiser and provide property information including the sales contract. The appraiser must not be intimidated or bribed and an appraiser may not disclose confidential information. Note that an appraiser may choose not to speak with the REALTOR®.

Q: Can I inquire about the appraiser's geographic competence?

A: Reach out to the appraiser and ask them (politely), "Are you familiar with the area?" and "Could I provide you with details concerning the subjects location?" Appraisers are required to determine if they are competent to perform the appraisal (type of property, market, geographic area, intended use). If they are not, they must disclose this information and either withdraw from the assignment or document how they will acquire competency.

Q: Should I document these interactions?

A: It is always a good idea to keep a record of conversations, steps and processes relating to the real estate transaction, including those things related to the appraisal.

Appraisal Accuracy: REALTOR® options if there are mistakes or missing information

Q: What is a Reconsideration of Value or ROV?

A: If there is a dispute over the appraisal value by the parties involved in the transaction, an ROV can be requested by the appraiser's client (typically the lender). The REALTOR® can request, in writing, that the lender request an ROV from the appraiser. Once the appraisal is complete, the REALTOR® must communicate through the lender.

Q: What types of situations or considerations would warrant an ROV?

A: First, it is important the request is evidence and fact based. Some examples of considerations include correcting deficiencies or mistakes, providing information that was missed or may not have been considered such as alternative comparable properties. If asking the appraiser to consider new information that was not available during the first appraisal, this would constitute a request for a new appraisal.

Q: If an ROV is pursued by the lender, what types of information might be presented to the appraiser?

A: If the ROV is prompted by mistakes or deficiencies, the correct information can be presented. Comparable properties that were not in the original appraisal report but were available during the original appraisal could also be presented. It is

important to note that the comparable properties should be as similar as possible to the subject property. There might also be a documented reason as to why a particular comp should not be used, i.e. a distressed or rushed sale producing a lower value. This must be supported by unbiased and provable documentation.

Q: What are the consequences of attempting to influence the appraisal process?

A: Influencing the appraisal process is illegal under state and federal law. If the appraiser regards the request for an ROV or the ROV itself as an attempt to influence the appraiser, the appraiser will reject the request and could file a complaint with the lender and related regulatory agencies.

Q: Is the appraiser required to review the purchase contract?

A: Yes. USPAP requires that an appraiser “analyze all agreements of sale, options and listings of the subject property.” Marketing and details about getting the property seen, i.e. placement in a local or regional MLS, should be helpful to the appraiser.

Q: Why do appraisers sometimes take assignments if they live outside of the market area?

A: Appraisers are required to be competent in the geographic area where they are working. Some appraisers work well beyond where they are physically based but are also knowledgeable about other areas too. If you suspect the appraiser is not competent to appraise in your area, you may contact the lender.

Q: May I ask the appraiser’s client to show proof of geographic competence?

A: Appraisal requirements state that an appraiser must determine if they are competent in the market area of the subject property. If they self-determine that they are not competent in the geographic area, they must disclose this in the report and include the steps taken to complete the assignment competently.

Q: May I ask another appraiser to review the appraisal?

A: Yes. If the REALTOR® has a copy of the report, provided by lender or potential buyer, most appraisers should be able to address USPAP Compliance and render an opinion of the quality/completeness/accuracy of the report, including comparable sales selection and final value indication.

Q: Can an appraiser use “pending” or active listings as comparable properties?

A: Yes. The appraiser could use a “pending” or active listing if it is similar to the subject property. This is market information that helps inform a current market price.

**Major Problems:
What a REALTOR® can do in the case of a major problem such as suspected discrimination or negligence.**

Q: What if, post appraisal, the lender or AMC will not respond or accept any of my documented information?

A: Unfortunately, an AMC or Lender is not required to respond. This could be because the lender has reviewed/accepted the appraisal and does not have concerns.

Remember, state and federal law prohibit influencing the appraisal process, so be cautious about how you pursue your requests.

Q: Are there protections from discrimination in the appraisal process?

A: USPAP states an appraiser “must not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.” Additionally, Illinois’ Real Estate Appraiser Licensing Act includes: “Developing valuation conclusions based on the race, color, religion, sex, national origin, ancestry, age, marital status, family status, physical or mental disability, or unfavorable military discharge can result in an appraiser losing their license and fines of up to \$25,000.”

Q: If I have evidence of negligence or discrimination, who should I contact?

A: Report it to the lender in writing. In addition, the Appraisal Subcommittee, which is a United States Federal Government Agency, operates the Appraisal Complaint National Hotline (www.refermyappraisalcomplaint.asc.gov) which can refer the matter to appropriate federal or state authorities to complete an investigation. In Illinois, the Illinois Department of Financial and Professional Regulation (www.idfpr.com) is the regulatory agency for appraisers. Fair Housing violations can be reported to the United States Department of Housing and Urban Development (www.HUD.gov). In Illinois, suspected discrimination can be reported to the Illinois Human Rights Commission (312-814-6269).

Additional Resources:

Illinois REALTORS® Appraisal Page: www.IllinoisRealtors.org/appraisal

National Association of REALTORS®: <https://www.nar.realtor/appraisal-valuation>

Refer My Appraisal Complaint from the Appraisal Subcommittee: <https://refermyappraisalcomplaint.asc.gov/>

Illinois Department of Financial and Professional Regulation: www.idfpr.com

Illinois Human Rights Commission: www2.illinois.gov/sites/ihrc

United States Department of Housing and Urban Development: www.HUD.gov