

National Association of Home Builders

Appraisals Matter

Let's work together to get them right

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Mitchell & Best Homes, a leading homebuilder in the Washington DC – Baltimore metropolitan area. The company has been in business for 36 years and has developed over 60 new communities.



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Major changes have occurred in appraisal standards and practices in the wake of housing and financial market turmoil.

These shifts present major challenges for appraisers and for home builders in financing, selling their homes and managing their businesses.

NAHB and the Appraisal Institute have worked together with other industry stakeholders to address concerns that have arisen during this economic crisis. Most importantly by hosting three Appraisal Forums.

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Appraisal Problems and Issues Encountered by Builders

- What is Market Value?
- Appraiser knowledge of new construction
- Ultra conservative valuations
- Difficulty in getting appropriate comparables
- Use of distressed sales as comps
- Increased difficulty in getting information to appraisers
- Unilateral reductions in appraised value by lenders
- No value for energy efficient improvements
- Same community houses are not always comparable

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What Problems Do Our Appraiser Members Say?

- Use of inexperienced and / or under qualified appraisers
- Excessive reliance on AMC's.
 - Most AMC models cater to the lowest fee appraiser not the highest quality appraiser
 - Communication can be limited due to the third party buffer
- Inadequate time for completion of appraisals and reduced fees
- Lender guidelines requesting unrealistic standards with regards to selection of comparable sales
- Not enough data on new construction

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Builders Guide to Appraisals

Obtaining Accurate Valuations on New Homes

How Can the Appraiser and Builder Work Together

- Communicate, Communicate, Communicate
- Appraisers should be paid customary and reasonable fees and have the time necessary to comfortably complete appraisals.
- Work together to encourage lenders to develop in-house appraisal processes enabling selection of competent and highly qualified appraisers, such as designed members of the Appraisal Institute
- Develop professional relationships between the local appraiser and builder communities to exchange information and grow awareness of local issues.
- Become members of your local Home Builders Association
- Work together to develop a real-time appraisal governing body and a complaint process.

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What Should a Builder Do

- Builders should be proactive in gathering and providing
 - Market and absorption information
 - Sales Information
 - Provide all relevant data.
 - Provide appraiser with specifications of the property.
 - Details or what and why material were chosen.
 - What is the buyers reactions to products selected.
- Understand appraisers challenges so you can efficiently communicate.
- Be willing to engage the appraiser to assist you in your efforts.

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What Should an Appraiser Do

- Meet with the builder to obtain house/project information.
- Have candid discussions on the project and market.
- Have expertise in the area of new construction, site development, and green building if house has more green materials than code.
- Have the best and all relevant information before providing an opinion of market value.
- Ask questions of the builder.
- Understand builders challenges so you can efficiently communicate.

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