

# Builder Guidelines to a Stronger and More Productive Relationship with Appraisers

- What should the builder expect from the appraiser and appraisal process?
  - Appraisers should provide an opinion of market value.
  - Full communication and acceptance of builder's knowledge of the market.
  - Builder must understand the relationship between the appraiser and the appraiser's client. Is the client a local, regional, national bank?
- The appraiser selection criteria are based solely on lender guidelines.
  - Builder should demand lenders utilize qualified, designated appraisers.
  - Your first concern should be the lender and their process of selecting appraisers.
  - Most lenders require one sale from the builder, one from a competing builder, and/or a re-sale from the subject's neighborhood.
  - Lender could require having two to three sales within 90 days in addition to one pending sale and one listing.
- Use of AMCs is not required.
  - Many local/regional bankers are managing the appraisal function in-house.
  - Be proactive and understand lender's process in ordering appraisals and approving appraisers.
  - Appraisers cannot be chosen by someone with a financial interest.
  - No requirement that appraisers must be chosen randomly.
  - The appraiser can be selected by the lender based on the appraiser's experience qualification.
- Communication allowed (Lenders and Builders CAN communicate with appraisers)
  - Information builders should provide.
    - Market and absorption information.
    - Sales Information.
    - Builder's biggest mistake is they hide data. Provide all relevant data.
    - Provide appraiser with specifications of the property.
    - Details or what and why material was chosen.
    - Buyers' reactions to products selected.
- Fannie Mae specific appraisal guidance regarding new homes.
  - Updates to the seller guide on June 30<sup>th</sup> from Fannie Mae provided more specific guidance in the valuation process.
  - New sources of comparable market data and comparable sales.
  - Allowable and desired communication.
  - Use of distressed sales.
  - Appraiser selection criteria.

- What Can / Should a Builder Do?
  - Start by helping the lender with candid discussions on project and market.
  - Request the appropriate appraisers.
    - Experienced in new construction and aware of green building values.
    - Willing to meet the builder to obtain house/project information.
  - Communicate with the appraiser
    - Provide all appropriate comps.
    - Be available for on-site face-to-face meetings.
  - ✓ Develop a check list for builder staff on information to provide the appraiser.
  
- Actions for Builders if the Appraisal was Conducted Improperly or Contains Errors?
  - How should a builder challenge the use of an unqualified appraiser?
    - Best defense is to encourage borrower to select a lender who follows best policies in appraiser selection.
    - Nothing prohibits a lender from ordering a second appraisal if the first appraisal appears flawed.
  
  - How should a builder challenge the use of inappropriate comps?
    - Provide best and all relevant sales/data before appraisal is completed.
    - Keep a record of data provided to appraiser. (email, notes in calendar)
    - Communicate with appraiser first.
    - Understand appraiser's challenges so you can efficiently communicate.
    - Build a relationship with the appraiser and appraisal community.
    - Be willing to engage the appraiser to assist you in your efforts.
  
  - How can the builder respond to unilateral adjustments of value by the lender?
    - Fannie Mae's new guidance states a lender cannot at its own discretion change an appraiser's value.
  
  - How can the builder obtain corrections in factual appraisal errors?
    - Contact the lender with concerns.
    - Notify lender you will contact the appraiser about errors.
    - Appraiser is bound by their ethics to provide accurate information.
  
  - Where should builder direct complaints on incompetent appraisers or inappropriate appraisal practices?
    - Most efficient process is to provide complaints to the lender using incompetent appraisers.
    - Communicate with the appraiser's professional affiliations.
    - All states are required to have an appraisal governing body and a complaint process. Expect the process to be slow.

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