

# 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



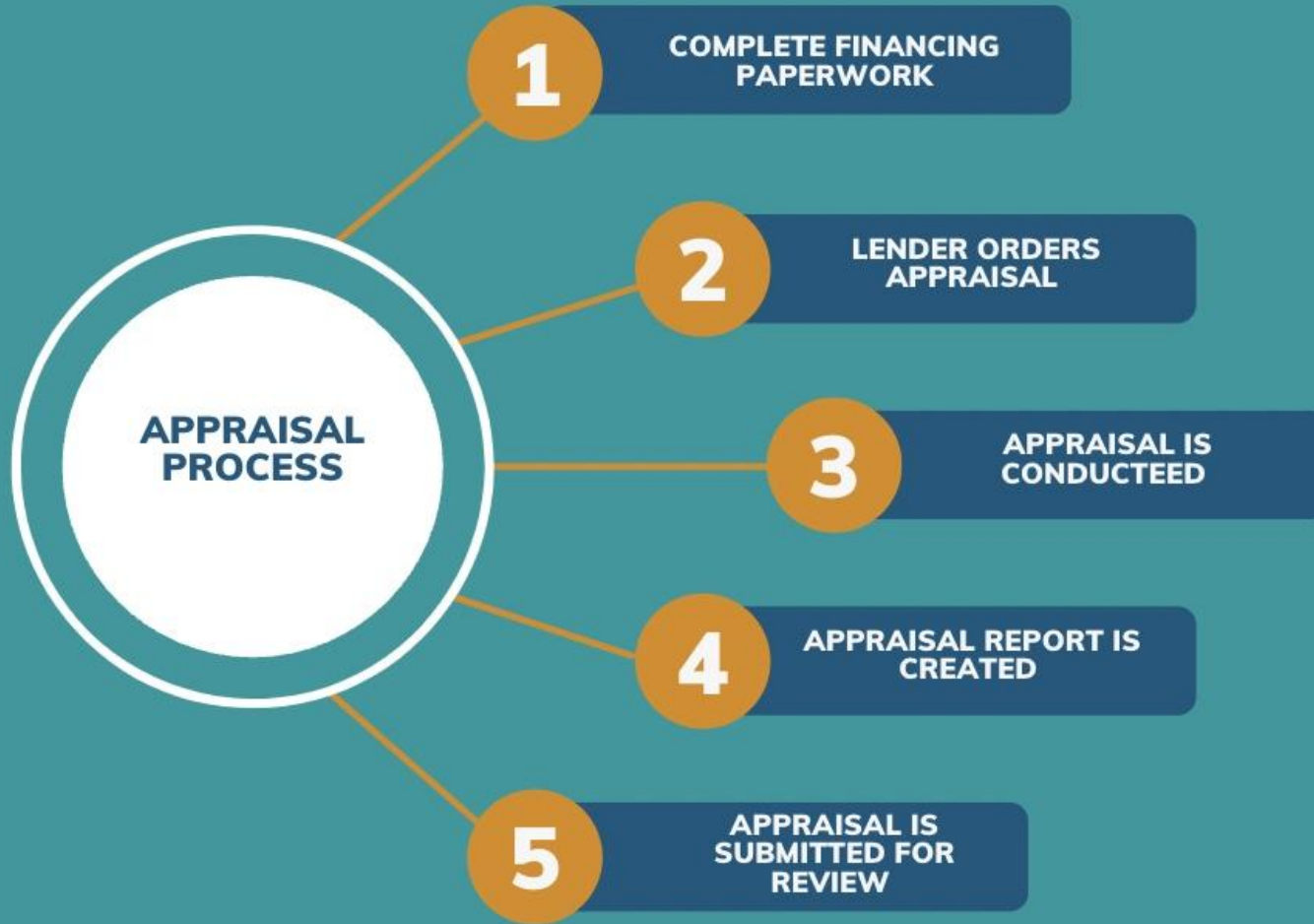


# Appraisal Process

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

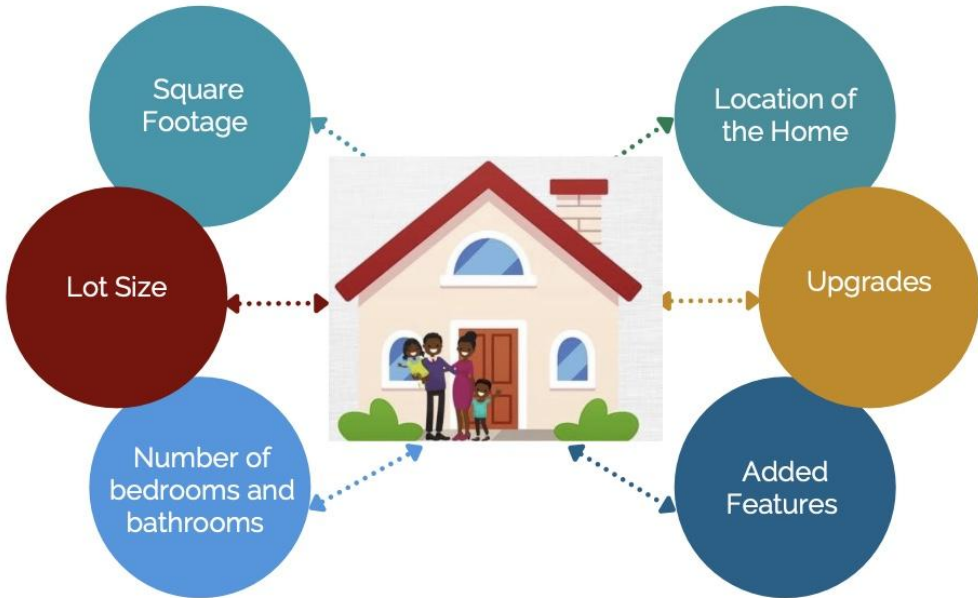


### 3. The Appraiser Comes to the Home

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

There are different ways an appraisal can be conducted. Your lender will inform you what type of appraisal will be performed prior to your appointment



### 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



# Example Appraisal Report

Key Realty & Appraisal (410) 398-1247

File No. SAMPLE-2 Page #3

## Uniform Residential Appraisal Report

241-8895555  
File # SAMPLE-2

SUBJECT

CONTRACT

NEIGHBORHOOD

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.

Property Address	112 Courtney Drive	City	ELKTON	State	MD	Zip Code	21921-6202
Borrower	JOHN E. HOMEOWNER	Owner of Public Record	JOHN E. HOMEOWNER	County	CECIL		
Legal Description	LOT 18 - .346 ACRE 112 COURTNEY DRIVE THOMSON ESTATES						
Assessor's Parcel #	0803027570	Tax Year	2008	R.E. Taxes \$	1,812		
Neighborhood Name	THOMSON ESTATES	Map Reference	312	Census Tract	0305.04		
Occupant	<input checked="" type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant	Special Assessments \$		<input type="checkbox"/> PUD <input type="checkbox"/> HOA \$		<input type="checkbox"/> per year <input type="checkbox"/> per month	
Property Rights Appraised	<input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)						
Assignment Type	<input type="checkbox"/> Purchase Transaction <input checked="" type="checkbox"/> Refinance Transaction <input type="checkbox"/> Other (describe)						
Lender/Client	MORTGAGE LENDER ABC123	Address	12345 HOME LOAN ROAD, HAPPINESS, MD 21921				
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No							
Report data source(s) used, offering price(s), and date(s). <b>MLS AND PUBLIC RECORDS DO NOT REPORT THE SUBJECT PROPERTY BEING OFFERED DURING THE TWELVE MONTHS PRIOR TO THE EFFECTIVE DATE OF THIS APPRAISAL.</b>							
I <input type="checkbox"/> did <input checked="" type="checkbox"/> did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed. <b>N/A, THE SUBJECT PROPERTY IS NOT CURRENTLY UNDER CONTRACT.</b>							
Contract Price \$ <b>N/A</b> Date of Contract <b>N/A</b> Is the property seller the owner of public record? <input type="checkbox"/> Yes <input type="checkbox"/> No Data Source(s) <b>PUBLIC RECORD</b>							
Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, report the total dollar amount and describe the items to be paid. <b>N/A N/A</b>							
<b>Note: Race and the racial composition of the neighborhood are not appraisal factors.</b>							
Neighborhood Characteristics		One-Unit Housing Trends		One-Unit Housing		Present Land Use %	
Location	<input type="checkbox"/> Urban <input checked="" type="checkbox"/> Suburban <input type="checkbox"/> Rural	Property Values	<input type="checkbox"/> Increasing <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Declining	PRICE	AGE	One-Unit	65 %
Built-Up	<input type="checkbox"/> Over 75% <input checked="" type="checkbox"/> 25-75% <input type="checkbox"/> Under 25%	Demand/Supply	<input type="checkbox"/> Shortage <input checked="" type="checkbox"/> In Balance <input type="checkbox"/> Over Supply	\$ (000)	(yrs)	2-4 Unit	
Growth	<input type="checkbox"/> Rapid <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Slow	Marketing Time	<input type="checkbox"/> Under 3 mths <input checked="" type="checkbox"/> 3-6 mths <input type="checkbox"/> Over 6 mths	80	Low	NEW	Multi-Family %
Neighborhood Boundaries		BORDERED BY RED HILL ROAD TO THE NORTH, THE DE/MD STATE LINE		850	High	200	Commercial 5 %
TO THE EAST, E PULASKI HWY TO THE SOUTH AND THE DELAWARE AVE TO THE WEST.				210	Pred.	21	Other 30 %
Neighborhood Description LOCATED WITHIN THE TOWN LIMITS OF ELKTON AND IS CLOSE TO ALL MAIN SERVICES, SCHOOLS, SHOPPING AND MAJOR EMPLOYMENT CENTERS. THE NEIGHBORHOOD IS A MIXTURE OF SINGLE FAMILY DWELLINGS. THERE APPEARS TO BE ADEQUATE ROAD MAINTENANCE, POLICE, AND FIRE PROTECTION IN THE AREA.							
Market Conditions (including support for the above conclusions) <b>MARKETING TIME GIVES SUPPORT TO THE BALANCE OF SUPPLY AND DEMAND. CLOSED SALES INDICATE A MARKETING OF UNDER SIX MONTHS. THE CURRENT NUMBER OF LISTINGS SUPPORT THAT SUPPLY AND DEMAND IS IN BALANCE. FINANCING IS READILY AVAILABLE. TYPICAL POINT PAID BY THE SELLER ARE 1-3.</b>							
Dimensions	15,071 SQ FT	Area	0.35 ACRE(S)	Shape	IRREGULAR	View	RESIDENTIAL
Specific Zoning Classification	R	Zoning Description DEVELOPMENT RESIDENTIAL					
Zoning Compliance	<input checked="" type="checkbox"/> Legal <input type="checkbox"/> Legal Nonconforming (Grandfathered Use) <input type="checkbox"/> No Zoning <input type="checkbox"/> Illegal (describe)						
Is the highest and best use of subject property as improved (or as proposed per plans and specifications) the present use? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, describe							

## Uniform Residential Appraisal Report

241-8895555  
File # SAMPLE-2

SUBJECT

CONTRACT

NEIGHBORHOOD

There are 57 comparable properties currently offered for sale in the subject neighborhood ranging in price from \$ 175,000 to \$ 250,000  
There are 105 comparable sales in the subject neighborhood within the past twelve months ranging in sale price from \$ 175,000 to \$ 250,000

FEATURE	SUBJECT	COMPARABLE SALE # 1	COMPARABLE SALE # 2	COMPARABLE SALE # 3
Address	112 Courtney Drive ELKTON, MD 21921-6202	105 TARTAN DRIVE ELKTON, MD 21921	216 WHITEHALL ROAD ELKTON, MD 21921	124 WHITEHALL ROAD ELKTON, MD 21921
Proximity to Subject		0.36 miles NE	1.50 miles SW	1.06 miles W
Sale Price	\$ N/A	\$ 171,000	\$ 194,500	\$ 180,000
Sale Price/Gross Liv. Area	\$ sq.ft. 171.00 sq.ft.	\$ 172.43 sq.ft.	\$ 147.06 sq.ft.	
Data Source(s)	MLS #CC7001824 DOM 27	MLS #CC68912442 DOM 79	MLS# CC6781527 DOM 222	
Verification Source(s)	PUBLIC RECORDS/VISUAL	PUBLIC RECORDS/VISUAL	PUBLIC RECORDS/VISUAL	
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION +(-) \$ Adjustment	DESCRIPTION +(-) \$ Adjustment	DESCRIPTION +(-) \$ Adjustment
Sales or Financing Concessions	CONVENTIONAL SUBSIDY \$5,130	CONVENTIONAL SUBSIDY\$8,000	CONVENTIONAL NO CONCESSION	
Date of Sale/Time	05/08/2009	02/09/2009	01/30/2009	
Location	AVERAGE	AVERAGE	AVERAGE	
Leasehold/Fee Simple	Fee Simple	FEE SIMPLE	FEE SIMPLE	
Site	0.35 ACRE(S)	0.34 ACRE(S)	0.25 ACRE(S)	0.29 ACRES
View	RESIDENTIAL	RESIDENTIAL	RESIDENTIAL	
Design (Style)	RANCH	RANCH	RANCH	
Quality of Construction	BRICK/VINYL	VINYL SIDING +2,500	VINYL SIDING +2,500	VINYL SIDING +2,500
Actual Age	41 +/- YEARS	29 +/- YEARS	54 +/- YEARS	20 +/- YEARS
Condition	AVERAGE	AVERAGE	AVERAGE	AVERAGE
Above Grade	Total Bdrms. Baths	Total Bdrms. Baths	Total Bdrms. Baths	Total Bdrms. Baths
Room Count	6 3 1.0	6 3 1.0	7 4 1.0	6 3 1.0
Gross Living Area	1,052 sq.ft.	1,000 sq.ft.	1,128 sq.ft.	1,224 sq.ft.
Basement & Finished	FULL, PR	SLAB	+7,500	FULL
Rooms Below Grade	BED, FAMILY	N/A	+5,000	REC RM, OFFICE
Functional Utility	AVERAGE	AVERAGE	AVERAGE	AVERAGE
Heating/Cooling	GFA/CAC	EFA/CAC	EFA/CAC	EFA/CAC
Energy Efficient Items	AVERAGE	AVERAGE	AVERAGE	AVERAGE
Garage/Carport	NONE	NONE	1 CAR ATT	-4,000
Porch/Patio/Deck	NONE	DECK	-3,000	PORCH, DECK
FIREPLACE/WOODSTOVE	NONE	NONE	NONE	DECK
FENCE/POOL/OTHER	REAR FENCE	ABV POOL, FENCE	-2,500	NONE
OTHER	NONE	NONE	NONE	NONE
Net Adjustment (Total)		<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 10,800	<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 5,100	<input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ -2,300
Adjusted Sale Price		Net Adj. 6.3 %	Net Adj. 2.6 %	Net Adj. 1.3 %
Of Comparables		Gross Adj. 12.7 % \$ 181,800	Gross Adj. 14.9 % \$ 199,600	Gross Adj. 6.8 % \$ 177,700
<input checked="" type="checkbox"/> did <input type="checkbox"/> did not research the sale or transfer history of the subject property and comparable sales. If not, explain <b>MLS AND PUBLIC RECORD WERE UTILIZED TO RESEARCH THE TRANSFER HISTORY FOR THE SUBJECT PROPERTY AND COMPARABLES.</b>				

# 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. 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

## Appeal the Report

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



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

## Review Report for Inaccuracies and Bias

- Incorrect square footage
- Incorrect # of bedrooms and baths
- Omitting certain features, improvements, or renovations
- Comparables dissimilar to the subject property
- Language in the report



Using comparables that are dissimilar to your home in terms of quality, distance, etc. is an indicator of appraisal bias



# Examples of Biased Language

- “Black race population above state average
- “Storefronts supplying Jewish households
- “Predominantly Hispanic”
- “More Asian Influence of late”
- “Homogeneous neighborhoods with good schools”

## Contact your Realtor

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



## Find 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.

## 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
- Seek Relief

### 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)