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How the New Code for Appraisals can affect Buyers & Sellers in Rural Horse Property Markets

The new rules for lenders that are designed to make sure appraisals are impartial are actually hurting home values—especially when it comes to rural properties. The main reason is that inexperienced appraisers are now being chosen by appraisal management companies and they are not familiar with the local markets. These inexperienced appraisers also take more time completing the appraisal which causes delays and added expenses to the loan process. These changes began in May of 2009 when Freddie Mac and Fannie Mae adopted a code that was designed to prevent loan officers from hiring appraisers. Considering Freddie Mac and Fannie Mae (combined) account for nearly 90% of new home loan originations, the appraisal business was completely reshaped by this change.

The adopted use of this new code means that brokers, Realtors and loan production staff – basically anyone who makes commission based on the value of the home – cannot hire an appraiser, due to conflict of interest. Now, lenders will typically turn to a third-party appraisal management company. The problem comes in when these big appraisal management companies provide appraisers from outside the market from which the house is located. These appraisers are also often less qualified than independent appraisers who are usually chosen by brokers and Realtors because they are familiar with the local market. In rural markets, the choice of the right appraiser is especially important. Evaluating rural properties takes experience and expertise. The new FDIC and FNMA guidelines have some appraisers nervous about even giving their contact information to the Realtor.

It is more important than ever that the homeowner hire a Realtor who is aware of the potential problem and therefore seeks to control the appraisal process such that they are the one and only point of contact for access to the property. This will allow the Realtor to be present during the appraisal. Even though the Realtor cannot hand pick the appraiser any longer, the Realtor can still insure that the appraiser is savvy to the value which various features of a rural home add to the subject property over other types of comparable sales. If the Realtor feels that the appraiser is not so inclined, at least they can be ready to appeal a value that is too low, or as in the case of some short sales, too high. For more information or help selling or buying rural property in Los Angeles or Ventura Counties, call Nona Green Broker Associate DRE#00692351 at (818) 426-2292 Nona@agourahorseproperty.com

