

BORROWER FAQs

Home Value Code of Conduct (HVCC) Section II - Borrower Receipt of Appraisal

One of the new compliance requirements for loans that are to be sold to Fannie Mae and Freddie Mac under the Home Value Code of Conduct (HVCC) is the requirement that the borrower receive a copy of their appraisal report three days before closing.

According to the agreement, the lender must ensure that the borrower is provided a copy of any appraisal report concerning the borrower's subject property promptly upon completion, at no additional cost to the borrower, and no less than three days prior to the closing of the loan; however, the borrower may waive this three-day requirement if desired. The lender may also require the borrower to reimburse the lender for the cost of the appraisal.

Because many borrowers are unfamiliar with the intricacies of appraisal reports, we have included the following more common Frequently Asked Questions (FAQs).

Borrower Frequently Asked Questions (FAQ)

Q. *“Why does the appraisal state my square footage as X? I know I have more square footage than that according to (my architect, my assessor, my contractor, my measurements...)”*

A. Appraisers are obligated to report gross living area based on their exterior measurements of that portion of the dwelling that is 100% above grade and is considered to be living area. Other parties may include basements, breezeways, garages and unfinished attics. The appraiser does take into consideration these other areas as they contribute to the overall value, but they report and value them separately from the above-grade square footage or “gross living area.”

Q. *Why did the appraiser use a much lower dollar per square foot figure in the Sales Comparison approach than was indicated in the Cost Approach?*

A. When considering comparables, the appraiser is reporting the contributory value of more or less gross living area as one component (separate from the land value, and amenities such as room count, garages, fireplaces, etc...). The Cost Approach dollar per square foot is typically an aggregate cost—not just the difference for the living area— as well as the fact that it is the cost new.

Q. *Why was my house appraised for less than other homes listed in my neighborhood?*

A. An appraiser must use sales that have been purchased and the transaction completed. Properties that are still listed on the market are indications of what a property owner may wish to receive for their property, but closed sales are the true indication of what the market is actually willing to pay.

Q. *Why has my insurance agent suggested a much higher value to insure my home than its appraised value?*

A. Home insurance is predicated on what it would cost to rebuild the property if destroyed. The appraisal answers the question, what is the market value of the property in its “as is” condition, taking into consideration it is not brand new.

Q. *I spent \$4,000 putting a new roof on my house last year. Why didn't the appraiser make a \$4000 adjustment to the other properties where the roofs were older?*

A. The appraiser takes into consideration the overall condition of the properties (both yours and the comparable sale) and makes adjustments for differences that the market (buyers) are willing to pay more for or discount. Generally, buyers expect a roof not to leak. Even though the roof is brand new, at a great expense to you, most buyers expect roofs to be a functional part of any home.

For more information about the Home Value Code of Conduct visit ([link to HVCC materials](#))