

FORSYTHE FLASH

Appraisal Insights for the Real Estate Professional



August 25, 2005

Mortgage Rates As of August 25, 2005

30 Year Fixed: **5 %**
15 Year Fixed: **5.25%**
1- Year ARM: **4.39%**

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Addendum Requests – Why do we get them and How we can Prevent them.

By: Chad Prigge, Branch Manager – Forsythe Appraisals, LLC – Duluth, MN

In today's internet world, a homeowner in the small town can go on-line and apply for a mortgage with a company located in a large city in another part of the United States. Now at first this sounds like a great convenience and it really can be. But some underwriters out of the area may not be well versed in the area being appraised.

Over the past several years of appraising in northern and rural Minnesota I have come across some items and/or situations that an underwriter, not from the area, may not have seen before or quite understand. These items can include a private well, and/or a private septic system, comparables that are over a mile away and/or are over 6 months old or possibly the location of an oil fuel tank for heating. These are just a few of the items that can arise and thus comes the addendum request. This may include requests or questions such as *is a private well and septic system common to the area; is it common and typical to travel over a mile and search outside 6 months for a comparable in this area; what is the state of the oil tank*. I also use the U.S. Census site as a regular resource to help explain why my comparables are in another city or town as the subject. I simply state that "per the U. S. Census site, the subject city or town has an approximate population of ... and therefore limits the available number of comparables in the same city or town. The cities or towns of the comparables have similar population, amenity access, and demand." If not addressed, this can lead to the dreaded request "we need a fourth comparable closer to the subject and/or are within 6 months with all the same attributes as the subject."

These requests can often be remedied by a simple explanation from the appraiser in the original report. Taking just a few extra minutes explaining a possible underwriting concern, if it typical to the area, why he/she went outside of the 6 months and/or exceeded the 1 mile FNMA guideline or any other statement explaining anything different for other geographical for the lender to understand in a report can save everyone time down the line.

Our experience of taking just a few extra minutes to address the unusual, or different items or situations have saved us many addendum requests.

Frequently Asked Questions

Q: "You just appraised this property 3 months ago can I just order an "update" or "recertification of value" on this?"

A: Per USPAP, "A Recertification of Value is performed to confirm whether or not the conditions of a prior appraisal have been met. A Recertification of Value does not change the effective date of the value opinion." USPAP goes on and states "Regardless of nomenclature used, when a client seeks a more current value or analysis of a property that was the subject of a prior assignment, this is not an *extension* of that prior assignment that was already completed – it is simply a new assignment. The same USPAP requirements apply when appraising or analyzing a property that was the subject of a prior assignment."