

FORSYTHE FLASH

Appraisal Insights for the Real Estate Professional



June 9, 2005

Mortgage Rates As of June 9, 2005

30 Year Fixed: **5.56%**

15 Year Fixed: **5.14%**

1- Year ARM: **4.21%**

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Understanding Room Count

By: Chuck Novak, Branch Manager – Forsythe Appraisals, LLC – St. Cloud

You're getting ready to close a loan. You hand the borrower a copy of the appraisal performed on their home and the borrower says the appraiser incorrectly identifies the home as a 1200 square foot one story or ranch with 3 bedrooms. The borrower knows that the building has 2400 square feet and 5 bedrooms. Has the appraiser that you have known for a number of years blown this one? Let's look at how a property is defined.

When an appraiser inspects the subject property, he or she will measure the building at the foundation level. The above grade square footage is listed in the report in the "Above Grade" section; also included are the rooms, including bedrooms and baths. A typical one story may have 1200 square feet, with a kitchen, dining room, living room, 3 bedrooms, and a bath on that level. This home would be referred to as a 3 bedroom, 1200 square foot one story by an appraiser or underwriter. If any portion of a level of the home is below grade, it is considered "lower level", even when completely finished with the same quality as the other levels of the home. It is common for the basement area would be listed in the report in the "Basement and Finished Rooms Below Grade" section. For this example, let's say the lower level has a family room, 2 bedrooms, and a bath. While this finished area is considered in the reproduction cost and sales comparison approach, it is considered separately from the above grade level because it is "below grade".

This is where the confusion occurs. The homeowner referred to the property as a 5 bedroom, 2400 square foot, one story. While the homeowner is correct, the appraisal and mortgage industries want the "above grade" and "below grade" areas kept separate to insure a consistent representation of properties. Porches are also a debatable issue in calculating square footage. Often homeowners want this included in their square footage. They say that it is heated and should be included. A good rule of thumb is if there is foundation beneath the porch and it is connected to the central heating system, it will be included in the square footage calculation. If not, it will be included in the "deck, porches & patio" section of the appraisal report.

Frequently Asked Questions

Q: *My home has a walkout basement. Should it be considered a 2 story home?*

A: No. The basement level of a home is the area below the highest level of the grade of the lot. Your home would be considered a one story home.