



Consumer Guide to Appraisals and ROVs

A Publication of the Collateral Risk Network

Introduction

The Consumer Guide to Appraisals and ROVs (Guide) is intended to address common consumer questions about real estate appraisals. Whether purchasing, refinancing, or reviewing a home valuation, developing a basic understanding of the appraisal process and appraisal requirements can serve to reduce misunderstandings and is useful in developing informed decisions.

The Guide will outline the general steps involved in a typical appraisal assignment and explain your opportunity to request a Reconsideration of Value (ROV) under certain circumstances. An ROV process should provide transparency and an opportunity to address discrepancies or concerns with an appraisal or home valuation.

This document will:

- Explain the significance of home valuation in the loan process.
- Provide transparency and clarity about the appraisal process.
- Identify examples where an ROV may be appropriate and highlight the mechanics of a typical ROV process.

By developing a basic understanding of these processes, consumers can confidently examine an appraisal report and have a practical understanding of how their concerns are addressed.

Table of Contents

Q1. What is a real estate appraisal for mortgage loans?.....	4
Q2. What is the purpose of an appraisal?.....	4
Q3. Can I pick an appraiser or reject an appraiser assigned to appraise my property?.....	4
Q4. Can I give the appraiser information about my property or sales that I feel are comparable?.....	4
Q5. Does the appraiser need to take pictures of the inside of my house?.....	5
Q6. Will the photos of my home be shared with anyone?.....	5
Q7. How can I prepare for the appraisal inspection?.....	5
Q8. What does the appraiser focus on during the inspection?.....	6
Q9. Is an appraisal inspection the same thing as a home inspection?.....	6
Q10. What type of information is included in an appraisal report?.....	6
Q11. What does an appraiser consider when appraising a property?.....	7
Q12. What are the approaches to value used by appraisers?.....	7
Q13. What is the difference between cost versus value in the appraisal?.....	8
Q14. How long is the appraisal report valid?.....	8
Q15. What if I make changes or updates to my home after the appraisal?.....	8
Q16. Who owns the appraisal?.....	8
Q17. Do I get a copy of the appraisal report from the appraiser?.....	9
Q18. Does the appraiser still get paid if the appraised value is less than what is needed for the loan?..	9
Q19. If a home on my street sold for more than my appraised value, does that mean my appraised value was incorrect?.....	9
Q20. Who should I contact if I have questions about my appraisal report?.....	9
Q21. What if I disagree with the appraised value of my home?.....	10
Q22. How do I dispute my appraisal?.....	10
Q23. What is a reconsideration of value?.....	10

Q25. What information should I provide in a Reconsideration of Value (ROV)?	10
Q26. What are the possible outcomes of an ROV request?	12
Q27. Can I request a reconsideration of value more than once?	12
Appendix	13

Frequently Asked Questions

Q1. What is a real estate appraisal for mortgage loans?

A real estate appraisal is a property valuation completed by a qualified state licensed real estate appraiser. The appraiser examines and analyzes key property and market information to provide an unbiased and objective appraisal report with an opinion of market value. Comparable sales, market trends, and property information are examples of the important information that is considered in the appraisal process.

Q2. What is the purpose of an appraisal?

In the case of a mortgage loan application, an appraisal is commonly obtained by the mortgage lender to determine the market value of the property. Since the property eligibility, the market value of the property, and the amount of equity in the property are important loan underwriting factors, a credible home valuation is vital.

Q3. Can I pick an appraiser or reject an appraiser assigned to appraise my property?

No. Laws, rules, and regulations prohibit a mortgage lender from allowing the borrower to influence the selection of the appraiser, including the exclusion of an appraiser. Even within a mortgage lender's organization, there are specific laws and regulations addressing who is eligible to select an appraiser for an assignment or for a panel of appraisers who are eligible or ineligible for assignments. If you have a specific and reasonable concern about a particular appraiser selected to appraise the property, you can share those concerns with your mortgage lender. The mortgage lender will consider those concerns and determine the appropriate course of action. There are limited circumstances where an appraiser can be removed from an assignment and the appraisal reassigned.

Q4. Can I give the appraiser information about my property or sales that I feel are comparable?

Yes. It is fine to provide the appraiser with information about the property, such as updates or completed remodeling, as well as sales you believe are similar to the property being appraised. However, because the appraiser is ultimately responsible for determining the comparable sales that are used in the appraisal report, there is a possibility that the sales

you provided may not be included in the appraisal report. The exclusion of these sales you provided does not mean that they were not considered by the appraiser.

Q5. Does the appraiser need to take pictures of the inside of my house?

Typically, yes. If the appraisal includes an interior inspection, the mortgage lender requires the appraiser to capture specific interior photos to document the property for the appraisal report. If you are concerned about which photos will be taken, you may ask the appraiser which areas they will photograph.

Q6. Will the photos of my home be shared with anyone?

Appraisers are bound by confidentiality in the appraisal assignment. The appraisal report and its photographs will be given to the mortgage lender (or its authorized agent). The mortgage lender may supply a copy of the appraisal report to authorized specific parties.

Q7. How can I prepare for the appraisal inspection?

To prepare for the appraiser's visit to the property, you may consider doing the following:

- Ensure the appraiser has reasonable access to all rooms of the home and detached structures, including attics, basements, crawl spaces, and outbuildings.
- Ensure the appraiser has reasonable access to view items such as water heaters, furnaces, heating fuel tanks, electrical service panels, etc.
- Secure pets that may interfere with the appraiser, alarm the appraiser, or jump on the appraiser. Inform the appraiser where the pet(s) is contained to avoid accidental contact.
- Make a list of any recent improvements, updates, inspections (well, septic, roof, etc.), renovations, remodel, additions, or repairs completed. If possible, include the year of completion and the approximate cost.
- Make a list of recent property sales that you believe are similar to your home. If possible, document the address, sale date, sale price, lot size, age, square footage of the living area, and any additional notes or information that you feel is relevant for the appraiser to consider.

Q8. What does the appraiser focus on during the inspection?

During the typical appraisal inspection, the appraiser visually observes the property and notates key property characteristics, including the property condition, quality, features, layout, view, location influences, topography, landscape, and design. The appraiser will view each room in the home and take interior and exterior photographs. The appraiser will measure the house and other structures. In essence, the appraiser's inspection provides the appraiser with an understanding of the home and property, which are important to the appraiser's analysis and process of estimating the market value. In some cases, the lender may have a property data collector conduct the inspection instead of an appraiser. In such cases, the property data collector gathers data for use by an automated valuation system or for an appraiser who will complete a desktop appraisal. Regardless of whether an appraiser or property data collector inspects the property, similar data is gathered.

Q9. Is an appraisal inspection the same thing as a home inspection?

No. An appraisal inspection is different from a professional home inspection. Although they look at many of the same things, the appraisal inspection is focused on documenting the property for the purpose of valuation, whereas a professional home inspection is a more in-depth inspection and is completed by a licensed home inspector. It does not provide an analysis of the market or property value. A professional home inspector will typically test mechanical, electrical, and plumbing systems.

Q10. What type of information is included in an appraisal report?

A typical appraisal report contains information about your property, including its physical characteristics, condition, market area, market trends, view, location, recent improvements, and comparable sales. The appraisal report includes an analysis of competing home sales that helps the appraiser understand the likely market value of the property. In some cases, the appraisal report will include a cost approach to value or an income approach to value. Lastly, typical appraisal reports include photographs, location maps, flood maps, and a sketch of the home. Appraisal reports often include abbreviations and terminology that might be unfamiliar to the reader. In such cases, it is important to look through the appraisal report for exhibits that include definitions and descriptions.

Q11. What does an appraiser consider when appraising a property?

There are many factors that are commonly considered by an appraiser when completing an appraisal report. The information considered can vary by property and assignment. However, below are some common examples (this list is not all-inclusive):

- Property type (e.g. single-unit, condominium, 2–4-unit, co-op, Etc.)
- Property style (e.g. site built, manufactured, attached, detached, Etc.)
- Property design (e.g. ranch, colonial, split-level, cape, Etc.)
- Market conditions (sale price trends, listings, pending sales, supply/demand, growth, land use, economic, Etc.)
- Area characteristics (e.g., land uses, proximity to employment, parks, Etc.)
- Site characteristics (e.g. view, location, zoning, site size, site shape, topography, landscaping, ponds, waterfront, busy road, utilities, outbuildings, pools, Etc.)
- House characteristics (e.g. square footage of living area, age, condition, quality, features, layout, interior design, bedrooms, bathrooms, garages, basement, mechanicals, siding, roof covering, decks, patio, air conditioning, fireplace, Etc.)

Q12. What are the approaches to value used by appraisers?

There are three primary approaches to value in residential real estate appraisals. One or more of these approaches will be completed in an appraisal report. The sales comparison approach is almost always completed. In many cases, the cost approach and the income approach are not completed when they are not required or not applicable.

- **Sales Comparison Approach** - This approach compares the subject property to comparable properties that have recently sold in the same market area or competing markets. Market based adjustments are made for material dissimilarities between each comparable sale and the subject property. The adjusted sale prices provide an indication of value for the subject property. The sales comparison approach is used in nearly all single-family residential appraisals.
- **Cost Approach** - The cost approach estimates the value of a property by determining the cost to replace it, minus its depreciation. The value of the site improvements and land value are added to the depreciated cost to arrive at an estimated value. This approach is most commonly used on appraisals of new or relatively new homes.
- **Income Approach** - This approach is primarily used for income-producing properties, such as multi-unit rental properties. It estimates the value of a property



based on its income-generating potential. The appraiser analyzes the property's income and expenses and estimates the value using estimated rental income and market derived multipliers. This approach is not commonly used for single-family, owner occupied, property appraisals.

Q13. What is the difference between cost versus value in the appraisal?

There is often a significant difference between what you may spend (price/costs) on home improvements versus the amount those improvements impact the property's market value. For example, if you recently remodeled your kitchen or bathroom, installed a new front door or garage door, or added a covered or enclosed patio or deck, you probably spent a significant amount of money. However, the impact to market value may not end up being proportional to the cost. In some instances, improvements to the property may have no measurable effect on the value. Despite the return on investment statistics that some home improvement articles publish each year, estimating market value is the business of an expert licensed real estate appraiser.

Q14. How long is the appraisal report valid?

The expiration of an appraisal report varies depending on individual mortgage lender policies. In general, appraisal reports for mortgage lending purposes are commonly valid for 180 days.

Q15. What if I make changes or updates to my home after the appraisal?

If you make significant changes or updates to the home after the appraisal, the value may have increased and you may benefit from contacting a mortgage lender about refinancing opportunities, home equity loans, or the opportunity to potentially eliminate private mortgage insurance. It is important to remember that not all improvements will necessarily increase the value of the property and the cost of the home improvements may not equate to a proportionate increase in value.

Q16. Who owns the appraisal?

Regardless of whether you paid for the appraisal report, the appraisal report is owned by the mortgage lender (listed as the client on the appraisal report). However, under the Equal

Credit Opportunity Act (ECOA), in most cases the mortgage lender is required to provide a copy of the appraisal report to the borrower.

Q17. Do I get a copy of the appraisal report from the appraiser?

No. In nearly all cases, the borrower's copy of the appraisal report will be supplied directly by the mortgage lender or the mortgage lender's appraisal management company. Regardless of whether you paid for the appraisal report, the appraiser's client is the mortgage lender, and the appraiser delivers the appraisal report to the mortgage lender.

Q18. Does the appraiser still get paid if the appraised value is less than what is needed for the loan?

Yes. The law prohibits an appraiser from accepting an appraisal assignment where the appraisal fee is contingent on the amount of the value opinion or the successful closing of a loan. The appraiser must be paid regardless of whether the value was sufficient for the loan or whether the loan closes.

Q19. If a home on my street sold for more than my appraised value, does that mean my appraised value was incorrect?

Not necessarily. There could be many reasons why a home on the same street sold for more than the appraisal of your property. Appraisals consider numerous factors, including property condition, quality, features, layout, view, location influences, topography, landscape, and design. Also, the appraiser analyzes multiple comparable sales and market trends. If you have concerns about the appraised value, you should inquire with your mortgage lender about their process for initiating a Reconsideration of Value (ROV). At that time, you can provide the lender with information about the sale on your street for the appraiser to consider and respond.

Q20. Who should I contact if I have questions about my appraisal report?

If you have questions or concerns about your appraisal report, you should reach out to your mortgage lender. They can provide clarification and address any issues you may have. Also, if you choose to request a reconsideration of value, they will guide the process.

Q21. What if I disagree with the appraised value of my home?

If you believe there are substantive errors in the appraisal report or have concerns with the appraiser's conduct, you have the right to request a reconsideration of value. In the reconsideration of value process, you may be asked to provide the basis for your dispute and evidence to support the dispute. If there are similar alternative home sales you would like the appraiser to consider, you will provide the property information to your mortgage lender. See FAQ 25 for a list of items that may be helpful in an ROV.

Q22. How do I dispute my appraisal?

To dispute the appraisal, contact your mortgage lender right away and explain your concerns. Do not contact the appraiser directly. If you contact the appraiser, they are expected to refer you back to the mortgage lender due to confidentiality requirements. Your mortgage lender will have procedures for disputing the value by filing a Reconsideration of Value (ROV). The information in the ROV will be reviewed by the lender and typically communicated to the appraiser for a thorough and timely response. See FAQ 25 for a list of items that may be helpful in an ROV.

Q23. What is a reconsideration of value?

A Reconsideration of Value (ROV) is a process to request that the appraiser evaluate the borrower's stated concerns with the appraisal report and respond to each of these concerns in a timely manner. The mortgage lender will have a process for borrowers to initiate an ROV and ensure a timely response to the ROV. Typically, the appraiser will send their response directly to the mortgage lender and the mortgage lender will review the response before communicating the results to the borrower. See FAQ 25 for a list of items that may be helpful in an ROV.

Q25. What information should I provide in a Reconsideration of Value (ROV)?

In short, any evidence that supports your claim. Mortgage lenders may differ in the amount of information they require for an ROV, but in most cases a basic description of the items of dispute, including information on up to three alternative sales, will be sufficient. If you are in a purchase transaction, consider asking your real estate agent to assist you with the ROV. Oftentimes, the real estate agent can provide expert insights and supporting information for your ROV request.

Below are some key categories of dispute and guidance on information you may consider supplying to your mortgage lender in your ROV request:

- **Accuracy of property characteristics** – If you believe that one or more physical characteristics of the property were not accurately represented by the appraiser, describe each item of disagreement and why you disagree. Depending on the type of items you are disputing, consider including applicable supporting evidence such as photographs, county assessor property information, sketch with measurements, prior appraisal report, receipts, inspections, Etc.
- **Insufficient credit given for features or improvements** – If you believe that the appraisal report does not sufficiently recognize the value of features or improvements, describe each item of disagreement and why you disagree. Depending on the type of features/improvement you are disputing, consider including applicable supporting evidence such as photographs, receipts, prior appraisals, evidence of market reaction to the feature and its added market value obtained from a real estate agent, Etc.
- **Issues with comparable sales** – If you believe that information in the appraisal report about the comparable sales used by the appraiser is inaccurate, describe each item of disagreement and why you disagree. Depending on the type of information you are disputing, consider including photographs, aerial maps, county assessor property information, prior appraisal report, MLS information from a real estate agent, or information about the comparable sale(s) obtained from online home sales and home listing resources.
- **Alternative comparable sales** - If you believe there are more appropriate comparable sales that should have been used by the appraiser, you are typically permitted to supply -up to three alternative sales in the ROV. Research the sales to ensure they are indeed similar to your property. Provide your mortgage lender with verified information about the sales, such as property address, sale price, date of sale, lot size, view, age of home, square footage of the living area, and any major features/amenities. Describe how each sale compares to your property and why each sale should be considered by the appraiser. Consider including photographs, aerial maps, county assessor property information, prior appraisal report, a broker price opinion completed by a real estate agent, MLS information from a real estate agent, or information about the sale(s) obtained from online home sales and home listing resources.
- **Misconduct by the Appraiser** – If you believe that the appraiser has engaged in improper conduct related to the appraisal assignment, notify your mortgage lender

right away. In cases of perceived misconduct, you should notify the mortgage lender right away instead of waiting until the appraisal is completed.

IMPORTANT: You have one opportunity to submit an ROV request, so it is important to use your best efforts to support your case.

Q26. What are the possible outcomes of an ROV request?

After your mortgage lender has reviewed your ROV request, they will typically contact the appraiser and communicate the items of the dispute noted in the ROV. The appraiser is required to respond to your mortgage lender in a timely manner and must address each item of dispute. Although the appraiser is required to issue a new version of the appraisal report that includes a response to each item being disputed, the appraiser's response does not always result in an adjustment to the appraised value or agreement with your disputed items. The appraiser will send the new version of the appraisal to the mortgage lender for review. Your mortgage lender will contact you with the results of the ROV.

Once you receive the new version of the appraisal report, it is important to read the appraiser's responses carefully. If there are things that don't make sense to you, ask your mortgage lender for clarification. Although rare, in some cases your mortgage lender may determine that a new appraisal is warranted from a different appraiser. In this case, your mortgage lender will order a new appraisal. However, it is unusual for a subsequent appraisal to be ordered since there are laws, regulations, and requirements that limit the circumstances where obtaining a subsequent appraisal is permissible. In the event that a second appraisal is ordered, your mortgage lender will determine which appraisal report will be utilized in their underwriting decision.

Q27. Can I request a reconsideration of value more than once?

No. For most residential first mortgage loans, there are policies and requirements that limit a borrower to one ROV request per appraisal on a mortgage loan. If you desire to file an ROV request, the requirements state that the ROV must be submitted by the borrower to their mortgage lender prior to the loan closing. After loan closing, the mortgage lender is not permitted to process an ROV request.

Appendix

Updated Policy issued May 1, 2024

A joint effort by Fannie Mae, Freddie Mac, and HUD issued requirements to promote consistency in the reconsideration of value process to ensure that all borrowers have access to a fair and standardized procedure. By aligning their guidelines, these agencies help create uniformity across the industry, reducing the potential for discrepancies and biases in how property values are assessed. This collective approach strengthens the integrity of the appraisal process and increases trust and transparency for borrowers, lenders, and other stakeholders.

Highlighting a summary of the new requirements:

- Lenders must give mortgage applicants a simple, understandable disclosure both when they apply for the loan and when they receive the appraisal report. This disclosure should outline the reconsideration of value process.
- Loan applicants cannot be charged for any costs related to a Reconsideration of Value (ROV).
- Lenders are required to establish a standardized process for communicating with both the loan applicant and the appraiser. The ROV process and all communications must adhere to appraiser independence requirements.
- Lenders must set clear expectations for the timeline with both the loan applicant and the appraiser, ensuring that the ROV is resolved before the loan closing.
- Lenders must ensure that all valuation staff, including third parties, are trained to recognize prohibited discriminatory practices and appraisal deficiencies.