

THE TREND!

California	
Median Price-SFH	Date
\$271,320	02/11
\$279,140	01/11
\$278,190	02/10
Sales change Prior Month -2.8%	
Sales change Prior Year -2.5	
Sacramento	
Median Price - SFH	Date
\$168,800	02/11
\$171,690	01/11
\$180,000	02/10
Sales change Prior Month -1.7%	
Sales change Prior Year -6.2%	
Source C.A.R Research Dept.	

SACRAMENTO

Ph: 916.675.1177

Fx: 916.405.4470

BAY AREA

Ph: 510.344.0024

Next Issue:

Reverse Mortgages,
what is that?

The Cost To Appraise Your Home Way Up?

Recently, my customers have been enraged by the high cost of appraisals being charged by lenders who are either financing or re-financing their homes. The implosion of the real estate market has resulted in the enactment of several changes to the real estate mortgage industry, some of them long overdue. For instance, all loan originators are now required to take a state and national examination and be tracked in a national database. Mortgage loan professionals are currently required to go through background checks with the FBI. Other changes include the use of appraisal management companies, for hiring appraisers.

In the past, brokerage firms were responsible for hiring the appraisers, and were paid directly by the customers. This was changed by the Dodd-Frank financial reform law, with brokerage firms and customers completely insulated from the process.

There are several problems with the new law;

1. It is expensive for customers to shop for better rates. For instance, brokerage firms have an advantage over traditional banks to shop for the best deals for their customers, however, they can no longer use the appraisal completed

for lender A, for lender D which happens to offer a better deal for their customers. If the brokerage firm intends to use the better financing of lender D, they will have to order a completely new appraisal.

2. Moreover, the cost for appraisals has increased exponentially. Recently, I had an appraisal conducted on a 900 sqft home for refinancing, and the charge was \$425. Prior to the new law, the same appraisal would have cost \$295.

3. Who kept the difference? The appalling answer is that most of these appraisers now get much less than what they use to charge, try \$150. My discussion with several of these "former" appraisers lead me to believe they think they are being ripped off by appraisal management firms.

4. There are now quite a delay in the appraisal process. Prior to the new law, you could get a house appraisal report in 24 to 48 hours. Today, it takes a week or more for the process to complete, unless you order a "rush" for more than \$100.

5. The longer a rate lock, the more expensive it is for the customer. Appraisal delays has made most locks longer, 30 days or much longer.

6. Most brokerage firms, wholly dependent on the appraisal process are losing

business due to angry customers being re-quoted increased interest rates caused by delayed appraisal process.

7. Competency is now a problem in the appraisal process. Remember my use of the word "former" appraisers earlier, most of these appraisers have elected not to work for half as much as they use to earn. This has added a longer queue to the process and worst still questionable appraisals. I have rebutted two appraisals due to incompetent appraisers using wrong comparables, or inaccurate summations.

8. There is a complete lack of transparency as to how much the appraisers are actually paid for their work. The irony is that the HUD-1, or Settlement document in my example above will state the appraisal cost as \$425, the appraiser gets \$150, and the lender/bank keeps \$275, especially in a case where the lender and appraisal management firm is one and the same. Even when these are separate firms, the difference to the actual cost of work performed is unconscionable.

9. And for you our customers, some of these appraisals will cost you, especially the inability to refinance, unless a knowledgeable agent/broker can digest and rebut the results, but make sure you have a comfortable rate lock timeframe.

Al Som-Anyu, MBA, Broker

