

Lender Best Practice: Appraisal Review Tips

October 26, 2018
Comm18-021



SunTrust has noted an increase in QC errors cited on appraisal reviews so we would like to provide tips for reviewing appraisals to help you achieve successful appraisal reviews. We have highlighted the issues where errors are frequently found. If you follow these tips you will have a better idea of when you need to request additional information or corrections from the appraiser.

Issue #1 Neighborhood Boundaries Tips

- Boundaries are found in the “Neighborhood” box on page 1 of the appraisal.
- They should be the north, south, east & west boundaries of the subject property’s neighborhood.
- Compare boundaries to the location map & check for accuracy. Example: if Main Street is stated to be the northern boundary, it should be to the north on the map not to the east.
- Compare to the location of the comps. Comps within the boundaries are considered to be in the subject’s neighborhood. Please note on conventional loans whether or not a comp is considered to be in the subject’s neighborhood is not determined by an arbitrary distance such as 1 mile. Neighborhood boundaries are the defining factor.
- If any comps are outside the boundaries they are not considered to be in the subject’s neighborhood. When this is the case, the appraiser is required to provide detailed comments that establish the comp’s neighborhood is competitive to the subject’s neighborhood describe any differences & explain why the comp was used.

Issue #2 Site Tips

- Found on page 1 of the appraisal form
- Look for any conditions that would be considered adverse such as proximity to airports, railroads, overhead transmission lines, etc.
- Crosscheck the photos & maps for adverse conditions.
- If adverse conditions are noted, the appraiser should include comments in the site section on page 1 of the URAR addressing the impact on the subject’s value & marketability.

Issue #3 Consistency Tips

- The room count & size for the subject should be the same on pages 1 & 2, building sketch, and in comments.
- The subject’s year built on page 1 should be supported by the subject’s age on page 2.
- If page 1 states the subject conforms to the neighborhood, the comments should not say it does not & vice versa.
- If the comments state the adjustment for living area of the comps is \$35 per square foot, the adjustment should not be at \$25 per square foot. Check the math to confirm.
- Prior sales of subject or comps should be consistent with other data provided in the report. If the appraiser says there were no prior sales but then provides data that indicates otherwise, the discrepancy needs to be corrected.

Issue #4 UCDP SSR Reports

- Review UCDP SSR reports in order to further assist in the review of the appraisal report. Verify the risk score, risk flags and messages.
- Review messaging for relevance as these may be questions that could be sent to the appraiser on complex appraisals. The messages could ultimately impact the value and/or marketability of the subject property reducing errors and revision requests.
- For complex appraisals, utilize tools such as Collateral Underwriter to assist with quality concerns.