

NEXT STEP: APPRAISAL

A home appraisal by an FHA approved appraiser is required for every reverse mortgage loan. Here's what you need to know so that you can manage your expectations about getting your home appraised as part of loan process to make this a smooth and successful transaction.

Upon receipt of your application All Reverse Mortgage will schedule your home appraisal with an appraisal management company. You will receive a phone call from the appraiser with whom the assignment is given to schedule a time when he/she can come to your home.

It's a multi-step process, but you can prepare in advance to make it as smooth as possible.

Typically, there will be three steps:

The Inspection

During the inspection, the appraiser will walk through your home with you and will take photos required by the lender and HUD as part of the appraisal process. He or she will include all required elements and will also focus on any areas that may be in need of repair, as well as specific features of the home that could contribute to, or take away from, its value. The appraiser is required to test electrical outlets and water pressure along with inspecting the attic, crawlspace and/or basement depending on what applies to your property. Please make sure these areas are accessible and clear of any debris prior to scheduling the inspection with the appraiser.

The Research

The appraiser will then conduct his or her own research to determine comparable home sales in your area. He/she will review public records, multiple listing services, tax assessor's records, and any other resources available to determine factors that will influence the value of your home.

Afterward, the appraiser will determine the homes that have recently sold or are currently up for sale in your area that are the most similar to your home to help establish the value of your property.

The theory used is the theory of substitution. If other homes are selling or have sold for certain sale prices with certain amenities, the appraiser will compare your home to those known sale prices or current listings and adjust accordingly to determine what informed purchasers are willing to pay for properties similar to yours in that area. Remember a current listing is not a sale and no "meeting of the minds" between buyer and seller has taken place.

For this reason, listing prices seldom help to bring a value up, but the existence of several lower listing prices can indicate a declining market and can bring a value down.

The Appraisal Report

After analyzing your home and all the comparable sales, the appraiser will deliver his or her appraisal to you to be used with your loan request. The report is several pages long and contains all the information about your home, the sales that the appraiser used to compare to your home and derive a final value as well as pictures of each.

Once we have the completed appraisal here at All Reverse Mortgage, we will email you a copy of your report and update your reverse mortgage figures based on the appraised value.

Please keep in mind that under current HUD rules and regulations that the appraisal is delivered and logged in the secure HUD portal for appraisals prior to our receiving the appraisal report. The logging of the appraisal in the secure portal attaches the appraisal completed to your FHA case number. Please see the items below as these are some issues that most frequently come up on appraisal reports.

IMPORTANT: There are some simple things that you can do BEFORE the appraiser arrives that can affect your value or can save you money by not having to have the appraiser make a second trip out for a re-inspection. For example, this is not a complete list, but do you have any of the following:

- Do you have any chipping or peeling paint?
- Do you have any exposed electrical wires?
- Do you have any untreated or unpainted exposed wood that is touching the house?
- Do you have any current or past water leaks that have not been treated?
- Do you have any decks or staircases without hand rails?
- Does your roof have any issues with leaking or does it show excessive wear?

Special requirements for all California properties:

- ✓ Smoke detectors in each bedroom
- ✓ Carbon Monoxide detector in main living area
- ✓ Top & bottom Earthquake straps on water heater

If you have any of these conditions in your home or if you are aware of any issues that the appraiser will see upon visual inspection, please let us know before we order the appraisal so we can determine whether or not we need to take proactive steps to save you time and money.