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To inspect or not inspect? A question many appraisers ask - by Laurie Mentz Nichols

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To inspect or not inspect? That is the question many appraisers have faced with the onset of the pandemic. On any given day, a residential appraiser is in and out of several homes, in addition to making stops along the way for research, comparable sales pictures, perhaps fueling the car, and maybe a drive-thru for that much-needed cup of coffee. Do this several times a week and the numbers of times you may have been exposed to or exposed your family and others to COVID-19 increases exponentially.

In the past several months, the coronavirus has created challenges and appraisers have had to adjust how they work in order to address the safety of themselves and homeowners. It affected the way appraisers interacted with homeowners, real estate agents, and third-party vendors. And it has significantly affected the industry by modifications to protocols and procedures.

I admit that at first, I was still performing interior inspections. In light of the pandemic I added shoe covers, latex gloves, and a mask to my daily wear. Also, when I scheduled the appointment with the homeowner, I would ask if anyone in the household was sick or had a fever, ask them to turn on all lights and open doors for me, and to respect the recommended 6' social distancing. All went well but after the figures of people infected continued to rise, I made the decision to discontinue interior inspections for the health, safety, and well-being of my family and homeowners.

Once I had made the decision to do only exterior inspections and reviews, I had several questions. What modifications would I have to make to my scope of work, statements of assumptions and limiting conditions, and certifications? What about compliance with USPAP? What policies and procedures would I have to put in place and how would I keep my clients informed?

I went to the World Health Organization and Centers for Disease Control webpages for more information on the virus, my city and state's COVID-19 sites for local news, and the following sites for guidance.

Appraisal Standards Board: The ASB provided updated guidance on interior inspections during a national health emergency. In addition, the ASB issued guidance on completing a desktop or exterior-only appraisal, but reporting the results using a GSE form designed for an appraisal with an interior and exterior inspection and to learn how to add proper disclosure and not be misleading. The Board has also issued guidance for Personal Property Appraisers.

In addition, the ASB issued guidance on appraisers' receiving interior photos, video, or other technology-based view(s) of the subject, and whether they can state that they performed an interior inspection.

Fannie Mae: Fannie Mae issued Lender Letter LL-2020-04 providing temporary guidance on appraisal requirements and completion reports, including allowing exterior-only and desktop appraisals for many transactions.

Freddie Mac: Freddie Mac is revising its appraisal inspection and reporting requirements. Freddie Mac will accept either an appraisal with an exterior-only inspection or a desktop appraisal under certain conditions.

Federal Deposit Insurance Corporation: FDIC has compiled a list of FAQs, which answers questions about inspections (Answer # 12) and Appraisals (Answer # 13). The FDIC also has a COVID-19 webpage.

Federal Housing Administration: FHA released a new Mortgagee Letter announcing guidance for property appraisals that can be done through either exterior-only inspections or desktop-only appraisals. FHA has also posted a Q&A on COVID-19.

U.S. Department of Veterans Affairs: The VA issued a letter providing guidance on appraisal requirement for VA loans. The VA also issued guidance modifying the appraisal report for desktop appraisals.

USDA Rural Development: USDA Rural Development announced it is granting lenders temporary exceptions pertaining to appraisals, repair inspections and income verification for the Single-Family Housing Guaranteed Loan Program.

In addition to these sites, the Appraisal Institute's coronavirus update page has links to the latest developments and links to federal resources, state resources, Appraisal Institute Resources, and industry resources.

It took a day or so to familiarize myself with client and industry changes to procedures and protocols. I then modified my scope of work, statements of assumptions and limiting conditions, and certifications for desktop and hybrid appraisals. I became familiar with technology that would help me guide the homeowner with assisting me with a virtual interior inspection of their home, and I looked to alternate online sources for information on the property.

I found most homeowners were very helpful with gathering information on their house. There were also homeowners who did not want to take photos or video of their properties, in which case I would do an exterior appraisal, or if I couldn't find enough information on the property to render a credible value, I would decline the assignment.

Over the past few decades, the industry has fielded many curveballs, and we've adapted. As a veteran of those decades, the best advice I could give other appraisers right now is don't panic, stay informed, and use your best judgment. Focus on putting policies and procedures in place and keep your clients informed. I made the personal decision to discontinue interior inspections for safety reasons, and also the selfish reason that I did not want to be known as "Corona Laurie," the person who spread coronavirus throughout southern Connecticut. Do what you have to do, but above all, be safe.

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