

Appraisal Red Flag
Check List



Appraisal Red Flag Check List

radian
national training



Answer Me!

Subject Section		
<input type="checkbox"/>	Does the borrower's (for purchase) or owner (for refinance) name match the application/sales agreement?	If there is a discrepancy, it could indicate a fraud scheme (flipping, strawbuyer, etc.)
<input type="checkbox"/>	Does the property address match the sales agreement?	If not, contact the appraiser to confirm the address on the appraisal request – a new appraisal must be performed.
Contract Section		
<input type="checkbox"/>	Is the seller the owner of public record?	If not, research the title transfer history of the property to assure there has been no fraudulent activity.
<input type="checkbox"/>	Is there financial assistance (gifts, downpayment assistance, concessions, etc.) noted in the sales agreement?	If yes, check investor guidelines regarding treatment of these items.
Neighborhood Section		
<input type="checkbox"/>	Did the appraiser indicate any of the following: property values declining, oversupply of properties for sale, or marketing time over 6 months?	The appraiser's comments should reflect any negative influences that may inhibit buyers from purchasing properties in this neighborhood.
<input type="checkbox"/>	Does the price and age of the subject conform to its neighborhood?	The appraiser's comments need to adequately explain if these are negative factors.
<input type="checkbox"/>	Does the present land use contain any commercial use or excessive vacant land?	The appraiser must clearly describe any affect these types of land use may have on the subject property and its future marketability.



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Site Section		
<input type="checkbox"/>	Is the zoning marked as illegal?	Properties that do not conform to zoning requirements are typically not saleable to mortgage investors.
<input type="checkbox"/>	Are there any negative comments regarding the highest and best use of subject?	The appraiser must fully explain any impact this may have on marketability.
<input type="checkbox"/>	Are there any adverse conditions or external factors noted, such as easements, encroachments, environmental conditions, etc.?	The appraiser must fully describe any negative influences on the subject property and any affect on marketability.
Improvements Section		
<input type="checkbox"/>	Does the effective age exceed the actual age of the property?	The appraiser must describe what is contributing to premature aging, such as deferred maintenance.
<input type="checkbox"/>	Is there any evidence of dampness, infestation or settlement?	The appraiser must indicate if an inspection by a professional is required.
<input type="checkbox"/>	Does the appraiser indicate any adverse conditions factors that affect the livability, soundness, or structural integrity of the property, such as cracks in the foundation, active roof leaks or electrical or plumbing issues?	The appraiser must comment on whether or not repairs are required to correct these issues and support the appraised value.
<input type="checkbox"/>	Has an overall condition rating been assigned by the appraiser? Are kitchens and bathrooms addressed?	Check that the property meets salability guidelines. Be sure repairs required by the appraiser are made to bring the property up to salability standards.



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Improvements Section (continued)

<input type="checkbox"/>	Is there any functional obsolescence (obsolete design layout, etc.) noted?	The appraiser must comment on any affect this may have to the market value of the subject property.
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Sales Comparison Approach

<input type="checkbox"/>	Are the comps within the subject's neighborhood?	For all these items, the appraiser must provide comments to adequately justify using comparables that do not meet these guidelines. The bottom line question you need to ask is "Were the best comparables used to compile this appraisal?"
<input type="checkbox"/>	Are the dates of the comps within 6 months (freshest market information)?	
<input type="checkbox"/>	Is the age and condition of the comps similar to the subject property?	
<input type="checkbox"/>	Is the room count of the comps similar to the subject property?	
<input type="checkbox"/>	Was the subject property's ownership transferred within the past 6 months?	It is important that the appraiser research the prior sales history of the subject and comparables. Quick title transfers showing escalating values may indicate fraud if they can not be supported by property improvements.
<input type="checkbox"/>	Has a quality of construction overall rating been assigned by the appraiser?	Check that the property meets salability guidelines. Be sure repairs required by the appraiser are made to bring the property up to salability standards.



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Reconciliation Section

<input type="checkbox"/>	Is the final value of the appraisal supported by the comps?	The appraiser must provide a summation of the approach they used to assess value and which comp(s) were given the most weight to support the final valuation.
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Cost Approach

<input type="checkbox"/>	Is the estimated remaining life less than the mortgage term?	All of these items should have already been addressed in the appropriate sections of the appraisal; otherwise this is a red flag for consistency in the appraisal.
<input type="checkbox"/>	Do site improvements (land value) exceed 30%?	
<input type="checkbox"/>	Are there excessive adjustments for depreciation?	
<input type="checkbox"/>	Does the information on the appraisal match the HOA Questionnaire?	These items are a reminder to check investor guidelines for their specific requirements. Project information can provide insight to expenses that will be passed on to the borrower.
<input type="checkbox"/>	Are there an excessive number of rental units?	

Signature Section

<input type="checkbox"/>	Does the information match the previous pages of the appraisal?	Incorrect information or irregularities in the appraiser's signature could indicate this page was manufactured to present a fraudulent appraisal and possible theft of the appraiser's credentials.
<input type="checkbox"/>	Is the appraiser's signature stamped?	