
CHAPTER 1. GENERAL INFORMATION

- 1-1. PURPOSE OF THE APPRAISAL. The appraisal is used to determine the value of the property for mortgage insurance purposes. The value serves as the basis for determining the maximum insurable mortgage loan. The appraisal is performed for the benefit of the Department of Housing and Urban Development (HUD), not for the public. In addition to providing an estimate of value, the appraiser inspects the property for any visible deficiencies which may affect the health or safety of the occupants or the continued marketability of the property. HUD makes no warranties as to the value or condition of the house. Therefore, the borrower must determine that the price of the property is reasonable and that its condition is acceptable.

The completed appraisal must be reviewed by either a HUD staff review appraiser in the local HUD Field Office or a Direct Endorsement Underwriter. The Conditional Commitment/Statement of Appraised Value, form HUD-92800.5B, which is then issued, represents HUD's estimate of value for mortgage insurance purposes. The estimate of value arrived at by the reviewer, plus closing costs, is the value on which the maximum insurable mortgage loan is determined. The reviewer may amend the appraiser's estimate of value if there is sufficient evidence to support a higher or lower value. The appraisal must provide the reviewer with all the facts about the property so that a logical conclusion can be reached as to the estimate of value.

1-2. VALUATION PERSONNEL

A. HUD Staff Appraisers.

- 1) Chief Appraiser. The Chief Appraiser reports to the Director of Housing/Housing Development or Office Manager and works independently within established HUD procedures. The Chief Appraiser supervises the Valuation Branch and is responsible for insuring valuation decisions that are consistent, sound and in compliance with outstanding instructions and prescribed procedures for Single Family Valuation.

The Chief Appraiser shall have training and experience in appraising residential structures, determining the value of specific property rights such as easements, and water and mineral rights. The Chief Appraiser must direct and instruct less experienced appraisers in the appropriate techniques of performing different types of appraisals and reviews.

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- (1-2) 2) Single Family Valuation duties of the Chief Appraiser. The duties of the Chief Appraiser include but are not limited to:
- a. Directing the performance of desk reviews of appraisal reports.
 - b. Recruiting appraisers for the Single Family Fee Appraiser Panel, and Fee Field Review Appraiser Panel; reviewing their applications and demonstration appraisals and making recommendations to management.
 - c. Training HUD Review Appraisers, Fee Appraisers and Fee Field Review Appraisers in HUD procedures, programs and processing changes.
 - d. Monitoring the performance of Fee Appraisers, Direct Endorsement Mortgagee Staff Appraisers and Fee Field Review Appraisers for technical competence, cooperation, timeliness of work, and professionalism in dealing with the public.
 - e. Responding to inquiries from mortgagees, builders, real estate brokers, sellers and buyers, and the general public concerning HUD valuation policy and regulations.
 - f. Preparing a schedule of closing costs for each housing market area or location therein if there is significant variation in the amount of closing costs typically being paid in connection with the purchase, financing and transfer of title. The typical cost for each item will be the basis for the estimate. The schedule will be revised annually, or more frequently if warranted.
 - g. Deciding on applications to insure mortgages for homes in problem areas, such as those subject to possible flood conditions, advanced neighborhood obsolescence and deterioration or other hazards.
 - h. Directing the review of and making determinations concerning the capacity and adequacy of such items as individual water and sewage disposal systems, community water supply systems and acreage tracts in rural and outlying areas.

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- i. Using the Office Manager/Housing Development Director's authority (previously known as the Chief Underwriter's prerogative) as appropriate when delegated by the Director of Housing Development. This authority allows the Director of Housing Development to intervene in cases whereby a buyer and seller have agreed upon a sales price which is in conflict with HUD's estimate of value. It allows the Director of Housing Development or designee to raise HUD's estimate of value in situations which he/she believes are reasonable and proper. However, the amount of increase should not be predicated on a percentage, but rather an amount reasonably within the range of neighborhood values. Note: DE Underwriters do not have this authority.
 - j. Preparing memorandums as necessary but at least quarterly for the Director of Housing Development or Office Manager, describing any soft market conditions in the Field Office jurisdiction. Upon receipt of such memoranda from the Chief Appraiser, the Director will review the facts and make any additional investigation deemed necessary.
- B. HUD Staff Review Appraisers. The duties and responsibilities of HUD Staff Review Appraisers include, but are not limited to:
- 1) Performing desk reviews of appraisal reports and requests for value increases.
 - 2) Performing desk reviews of inspections performed by fee appraisers and DE mortgagee staff appraisers.
 - 3) Performing field reviews of the required number of appraisals and inspections performed by fee and DE mortgagee staff appraisers. The purpose of the field review is not only to monitor appraiser performance, but also to keep abreast of market conditions.
 - 4) Performing field reviews in response to complaints from homeowners concerning defects in their home.
 - 5) Assisting in the training of fee and DE mortgagee staff appraisers.
 - 6) Performing appraisals requested by the other components of HUD.
 - 7) Processing change orders in construction cases in which no visit to the field is required.

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- (1-2) 8) Organizing, reviewing and preparing appropriate comments on reports of an oversupply of housing received from fee panel appraisers or staff, for the Chief Appraiser. The Chief Appraiser will relay to the Director of EMAD or the insuring office Market Analyst (if any) copies of any material of significance to them.
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