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Ask MAC

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I recently originated a \$1.2 million loan and was instructed to order two appraisals, which contained a property valuation discrepancy of more than \$200,000. There were also differences in the square footage and selling price of the comparables. Have you seen this happen before, where two separate appraisers report differently on the same property? How can I remedy this problem?

This week's question submitted by:

Ken Rudolph, Aran Capital

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Unfortunately, the appraisal process for super-jumbo properties is more of an art form than a science. At LUXMAC, we find that when two independent reports have been ordered simultaneously for the same property, half of them will have appraisal discrepancies. To resolve this issue, our processor or underwriter must often ask the appraiser to address or confirm the inconsistent items, usually via an addendum to the appraisal. Large adjustments to line items, such as quality of construction, time and location can vary substantially from one appraiser to the next. These grid items tend to be subjective and offer the appraiser flexibility when appraising at a valuation.

Appraisers are under pressure to never over-appraise a property, because severe legal complications may result in the event of a foreclosure or short sale. These potential consequences increase significantly with multi-million dollar homes. Therefore, it is imperative to only utilize appraisers who are experienced in that particular market. Also, be sure to review several sample reports before giving them an order. If the appraisers are, in fact, experienced, then any subsequent requests for addendums and explanations should be filled graciously. If not, remind them that their profession of appraising multi-million-dollar properties is not a science. They will probably agree with you.