Low appraisals spur protests



REED SAXON / The Associated Press

Katherine Scheri watches as rusty brown water flows into a bathroom basin as she appraises a hillside home in the unincorporated area of East Los Angeles.

Foreclosures weigh on value of homes

40% sold for less than mortgage

By Alex Veiga
THE ASSOCIATED PRESS

LOS ANGELES — It wasn't the first time Katherine Scheri ruined a real estate agent's day with a low property appraisal.

Scheri, a real estate appraiser, had sized up a house in Santa Ana, Calif., for $30,000 less than what the buyers offered to pay. A typical deal-killer.

Across the U.S., agents and homebuilders are complaining many appraisals are coming in low, scuttling deals.

The National Association of Realtors says nearly one in four of its members has reported clients losing a sale due to botched appraisals. The National Association of Home Builders has said low appraisals were sinking a quarter of all new home sales and argues it's not fair to compare distressed properties to brand-new homes.

And that gets to the heart of the problem.

Roughly 40 percent of all home sales last year were foreclosures or short sales, meaning the property sold for less than the mortgage.

Appraisers determine a property's value by looking at recent sales of comparable homes. They make adjustments for certain features, such as a finished basement. Generally, a foreclosure isn't used as a comparison for a standard sale.

But in some areas, appraisers like Scheri contend they are only sizing up homes according to the reality of the market.

Home prices in many large metro areas hit bottom early in 2009 and are recovering, data last week showed. Yet there are many areas where foreclosures and other financially distressed sales are still rising.

"It used to be a very infrequent thing that you did an appraisal and the value wasn't supported," said Scheri. "Now, it's more common than not."