FHA vs. Conventional Appraisals

What's the Difference?

Many people think FHA appraisals are much harder than conventional appraisals. The truth is that both appraisals consider value, condition, and marketability. The biggest difference is that FHA appraisals must also meet HUD property requirements.

What Both Appraisals Review

- Market value
- Property condition
- Location and neighborhood
- Size, layout, and features
- Comparable sales
- Marketability

Conventional Appraisal

- Used for conventional mortgage loans
- Focuses on market value, condition, and marketability
- Appraiser identifies physical deficiencies that affect safety, soundness, or structural integrity
- Minor cosmetic issues usually do not require repairs
- Significant problems may lead to repairs or further inspection

FHA Appraisal

- Used for FHA-insured mortgage loans
- Includes market value plus HUD property requirements
- Property must meet basic standards for safety, soundness, and security
- Appraiser notes readily observable issues
- Repairs may be required before the loan can move forward

Common FHA Concerns

- Roof issues
- Electrical hazards
- Plumbing leaks
- Structural problems
- Missing or inoperable systems
- Health and safety concerns

Common Myths

Myth: "FHA requires a perfect home."

Truth: FHA does not require a home to be perfect. Older finishes and cosmetic wear are often acceptable if the home is safe, sound, and secure.

Myth: "Conventional appraisals rever require repairs."

Truth: 'Conventional appraisals can also require repairs when deficiencies affect safety, soundness, structural integrity, or marketability.

Important Reminder

An appraisal is not the same as a home inspection. A home inspection is more detailed and should not be replaced by the appraisal process.

Key Takeaway: FHA appraisals and conventional appraisals have more in common than many people realize. Both evaluate value and condition. FHA simply adds HUD property requirements to the process.

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For informational purposes only. Loan and appraisal requirements may vary by lender and loan program.