

Understanding how appraisals work will help you achieve a quicker and more profitable refinance or sale.

The Bottom Line on Home Appraisals



1. An appraisal isn't an exact science

Appraisers give their opinion based on how the home's features and condition stack up against those of similar nearby homes recently sold. One appraiser may include a recent sale while another may consider that sale not recent enough, the home too different or not near enough to be a fair comparison.

2. Appraisals have different purposes

If the appraisal is being used to obtain a loan on the home, the appraised value will be the lower of market value (what it would sell for on the open market today) and the price you paid for the house if you recently bought it. An appraisal being used to figure out how much to insure your home for or to determine your property taxes may rely on other factors and arrive at a different value.

Appraisals are also different from CMAs, or competitive market analyses. In a CMA, a real estate agent relies on market expertise to estimate how much your home might sell for in a specific time period. Because real estate agents don't follow the rules appraisers do, there can be variations between CMAs and appraisals on the same home.

3. An appraisal is a snapshot

Home prices shift and appraised values will shift with those market changes. Your home may be appraised at \$150,000 today; but in two months, when you list it for sale, the appraised value could be lower or higher depending on how your market has performed.

4. Appraisals don't factor in your personal issues

You may have a reason why you must sell immediately, such as a job loss or transfer, which can affect the amount of money you'll accept to complete the transaction in your time frame. An appraisal doesn't consider those personal factors.

5. You can ask for a second opinion

Do you think the appraisal came back too low or too high? You can request that a second appraisal be performed by a different appraiser (if bank allows). You, or a buyer who has requested the appraisal, will have to pay for the second appraisal; but it may be worth it to keep the sale from collapsing. On the other hand, the appraisal may be accurate and it may be a sign that you need to adjust your pricing.



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