

THE BOTTOM LINE ON HOME APPRAISALS

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



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

APPRAISALS HAVE DIFFERENT PURPOSES If the appraisal is 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. Appraisals obtained to determine insurance value on your home or determine your property taxes may rely on other factors and arrive at a different amount.

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 during a specific time. Because real estate agents don't follow the rules appraisers do, there can be variations between CMAs and appraisals on the same home.

AN APPRAISAL IS A SNAPSHOT Home prices and appraised values will shift with those market changes. Your home may appraise 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.

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.

YOU CAN ASK FOR A SECOND OPINION Do you think the appraisal came back too low or too high? You can request a second appraisal with a different appraiser (if the bank allows it). You, or the buyer, 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 first appraisal may be accurate, and it may be a sign that you need to adjust your pricing.



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