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**Hey, Buyers: These Home Appraisal Tips Are for You**

*What to expect, when to negotiate, and how to deal when things don't go your way.*

**Most people have deeply personal reasons for wanting to buy a home. Maybe it's the bathroom that feels like a dreamy, modern spa. Or that two-tiered deck just made for parties.**

**Your lender doesn't care about the freestanding tub. Or the built-in outdoor fire pit. Their only concern is that the house you buy is worth as much as the value of your mortgage.**

**To them, a house isn't a home. It's collateral. (Harsh, but true.) If someday, for some reason, you can't make your mortgage payments, the lender can foreclose on the home and sell it to recoup all or some of its costs. (Even harsher, but also true.)**

**For that reason, a home must be valued at, or above, the agreed-upon purchase price, and this has to happen before you can close on a house. That's where a home appraiser comes in.**

**A Home Appraiser Is Neutral (Like Switzerland)**

**After you sign a home purchase agreement (the contract between you and the seller about the terms of the pending sale), and before your lender approves your loan, the home you're buying must pass an appraisal -- an assessment of the property's value by an unbiased third party: the appraiser.**

**An appraiser is a state-licensed or certified professional. Their job is to assess an opinion of value -- start tip 86: how much a house is worth. End tip: The appraiser is on no one's side. They don't represent you or the seller; instead, this person is a contractor chosen by your lender through an appraisal management company (AMC), a separate, neutral entity that maintains a roster of appraisers.**

**Appraisers survey a house in person, using five main criteria to determine the value of a home:**

**•Location**

**•Age**

**•Condition**

**•Additions or renovations**

**•Recent sales of comparable homes**

**Be Prepared to Pay for the Appraisal -- or to Negotiate**

**Generally speaking, the home buyer is responsible for paying for the appraisal -- and the fee is typically wrapped into your closing costs. However, who pays for appraisal is negotiable. It never hurts to see if the seller is willing to cover it.**

**How much money are we talking about? The average professional home appraisal will run between $287 and $373, according to estimates by the home-professionals resource HomeAdvisor.com. Costs can vary depending on the start tip 87: square footage end tip: and quirks of the house, with higher appraisal prices for larger or more unique homes.**

**Typically, a purchase agreement has a "home appraisal contingency" requiring that the appraisal be completed within 14 days of the sales contract being signed. Because it takes appraisers some time to visit your house and write a report -- up to a week, or longer in a busy housing market -- your lender will order the appraisal immediately after you sign the purchase agreement.**

**So, You Have a Valuation. Here's What It Means -- and What to Do Next**

**When the appraisal is finished, the appraiser issues a written report with his or her opinion of the value of the home. To produce the report, they use their analysis of the property and data from comparable homes, as well as review the purchase offer. The report will outline their methodology and also include photographs that they've taken of the property, inside and out.**

**You and your lender will both receive a copy of the report. Three things could happen next:**

**If the appraiser's valuation matches the price you and the seller agreed to for the home: Your lender will proceed to underwrite your loan. Great news: This is the final step in your loan-getting process! If the appraiser's valuation is higher than what you're paying for the home: Congratulations! You've gained immediate equity. How, you ask? Let's say, for example, you're paying $200,000 for the house. If the appraiser says it's worth $250,000 -- jackpot. That's an instant $50,000 in equity. (Keep in mind, this is very rare.) If the appraisal is lower than what you've agreed to pay for the home: Your lender won't give you a loan for more than the appraised value. If you and the seller agreed on $200,000, for example, but the appraisal is $190,000, that creates a $10,000 shortfall. So what happens next?**

**Don't despair -- not yet. If you're faced with a low appraisal, there are several ways the deal can still go through.**

**If an Appraisal Is Low, You Can Still Make It Work**

**Before we talk strategy, some reasons why appraisals come in lower than expected:**

**•The seller overvalued the price of the home.**

**•The appraiser isn't familiar with the neighborhood.**

**•The appraiser overlooked pending sales data.**

**•The appraiser had trouble start\_tip 88 finding comparable homes, end\_tip or missed comparable homes, so they compared your home with properties outside the neighborhood.**

**•Home prices in the area are changing so fast that the listing agent's price no longer reflects the market.**

**•The appraiser rushed the job.**

**If the appraisal comes in low, your agent will offer recommendations about how to proceed. In general, your best strategy is to persuade the seller to lower the sales price, or to split the difference between the home's appraised value and the price with you. This is when you can rely on your agent -- and their negotiating skills -- to go to bat for you.**

**You can also appeal the appraisal assessment. You'll work with your agent to research comparable homes that support the sales price you agreed upon with the seller and present this information to your lender, who will forward it to the appraiser for a re-evaluation of the home's value. Ultimately, though, it's up to the appraiser to decide whether to revise their valuation of the property.**

**Alternately, you can ask your lender for a second appraisal, though there are caveats:**

**•You'll have to pay for it out of pocket (or persuade the seller to foot the bill).**

**•You're more likely able to challenge an appraisal for a conventional loan than a government loan. And you'd need solid facts to back it up in either case.**

**•There's no guarantee that it will be higher and meet the sales price.**

**The last option: You can come up with the cash yourself to cover the difference between the home's price and the appraised value.**

**If you don't want to take that route (and who could blame you?), a purchase agreement's home appraisal contingency gives you the ability to walk away from the deal scot-free, and with your earnest money deposit in hand.**

**But today, let's assume it all works out. With the appraisal behind you, you'll be one step closer to closing on that house.**