

# What you need to know about Home Appraisals

The most common appraisal ordered by a lender is part of the mortgage process, whether buying a new home or refinancing. Lenders need to determine the *market value of the home* before a mortgage can be approved...*remember, the home and property become the collateral for the loan...Tax appraisal's are based on the value of a home with respect to town for the purpose of collecting taxes, or for a tax abatement...Insurance appraisals are also different in that they also include replacement value on contents, and can include to cover the cost a place to stay if your damaged home is unlivable.*

Lenders will have appraisers run a comparison analysis to determine values based on nearby home sales. Sometimes just a drive-by or a quick stop-by is all that is needed (especially if it is a home improvement loan). The most extensive appraisal type is the walkthrough. Home appraisers will schedule a time and conduct a tour of the home, taking pictures, measuring, and noting any upgrades that could increase value.



Many things can influence a home's ultimate appraised value...including location, views, upgrades, condition, unique features, size, age of the home, updates, and any outdoor amenities such as swimming pools. The most important factor is a breakdown of "*comparables*" – nearby homes or properties that have *sold recently (within the prior 6 months) and* are similar in size and features to the home being appraised (called the "Subject" property). *Comparable Sold records are usually the most important factor in the appraisal value of the subject property. This can be a challenge in a market where the number of listings is significantly lower than the number of buyers vying to purchase property (good old supply vs demand) and home*

*prices are selling for much more than the listing price.*

Homeowners may not realize how much the housing market in their *immediate neighborhood affects the valuation of their home.* To avoid surprises in the valuation of your home and to improve chances for a higher appraisal, do some basic research before the appraiser arrives. Be prepared with relevant information that could increase the ultimate valuation of your home. *Your realtor® can really help out here. Feel free to call Juliette, Lorraine or Peter for a complementary evaluation of your property and a list of comparables from your neighborhood.*

Appearance may not have a tangible effect on value...but making sure your home is neat and tidy can make a good impression (add value) on an appraiser. Prep your home before the appraiser comes by making any small repairs you've been putting off, giving the walls a new coat of paint, and cleaning away any clutter from rooms and hallways. *When the appraiser arrives, your realtor will apprise them about any upgrades or renovations that sets the home apart.* While a comparison analysis of local home sales is important, *appraisers will make adjustments in valuation for differences between your home and the database of comparables.*

Real Estate is unique, and therefore buyers will pay more for a move-in ready house that has been recently updated. Making sure the appraiser understands any unique or significant upgrades that have been done that may set it apart from the *comparables*.

In a market where prices are rising quickly, having extra cash is king. Buyers without extra cash and low-down payments are severely challenged when competing for homes, especially when there are multiple offers.

**First...** make the buyer aware that the appraisal may come in low, and they will need extra cash to fill in the "GAP" between the low appraised value and the price offered. This should be done during the offer stage so the buyer is ready for this issue.

**Second...** if the appraisal comes in lower, the buyer can insist on the mortgage company doing a re-evaluation (the squeaky wheel gets the grease). The appraisal could be wrong, and mistakes could have been made. Check appraisal for square footage, age, number of bathrooms, property size, and are there better comparables to support your value?

**Third...** the buyer and seller can renegotiate the sales price, or NOT

*Although they're often overlooked, home appraisals are an important part of any real estate transaction. With the value of your home on the line, and consistently rising prices, you want to be prepared.*

## We are Never too busy for Your Referrals!

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# APPRAISAL MYTHS

## BUYERS AND SELLERS SHOULD STOP BELIEVING

**MYTH #1**  
The home appraisal is the same as the home inspection

**MYTH #2**  
The buyer owns the appraisal

**MYTH #3**  
An appraisal will let you know how much the buyer will pay

**MYTH #4**  
A bigger home has a higher appraisal value

**MYTH #5**  
All home improvements raise the home's value

