

TOP TIPS

COMPARATIVE MARKET ANALYSIS EXPLAINED

Market Analysis – A CMA is the report provided by a licensed broker or agent to evaluate a property based on data from the MLS.

Purpose – These CMAs are done for sellers to establish a list price and marketing strategy. They are also done for buyers to help arrive at an offer price. It should also be presented to a lender when asking for a loan.

Brokers and Agents - Brokers and agents are not allowed to give an opinion of value only an opinion of market as it relates to a specific property.

Appraisers - An appraisal is a comprehensive analysis and formal document issued by a licensed appraiser it gives an opinion of value for a specific property.

Protective Equity – An appraisal is ordered by a mortgage lender to verify that an asset is enough collateral for a loan. The private lender CMA is an attempt to measure and establish the lenders' protective equity based on the borrower's exit strategy.

Summary - Protective equity, loan to value ratio, property salability, physical condition and location are all elements of the collateral that should be examined.

Actual Value - The CMA is used to help estimate market value. The appraisal is designed to give an opinion of value the market itself will determine the actual value.

These tips explain the purpose of the market analysis from the private lender's perspective.

