

What to expect with your **APPRAISAL**

First things first, what IS a home appraisal?

A home appraisal is the process by which a licensed appraiser conducts a thorough inspection of a property to assess its true worth. The appraiser will then compile all of their findings into a report and generate the home's appraised value.

If a buyer is financing their purchase with a loan, the lender will typically handle ordering the appraisal. This is done to insure that the lender is not over-lending or lending more money than the property is worth. As such, some lenders may actually require buyers to include an appraisal contingency in their offers.

Why should you care about home appraisals as a buyer?

Lenders generally base the amount of money they loan you on the appraised value of a property, not the listing price. If you are financing your purchase with a loan, your lender might require an appraisal contingency to insure that your loan doesn't exceed the value of the property. In these instances, the lender will typically handle coordinating the appraisal.

If the home you've made an offer on is appraised at an amount lower than your offer price, you have a few options:

Make up the difference in price.

As mentioned before, lenders use the appraised value of a home to determine your loan amount. If the property is appraised at a lower value, your lender will decrease your loan amount. If you want to proceed with the purchase, you'll need to increase your down payment to cover the difference between your new loan amount and the agreed upon price.

Renegotiate the price with the seller.

If you really want the home, but do not want the increased financial responsibility associated with a lower appraisal value, you can always ask the seller to agree to a lower purchase price. This can be a long shot in a competitive market where sellers receive multiple offers and bidding wars are common.

Back out of the deal if you have an appraisal contingency.

If the seller is unwilling to renegotiate the purchase price and you don't want to pay the difference out of pocket, an appraisal contingency allows you to cancel the purchase agreement. Additionally, it allows you to recoup your EMD (earnest money deposit) as long as you've met the terms and deadlines stipulated in your offer.

1. Finish minor fixes

Now is the time to break out that to-do list of projects that every homeowner has. Oil the hinges on that squeaky door, put an end to the running toilet, tweak that finicky garbage disposal.

Though they may seem inconsequential to you, to an appraiser, they can downgrade the overall condition of your home.

We suggest taking a tour around your home to survey for those small fixes that you can handle.

2. Crank up the curb appeal

The exterior of your home also plays a role in determining its overall value. If your home were a book, its curb appeal would be its cover, and buyers and appraisers alike WILL be judging it. That's because the condition of a home's exterior is often seen as an indication of the condition of its interior.

Not sure where to start? You could try resolving smaller issues like loose shingles or clogged gutters. Ensuring that any pathways into your home are clear and well-lit is another simple yet effective task to complete.

Adding charming decorative elements to your doorway, and, of course, making sure that your lawn is properly maintained are also great ways to make your home more visually appealing.

3. Consider cosmetic upgrades

Upgrading your home for an appraisal is always a gamble. If you invest a lot of money into a full remodel, there's a chance you won't recoup your investment in added value. That said, smaller cosmetic upgrades are usually worth the effort.

Things like adding a fresh coat of paint, replacing dated bathroom vanities, and switching to newer fixtures tend to require lower costs and less labor, yet they can have a big impact.

4. Document your improvements

You'll want to keep track of any improvements you make to your home.

Your appraiser may not be very familiar with the homes in your neighborhood, so this is your chance to point out any added value in your property. Draw up a list of any upgrades you've made to the property.

If you have paperwork on the upgrades – like contractor invoices, for example – be sure to include copies with your list. Doing so helps to add validity to your assertions and will help the contractor properly assess the quality of work that was performed.

Note: Always obtain proper permitting from your city for any major additions to your home. Unpermitted work can actually decrease the value of your home as resolving unpermitted work can be expensive.

5. Clean, clean, clean

It may sound like a no brainer, but your home should be spotless for the appraisal.

The fact is that appraisals are a little bit subjective, and a clean home will usually rank much better in terms of overall condition than one that the inspector perceives as dirty. Additionally, not cleaning your home frequently increases the likelihood of pests and rodents. This is something an appraiser will consider.

6. Give the appraiser space

Once the appraiser arrives, it's important to give him or her space to do the job.

It can be tempting to guide them or point out all your improvements, but we'd advise against it. Appraisers do this every day. They know what to look for. If you become their shadow, you run the risk of annoying them or, accidentally revealing too much information, which can hinder more than it helps.

Be polite, be cordial, and make yourself available to answer any questions they may have at the end of their tour.

