

Appraisal:

renegotiating, saving the deal & saving money.

An appraisal is an unbiased professional opinion of a home's value. The appraisal assures the lender that they aren't handing the borrower more money than the home is worth and that you are not overpaying! Lenders want to make sure that you are not over-borrowing for a property because the home serves as collateral for the mortgage. If you should default on the mortgage and go into foreclosure, the lender will sell the home to recoup the money it lent. The appraisal helps the bank protect itself against lending more than it might be able to recover in this worst-case scenario.



Appraisals are part of closing costs (paid by the buyer) but can often be paid on a credit card in advance, or paid by others- like your lender- as a

Yay, the house appraised: If the appraisal comes in, at or above the contract price, the transaction proceeds as planned.

Oh, no, the house didn't appraise: If the appraisal comes in below the contract price, there is a chance to renegotiate. Chances are neither you nor the seller wants the transaction to fall through. As the buyer you have an advantage, in that a low appraisal can serve as a negotiating tool to convince the seller to lower the price.

- 1. Reduce the Purchase price:** Did you have an appraisal contingency? Does your loan depend on it? Talk this through with your agent/lender first.
- 2. Negotiate with the sellers:** If the gap between the offer price and the appraised value isn't too large, you may be able to meet somewhere in the middle and secure your dream home. Be nice. Consider a letter to the seller about how this is your dream home...
- 3. Make up the difference:** Most lenders will allow you to pay the difference in price outside of your loan, you might reduce your down payment.
- 4. Cancel the contract:** Sometimes deals just fall through. Even if you really love the home, be smart and don't buy a property that's overpriced. Always be prepared to walk away.
- 5. Wait it out:** Keep your eye on the house because if a deal falls through because of appraisal issues, the homeowners have a hard time getting higher offers from other buyers. They may come back to you to negotiate again.
- 6. Appeal the appraisal:** if you think the appraisal was unrealistic and can make a case that it was way off mark, ask your loan officer to compose a rebuttal (with help from your agent).

***FHA appraisals stick with the property for 120 days, during this time the original appraisal will be used even if a new buyer comes along with a new FHA loan. VA Loans stick for 6 months.

***With all other loan types, a new appraisal is ordered for each potential buyer if the first transaction falls through.

