

THE MOST FREQUENTLY ASKED QUESTIONS REGARDING REAL ESTATE APPRAISALS

Why do you want a professional real estate appraisal?

America's wealth lies in real estate and figuring out the value is important to your economic well-being. The job of the professional appraiser is to determine the value by gathering and analyzing the property and appraisers are an important, third-party, impartial people who protects you from "over-paying" and protects the lender from lending too much money on a property that is not worth it.

Where does an appraiser get their information to compare the value?

An appraiser gets information from a variety of sources, including the Realtors® Multiple Listing Service, tax assessors' records, courthouse records, private interviews (if information cannot be found publicly), other appraisers and personal knowledge of the area. That's why appraisers live and work in your community so they know what's going on in the local real estate market.

What's the difference between an Appraisal and Home Inspection?

An appraiser walks through a home to measure the home, get the number of rooms, the general condition of the home and does not guarantee the condition of the home.

A Home Inspector is a trained engineer; architect, electrician, plumber or contractor who inspects the home to determine if the mechanical parts are working and the structure of the home is sound. An appraiser may mention "potential" problems but you should rely on the expertise of a home inspector instead.

What does an appraiser look for?

An appraiser looks for the following:

1. The condition of the property—both inside and out
2. The room layout and the traffic pattern from room to room
3. If the home has been updated and modernized
4. The estimated square footage of the home
5. Measuring the home and garage and out building

An appraiser usually considers only the property that is "fixed" to the land. Aboveground swimming pools and small sheds are usually not included in the value when figuring out how much your property is worth.

If my appraisal is higher than the tax value, could my real estate taxes go

up?

Absolutely NOT! The appraiser is required to maintain confidentiality with each client (either you or the mortgage company or bank) and does not disclose any information to the local tax assessor.

What's the difference between a SHORT-FORM appraisal and FULL Appraisal?

A short-form appraisal (called a FannieMae 2055 report) relies on direct sales comparisons that have been previously reported into a central databank of other properties sold in the area. It is generally used if there is plenty of data available (like many of the same types of homes in a large subdivision that have sold recently) or the lender does not require a FULL appraisal based upon the down payment and other underwriting factors. It is also used for tax grievances, uncontested divorces or any other legal purposes.

A full appraisal requires a lot of detail to help the lender determine the value based upon other sales in the area, the condition of the property, and if it's an investment property, the highest and best use of the real estate.

What are "comparables"?

The "comparison approach" is looking at the prices paid for similar properties and what a purchaser is willing to pay for it. While not all homes are "exactly" alike, values are given to each comparable property based upon location, square footage, lot size, the age of the home, market conditions (are values rising or falling), construction quality, and other things like fireplaces, in-ground pools, garage, deck, patio, porch, central air, etc.

What does "market value" really mean?

Market value is the "most probable" price that a willing seller and willing buyer are able to negotiate. It is based upon these assumptions:

1. Buy and seller are motivated
2. Both parties are well-informed and well-advised of values
3. A reasonable time is allowed for other people to view the property
4. Payment is made in cash or mortgage (adjustments are made for unusual types of financing however)
5. That the sale is an "arms-length" sale (buyer and seller are completely independent and have no connection or relationship to each other)

What's the difference between "cost approach" and "income approach" when figuring out the value of real estate?

The cost approach says that no rational person will pay more for the property based upon its land value, construction costs, depreciation and its desirability.

The income approach is based upon the estimated net income from rent or the operation of a business based upon other properties like it.

If you are buying the property for your own, personal residence, the appraiser will determine its value based upon the "cost approach" only.

Did you know that you have a right to get a copy of your appraisal?

Under the law, your lender must provide you with a copy of the appraisal request if you send them a written request. If you are dissatisfied with the information, you should contact the lender immediately.

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