5 Things All First-Time Homebuyers Need to Understand About Home Appraisals!

1 Appraisals are all about protecting your lender's investment...just in case you default on the loan.

Yes, an appraisal can tell you if you are paying too much for the home. However, the appraisal is ordered by the bank so that they know that the home is worth at least as much as they are loaning you for your mortgage.

2 Comparables

Much of your appraisal will be based upon similar homes that have recently sold in your area (these homes are called comparables). The appraiser will look at homes that are similar in size, number of bedrooms, bathrooms, etc. Adjustments will be made for condition, curb appeal, amenities, lot size, and location.

There are no recent comparables? The appraiser will base their appraisal on the current cost of building a home just like yours. They will then make adjustments as necessary.

3 The appraisal covers a lot of ground.

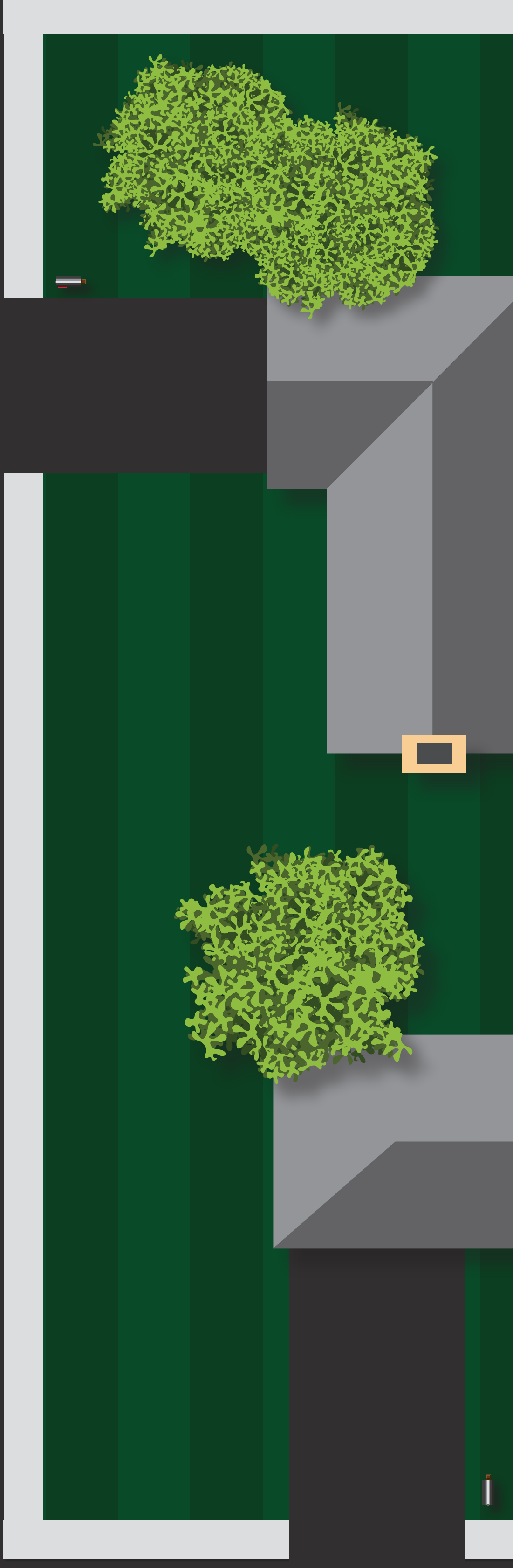
What is covered? Your property, your home, and any permanent structures such as pools, detached garages, and more.

Don't be surprised if you don't see a 100% return on upgrades like pools and finished basements. Your appraiser makes adjustments based upon the value of upgrades in your area and not by how much you paid to install them.

4 An appraisal is not a home inspection.

An appraiser doesn't go through your home with a fine toothed comb like a home inspector will. So don't expect your appraiser to test your home's systems or dive into the crawlspace under the house.

Homebuyers should always protect themselves by having their own home inspector take a look at the house.



5 Low appraisals bring the entire closing process to a grinding halt.

If the appraisal on the home you want to buy comes back lower than the amount you negotiated, the home sale is stopped until the situation is resolved. The home seller could dispute the results and ask for a second appraisal by another qualified appraiser. However, licensed and certified appraisers are highly qualified experts and must have years of experience in the area they do business. The second appraisal is likely to be in the same ballpark as the original.

More likely, a low appraisal represents an opportunity for you to go back to the seller and renegotiate a new price that does not exceed the appraised value of the home. That could be a big win for you.

Want to learn more about buying your first home?

The HomeOwnership Center can give you the knowledge you need to buy your first home with complete confidence. We are Dayton's non-profit homebuying resource and we are here to help you.

The HomeOwnership Center

937.853.1600

HomeOwnershipDayton.com