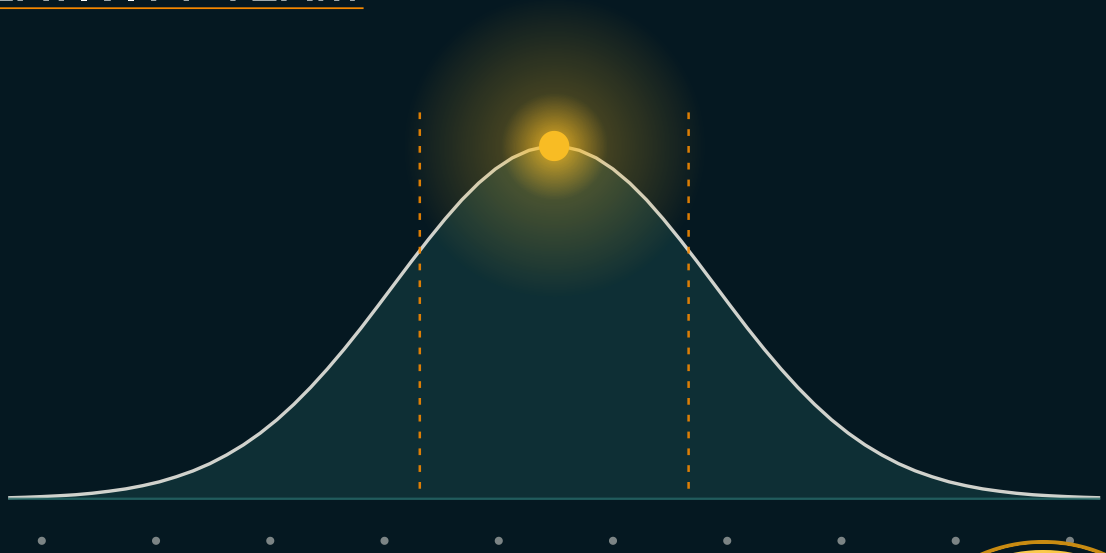
Joal Henke's
CREATIVITY TEAM



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POSSIBLE RESULTS

HOME DECISIONS SERIES

What to Expect From a Home Appraisal

Before You Buy or Sell

How appraisers think, what a low value means and how to prepare.

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Prepared by Joal Henke's Creativity Team | Chattanooga, Tennessee | creativityteam.org

General information only. Not legal, tax, lending or appraisal advice. Contracts, loan programs and costs differ. Ask your lender, attorney and tax advisor about your situation.

SHORT ANSWER **Most appraisals come in at the contract price. Know what happens if one does not.**

Appraisals scare buyers and sellers. They do not need to. An appraiser follows a method. Once you know the method, you can prepare for it.

What an appraiser does

- Looks at the market and recent comparable sales, like your agent does.
- Adjusts up or down for differences, such as size, bedrooms and baths.
- Often uses a price per square foot as part of the math.
- Does a visual look at the home and notes its condition.

Three papers, three jobs

	Appraisal	Home inspection	Agent price opinion
Who orders it	Usually the lender	Usually the buyer	The listing agent
Who it serves	The lender	The buyer	The seller
What it answers	Is the value enough for the loan?	What shape is the home in?	What price fits our goal?
Is it a promise?	No. It is one expert's opinion.	No.	No.

Appraisers work for the lender. They do not work for the seller. They are careful with value.

The three possible results

BOTTOM LINE **Know your plan for each result before the appraiser visits.**

Result	If you are buying	If you are selling
At value	The deal moves forward. This is the most common result in Joal's experience.	The deal moves forward on your price.
Above value	Nothing changes. You still pay the contract price.	Nothing changes. The price stays.
Below value	You may ask the seller to lower the price, put more cash down or leave the deal. Your contract controls this.	You may lower the price, ask the buyer to add cash, or relist. Your contract controls this.

Appraisals can also say "subject to repairs"

An appraiser may report that a home is at value with no repairs. Or at value if certain repairs are done. Safety and condition items drive that second result.

Why condition matters

FHA appraisers check a home against HUD minimum property standards. Joal says VA and THDA loans also look at condition. A low down payment conventional loan still gets a visual look. A roof in poor shape or exposed wiring can change the report.

Source: Rocket Mortgage summary of HUD FHA minimum property standards. Ask your lender how your loan treats condition.

If you are selling

BOTTOM LINE **Run the comps yourself first. Then you will not be surprised.**

- Ask your agent to show you the comps the appraiser is likely to use.
- Make a list of upgrades with dates and receipts. Share it.
- Fix safety and condition items before the visit.
- Make the attic, crawl space and utilities easy to reach.
- Be ready for a low number. Talk through your options with your agent first.

When there are several offers

In a competitive market, a seller may ask buyers to remove the appraisal contingency or show cash to cover a gap. Joal has done this many times. The buyer may still have to get an appraisal for the lender. The buyer just agrees to pay the difference.

A point sellers often miss. Even if a buyer removes the appraisal contingency, the buyer may still have a loan contingency. If the lender will not lend, the buyer may be able to leave. This depends on the contract. Ask your agent to explain the terms.

If you are buying

BOTTOM LINE **A low appraisal is a negotiation, not always the end.**

- Ask your agent for the comps before you make an offer.
- Know how much extra cash you could bring and how much you are willing to bring.
- Keep the appraisal contingency unless you can cover a gap.
- Know your other contingencies, such as the loan.
- If you love the home and it appraises low, you may choose to pay the difference. Make that choice with open eyes.

If you are competing with other buyers

Removing a contingency can help you win. It also adds risk. Talk through the worst case with your agent and your lender before you offer.

Appraisal before you list

Some sellers order an appraisal before they list. A recent example was about $500. Prices differ. It can be useful for outliers and for homes that need repairs.

Appraisal prep worksheet

FILL IN Check each item. Bring this to your agent.

Item	Done	Notes
Comps reviewed with my agent		
Upgrade list with dates and receipts		
Safety items fixed		
Attic and crawl space accessible		
Utilities on		
My plan if the value is low		

If the value comes in low

Option	Cost to me	My decision
Ask for a lower price		
Add cash		
Challenge the report		
Walk away (if my contract allows)		

Need help before the appraiser visits?

BOTTOM LINE **Call us early. We will help you prepare.**

We help with comps, upgrade lists and a plan for a low number.

What we do

- Review likely comps with you
- Build your upgrade list
- Plan for a low number
- Explain your contract terms

Where we work

- We are licensed in Tennessee and Georgia. Outside those states, we introduce you to a vetted local agent and stay in the conversation.

Bring to the call

- Your contract
- Your upgrade receipts
- Your lender's contact

Call us before the visit.

Prepared is calmer.

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Sources and notes. Based on a conversation with Joal Henke, Keller Williams Realty, Greater Downtown, about how she advises clients. Examples are anonymized and rounded. Dollar figures in examples are illustrations, not quotes or promises. FHA standards: HUD summary via Rocket Mortgage.

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HELPING YOU MAKE CHATTANOOGA HOME

Be ready for the number.

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