

How Home Appraisals Work

What They Are, Who Orders Them and Why They Matter

Once you've agreed on a purchase price and started the loan process, the next major step is the home appraisal. For many buyers and sellers, it feels like a mystery step — one that happens behind the scenes and can either confirm the deal or send it back to the drawing board.

Understanding what appraisals are, how they're performed and what they can affect will help you prepare for what's often a key moment in the transaction.

WHAT THE APPRAISER LOOKS FOR

A home appraisal is an independent assessment of a property's market value, conducted by a licensed professional. It's usually ordered by the mortgage lender, but paid for by the buyer, and typically costs between \$400 and \$700.

The appraiser doesn't determine how much the home should sell for — they determine how much it's worth in the current market, based on data and professional standards.

During the visit, the appraiser will:

- Measure the home's square footage
- Evaluate the number and
- types of rooms

- Note upgrades, amenities and overall condition
- Check for any visible issues that could affect value
- Compare the home to recent sales of similar properties in the area

They'll also look at the location, lot size, school districts and market trends. Unlike a home inspection, the appraisal is not a full top-to-bottom review of the property's systems — it's focused strictly on value.

Once the report is com-

plete, the lender receives the official document, which is also shared with the buyer. If the appraised value is equal to or higher than the purchase price, the deal moves forward.

If it's lower than the agreed price, the buyer and seller will need to negotiate how to address the gap. Options include:

- Lowering the price
- The buyer bringing additional cash to closing
- A combination of the two
- Canceling the deal, depend-

ing on contingencies. In competitive markets, appraisal gaps are more common, especially when bidding wars push prices above recent comparable sales.

WHEN APPRAISALS ARE REQUIRED

Most mortgage lenders require an appraisal to protect their investment. If the borrower defaults, the lender wants to be sure the home is worth enough to cover the outstanding loan balance.

However, there are excep-



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tions. In some cash transactions, no appraisal is required. Certain refinance loans may also waive the need for a new appraisal if the home's value is well-established.

- Appraisals can be especially important in:
- Markets with rapidly changing prices
- Rural or unique properties with few comparable sales
- Homes with recent renovations or additions

Some buyers choose to include an appraisal contingency in their offer, which allows them to cancel or renegotiate if the home doesn't appraise at or above the purchase price. Others may waive the contingency to appear more competitive — but this adds risk if the value falls short.

For sellers, understanding the appraisal process helps set realistic pricing and prepare for the lender's evaluation. For buyers, it's one more check-point in making sure the investment is sound.

While it's not the final word on a home's worth, the appraisal plays a vital role in bringing both sides of the transaction to the closing table with confidence.



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REAL ESTATE 101



Appraisers Work for the Lender

A home appraisal protects the lender by confirming the home is worth the loan amount. It's not the same as a home inspection and doesn't evaluate condition in detail.

Appraisal Gap: An appraisal gap happens when a home's appraised value comes in lower than the purchase price. Buyers may need to renegotiate or make up the difference in cash.

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