

Understanding Home Appraisals

How They're Done and Why They Matter in Your Purchase

Home appraisals are a routine part of buying a home, but many buyers don't fully understand how they work or why they matter so much. Whether you're financing with a mortgage or refinancing your current home, the appraisal plays a key role in your real estate transaction.

WHY APPRAISALS ARE REQUIRED

Lenders use appraisals to make sure the loan amount doesn't exceed the home's actual value. This protects the lender in case the borrower defaults. If you're putting in an offer of \$350,000 but the appraised value comes back at \$330,000, the lender will likely only approve a loan based on the lower amount.

That shortfall can cause delays or even derail a deal. Buyers may need to negotiate a price reduction or pay the difference in cash.

Appraisals are also helpful for buyers. They give an objective third-party opinion about the value of the home, helping you avoid making a bad decision by overpaying based on emotion or market hype.



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WHAT APPRAISERS LOOK AT

A licensed appraiser visits the property to assess its condition and features. They review:

- Square footage and layout
- Age and condition of the home
- Upgrades and renovations

- Location and lot size
- Comparable recent sales in the area

The appraiser then creates a detailed report, which includes photos, measurements and a final estimated market value. Most lenders require this report before final loan approval.

If the home appraises at or above the offer price, the loan proceeds as expected. If it appraises below, the deal may need to be renegotiated.

Appraisals are not the same as home inspections. They focus on value rather than condition, though serious issues (like a roof in poor

shape) can still impact the appraised amount.

Understanding the appraisal process can help you plan, negotiate and move toward closing with fewer surprises. It's one more step toward making a smart, secure investment in your new home.



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REAL ESTATE 101



HOMEWISE GLOSSARY

The Buyer Usually Pays for the Appraisal

Most lenders require the buyer to pay the appraisal fee, which typically ranges from \$300 to \$600, though costs vary by location and property size.

Home Appraisal: A home appraisal is a professional estimate of a property’s market value, conducted by a licensed appraiser. Lenders require appraisals to ensure the home is worth the amount being borrowed.

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