

Step 13 to Buying a New Home: The Appraisal

Congratulations!

If you've gotten this far it means you're past the inspection period and now it's time for the appraisal.

What is the appraisal?

An appraisal is completed by a licensed appraiser to provide evidence to the buyers lender that the value of the property is equal to or more than the purchase price.

Who orders the appraisal?

Your mortgage lender is the person who orders the appraisal

Who paid for the appraisal?

This is a buyer's cost, as part of obtaining the loan.

How much does an appraisal cost?

Typically an appraisal cost between \$750-\$950 but can be more, depending on the circumstances (rush, location, size)

A few tips about the appraisal:

- *You do not need to attend.*
- *The buyer's Realtor does not attend either.*
- *Once you pay for the appraisal, it generally takes about 2 weeks before the appraiser comes out to conduct the appraisal. After that it usually takes another week or so for the report to be written. Expect it take about 3 weeks from when the appraisal was ordered for it to be receive by your lender.*
- *Once the report is written, it's given to your mortgage lender. Your mortgage lender will then forward it to you and let you know whether the property appraised at the purchase price, below the purchase price, or above the purchase price.*
- *If the property appraised at the purchase price, nothing further needs to be done and the closing process will proceed forward as planned.*
- *If the property appraised for more than the purchase price, congratulations! That means we got you a great deal and you'll have instant equity in your home on the day you move in!*
- *If the property appraised for less than the purchase price, we have a problem. That means the bank will only give you a loan for the appraised value. In this case, we then go back and renegotiate the purchase price down with the sellers, ideally to the appraisal price. If they won't come down to the appraisal price, then you can choose to either walk away and get your earnest money back or bring the additional funds to closing. For instance, if the purchase price is \$500K, but the appraisal only came in at \$475K and the sellers won't go any lower than \$480K you have to decide if you're going to bring an extra \$5K on top of your down payment and closing costs to closing or walk away from the deal.*