

## **APPRAISAL CONSULTING – SOME OF THE MANY REASONS TO GET ONE**

Every year, countless people in the United States buy, sell or refinance their property. Most, if not all, of these transactions probably include an appraisal when financing is involved. It is an understood and accepted part of the real estate transaction process.

"Let's bring in the expert and make sure we're not spending too much on this property."

But is financing the only reason to get an appraisal? Are there other times when the services of a certified, licensed, independent real estate professional might come in handy? You bet.

### **PURCHASE OF A HOME**

One of the most important issues involved in purchasing a property is developing an opinion of what it's worth so that you can make an informed offer to purchase. A professional appraisal report performed by a qualified, state-licensed appraiser can provide you with an objective, third party opinion of a property's current Market Value. And for the small price of this service, you can give yourself "peace of mind" prior to making an offer to purchase that you're offering a fair price for the property. This is especially handy when buying within the family, for sale by owner, estate sale or any private sale. It can even come in handy when buying through a real estate agent. Knowing the value projections before you are in the middle of negotiations will give you peace of mind.

### **REFINANCE OR GET A HOME EQUITY LOAN**

If you need to consolidate bills, have a college tuition to pay, or just want to tap into the equity of your home, you'll need a new loan, which oftentimes requires a new appraisal of the property. If you do not know how much your property is worth, how much you can borrow or how much equity will be left you may want to order an appraisal before you jump into all the paperwork and disclosures at the bank just to find out you are not valued where you need to be. Please note, if you do have enough value in the property the future lender most likely will not use the private appraisal you just got due to new lending requirements.

### **PMI REMOVAL**

Private Mortgage Insurance or PMI is the supplemental insurance that many lenders ask home buyers to purchase when the amount being loaned is more than 80% of the value of the home. Very often, this additional payment is folded into the monthly mortgage payment and is quickly forgotten. This is unfortunate because PMI becomes unnecessary when the remaining balance of the loan - whether through market appreciation or principal paydown - dips below this 80% level. In fact, the United States Congress passed a law in 1998 (the Homeowners Protection Act of 1998) that requires lenders to remove the PMI payments when the loan-to-value ratio conditions have been met.

Many appraisers offer a specific service for home owners that believe they have met the 80% loan-to-value metric. For a nominal fee, the appraiser can provide you with a statement regarding the home value. Some will even take the next step and help you file a challenge with your mortgage company. The costs of these services are very often recovered in just a few months of not paying the PMI.

### **DIVORCE SETTLEMENT**

A divorce can be a particularly traumatic experience for both parties and is often further complicated by the difficult decision of "Who gets the house?". In most divorce cases, the Court won't usually force the parties involved to "buyout" the other party's interest but it may however order the sale of the home so each party gets an equal share of the equity. Regardless of the situation, it's a good idea to order an appraisal so both parties are fully aware of what the true market value is.

If the parties want to sell the home, they'll have a better idea of what price to set. And on the flipside, if a "buyout" is the chosen option, both parties will feel like they've gotten a fair assessment.

## **ESTATE LIQUIDATION**

The loss of a loved one is a difficult time in life and settling an estate from a death, or probate, often requires an appraisal to establish Fair Market Value for the residential property involved. The ethics provision within the Uniform Standards of Professional Appraisal Practice (USPAP) binds us with confidentiality, ensuring the fullest degree of discretion.

Unlike many wealthy individuals, the majority of Americans do not have dedicated estate planners or executors to handle these issues. Also, in most cases, a home or other real property makes up a disproportionate share of the total estate value.

Here too, an appraiser can help. Often the first step in fairly disposing of an estate is to understand its true value. Where property is involved, the appraiser can help determine the true value. At this point, equitable arrangements can more easily be arrived at among disputing parties. Everyone walks away knowing they've received a fair deal.

## **RELOCATION**

We understand the stress involved with an employee relocation. We take great care in establishing a convenient appointment time for the appraisal inspection. During our thorough inspection, we encourage relocating employees to provide input on the positive attributes of their property along with information about any recent sales or listings in their neighborhood that they want considered.

## **HOME IMPROVEMENTS TO ADD VALUE**

Before you decide to sell your home, there are several decisions to be made. First and foremost: "How much should it sell for?" But don't forget there may be other equally important questions to ask yourself such as "Would it be better to paint the entire house before we sell it?", "Should I put in that third bathroom?", "Should I complete my kitchen remodel?" Many things which we do to our houses have an effect on their value. Unfortunately, not all of them have an equal effect. While a kitchen remodel may improve the appeal of a home, it may not add nearly enough to the value to justify the expense.

## **SELLING A HOME**

Whether you choose to sell your home on your own or use the assistance of a real estate agent, a professional appraisal can help you make a better educated decision when determining your selling price.

Unlike a real estate agent, an appraiser has no vested interest in what amount the house sells for. It's easy for appraisers to step in and give you the information to help you make your decision. Appraiser fees are based on efforts to complete the report and not a percentage of the sales price. So, seeking a professional appraisal can often help homeowners make the best decisions on investing in their homes and setting a fair sales price.

Also note that the appraiser can consult you on what the current financing market is doing, what problems may occur with various types of buyer financing such as FHA/HUD, VA or other government backed financing programs. Different programs have different property criteria and quirks.

## **FIX AND FLIP**

Did you know that an appraiser can actually tell you what ball park you should pay for that run-down bank owned property up the street, the estate property that has been vacant for a year, the two family property where the landlord just does not care anymore? How would you like to negotiate having your own appraisal in your hand? Now take it a step further and that same appraiser could tell you what to repair at the property, what brings value and what does not, a projection (rough only) of the cost to

repair and the repaired value it would project! Would a lender, rehab partner, private finance company or financial backer love to see that before you write the initial offer, or they make a commitment to the project.

#### TAX ABATEMENT

Over the decades of my career I have encountered numerous people complaining about their real estate taxes. No one ever thinks they are low or just right. Well, there are certain abatement processes and timelines that need to be met if you ever want to challenge your specific taxes at some point in time. An appraiser is the perfect consultant for that type of project.

#### UNIQUE PROPERTY

Across this great land of ours there are some amazing properties. Sometimes you go through Cities and Towns and there is a certain pattern to a size, age and style of property. Those are considered simple to appraise. But every now and again an appraiser will run across a unique style, size, location or situation that is out of the box. A proper valuation will need to be made on that property and it will most likely begin and end with appraisers. If you own or are thinking of buying a unique property, consult an appraiser. If in Massachusetts – call us! If elsewhere perhaps we can send a referral to a local professional.