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Sellers: Don't Freak Out When the Appraisal is Lower Than Expected

By Tara-Nicholle Nelson, FrontDoor.com | Published: 4/14/2009

Every professional involved in the sale of your home has the potential to be your best friend or your worst enemy. For example, the appraiser is usually pretty harmless -- the worst they do is inspire a white-glove cleaning to prep your place for their photos. Appraisers do wield the power, though, to derail your deal with a few keystrokes, by typing in an opinion of your home's fair market value that is below what the buyer agreed to pay. The buyer's lender requires that the place be appraised at the purchase price, at minimum, so a low appraisal throws a major mortgage monkey wrench into the sale.

I Know the Feeling. If you get word that the buyer's appraisal came in below value, your first emotional stop will be anger that someone thinks your home is worth even less than the already-too-low sale price -- who does he think he is, anyway, right? Your next stop on the Freak-Out Express is likely to be panic -- the heart-pounding fear that this appraisal glitch might screw the whole sale up, along with your plans for moving on to your next place. Disappointment that things may not come out the way you expected and helplessness to do anything about it round out the understandable pain you might feel from a lower-than-expected appraisal value. But shifting your perspective can put you back in the driver's seat and take you from victim to victor!

Your Mindset Reset. You're not alone -- declining values and very cautious appraisers are causing this issue to come up all the time. Appraisers aren't the bad guys. They're just under a lot of heat these days, as inflated appraisals have been assigned a lot of the blame for creating the foreclosure crisis. Nowadays, appraisers' licenses and livelihoods are on the line when they say what a home is worth, so they are understandably much more critical of every property than ever before.

If you're concerned about how this will impact your deal, clarity is key. Know what your actual bottom line is -- what purchase price will and won't work for you -- and let that govern your renegotiations with the buyer. At the same time, get real. If the lower value is justified by the comparables, it's not likely to change with another buyer or another appraiser. You'll have to choose whether to take a reduced price and close the sale or leave it and hold onto your home. Remember, you're in control of deciding what you will and won't take for your home. What's important is which priorities matter the most to you: getting top dollar or getting closure and moving forward.

Your Drama-Free Real Estate Rx. Review the low appraisal with your Realtor. If she feels like the report is faulty or missed some good, higher comps, ask her to appeal the appraisal, if possible. If the appraisal seems kosher, listen to the buyer's renegotiation requests and decide what price works for you. It's a hard choice to make, but it is your choice. If a reduced price seems unavoidable, see if you can ease the ouch by changing some of the other terms, like having the buyer take your place as-is, since they are getting such a great deal. The upshot: you're not as helpless as you thought!



If the buyer's appraisal comes in below value, review it with your Realtor before deciding the next step to take.

NEXT: Don't Freak Out About: Your Buyer's Loan Falls Through

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Top 10 Ways to Sell a Home Drama-Free

Don't Freak Out About...

- **Your home receives no offers or only lowballs**
- **The home appraisal comes in lower than expected**
- **Your buyer's loan falls through**
- **The home inspection reveals necessary repairs**

Been There, Done That

- **"I want to offer owner financing to a qualified buyer"**
- **"I accepted a bad offer"**
- **"I can't find a home to buy before my current one sells"**
- **"I found a home to buy, but can't sell my current one"**

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- **Drama-Free Home Selling**
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