

When do you need an Appraisal?

Every year, countless people in the United States buy, sell or refinance their own slice of the American Dream. Most, if not all, of these transactions include a simple line item for an appraisal. It has become an understood and accepted part of a real estate transaction. "Let's bring in the expert and make sure we're not spending too much on this property."

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

Property Tax Challenges

It's a running joke that every one has a different perspective of what a house is worth. And it's the tax assessor that seems to always come in at the high end of the scale! Challenging the tax assessment has become an annual ritual in many parts of the country. Unfortunately, most people go into these challenges unarmed. They may pull some information from the internet to support their claims, but have no real basis other than: "It wasn't worth that much last year."

A real estate appraiser can help in these situations. While it may not be economical to commission a full appraisals to lop a few hundred off your tax bill, often an appraiser can do a limited appraisal or neighborhood analysis for much less. These documents can carry a lot of weight when you appear before an appeals board.

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 pay down - 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.

Pre-Sale Decisions

Before someone decides to sell a home, there are several decisions to be made. First and foremost: "How much should it sell for?" But first there may be other equally important questions to ask: "Would it be better to paint the entire house first?" "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.

Appraisers can step in and help make these decisions. Unlike a Realtor, an appraiser has no vested interest in what amount the house sells for. His fee is based on his efforts, 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.

Estate Planning, Liquidation or Divorce

The loss of a loved one is a difficult time in life. Likewise, a divorce can be a particularly traumatic experience. Sadly, these events are often complicated by difficult decisions regarding the disposition of an estate. 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.

There are other uses for real estate appraisals. The highly-trained individuals behind these services are always looking for ways to put their expertise to work for home owners and the people who support them.

