



# Dealing with Low Appraisals

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Managing Broker  
**AB, ABR, ASR, CLHMS,  
CRS, CNE, GRI, EcoBroker,  
e-PRO, TRC**

Business: 360-692-6102  
Seattle: 206-282-5340  
Cell: 360-620-2690  
mollyells@windermere.com  
www.mollyells.com



Windermere Real Estate/West Sound, Inc.  
9939 Mickelberry Rd NW - Silverdale, WA 98383

*If you are already working with an agent, this is not meant as a solicitation for that business.*

Whether it was for the purchase of a home or a refinance, many consumers are facing challenges with low appraisals. After years of very lax standards with regard to appraisals, banks pulled back drastically – and in many instances appraisals became a nightmare; specifically, appraisals which came in “below value”, at a lower price than was needed by the client.

How concerned should a consumer be when an appraisal is low? The answer: very! Because most banks will only lend up to a certain percentage of a home’s appraised value, a low appraisal puts a buyer in the position of needing to bring additional funds to closing in the form of an increased down payment ... unless the seller agrees to reduce the price of the home to match the appraisal. For homeowners who wish to refinance their existing loan, the net result is the same – the homeowner must bring money to the table.

If you are faced with a low appraisal, here are some actions you can take.

- Review the appraisal for inaccuracies and errors. Reading an appraisal can seem like an overwhelming task. Most consumers, when they look at them at all, simply focus on the end number. Take the time to carefully review the data used by the appraiser. Are there errors on the data for your property (referred to as the “subject property” on the appraisal)? For example, if your home has 2,700 square feet and the appraisal only reflects 2,102 square feet, your value is not being accurately reported. If you find

errors on the subject property, contact the appraiser and let them know.

- Carefully review comparable sales. Are they truly comparable to your home? Because the appraiser is bound by certain parameters (homes must be recently sold, within a tight geographic area) the home may not be identical to yours – but there should be solid points of comparison. If you feel the comparable sales aren’t valid, ask the appraiser why they were selected.
- Request a second opinion. Ask for a second appraiser to perform an independent appraisal. While you may incur the cost of a second appraisal, you may feel this is a worthwhile expense.
- Pay the difference between the appraised value and the value needed to purchase or refinance. This allows you to move forward with your purchase or refinance.
- Renegotiate the sale price to match the appraised value. If you’re purchasing, the seller may want to split the difference in value in order to keep the transaction together. You never know until you ask! And sellers, in this market you may need to adjust your sales price to match appraisal values if you don’t want to lose your buyer.
- Find a different mortgage lender. If the appraisal is significantly off value (and you believe this based on facts, not emotions) and your appraiser or lender won’t budge, you may want to find another mortgage lender.

If you have questions regarding appraisals, give me a call at 360-620-2690 or send an e-mail to [mollyells@windermere.com](mailto:mollyells@windermere.com).

