



Real Estate Connection

News from your neighborhood and the world.



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The Importance of an Appraisal

An appraiser is a professional person who can tell you what your home is worth. The appraiser will come to your house and list the number and size of the rooms and any extras, such as a fireplace, porch, pool, or garage. The appraiser will compare your home and property to other homes that have sold recently with similar features. The appraiser then estimates that your home might sell for approximately the same amount of money as similar homes. This is called an "appraisal." In short, an appraisal is the estimated amount of money your home may sell for.

What is a Real Estate Appraiser?

A real estate appraiser is an impartial, independent third party who provides an objective report on the estimate of value of real estate. The appraisal is supported by the collection and analysis of data.

A real estate appraiser values real property (land, houses, buildings, etc.), not personal property (cars, jewelry, furniture). The appraiser determines the physical characteristics of the property to be appraised and estimates value based upon three common approaches to value:

- **Sales Comparison Market Approach**
- **Cost Approach**
- **Income Capitalization Approach**

A state licensed real estate appraiser meets nationally established standards for education and experience, and successfully passes a comprehensive examination. A state licensed appraiser conforms to national ethical and professional standards, which establish the standards for ethics, competency and confidentiality governing professional appraisal practices.



Home Inspections Are Not Appraisals

A property appraisal is a document that provides an estimate of a property's market value. Lenders require appraisals on properties prior to loan approval to ensure that the mortgage loan amount is not more than the value of the property. Appraisals are for lenders; home inspections are for buyers.

The Federal Housing Authority (FHA), which is part of the U.S. Department of Housing and Urban Development (HUD), requires lenders to obtain appraisals of properties securing FHA-insured loans. FHA requires appraisals for three reasons:

- 1) To estimate the market value of the property.
- 2) To make sure that the property meets FHA minimum property requirements/standards (health and safety).
- 3) To make sure that the property is marketable.

The FHA appraisal process will note property deficiencies that are readily observable and found not in compliance with HUD's minimum property requirements/standards. These deficiencies may not be the same as those items noted in a home inspection report.

When Should I Use an Appraiser?

You will likely need the services of a real estate appraiser whenever an estimate of the value of your real estate is required. Most commonly, this occurs when you apply for a real estate loan, either to purchase or refinance your home. You may also need a real estate appraiser to assist in the appeal of your property tax assessment, for insurance purposes, for probate and estate settlements or other reasons.

What's My Property Worth?

It is common to ask the appraiser this question as soon as the appraiser has inspected the property. The truth is at that time the appraiser doesn't yet know. The inspection is the first step of many that the appraiser must complete before a value is determined.

The appraiser measures the house from the outside to determine square footage. The appraiser takes notes concerning the features of your house such as room layout, number of bedrooms, baths, etc. The appraiser also makes a

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determination of the general condition, appeal and functional layout of your house. All of these items are taken into consideration in the appraisal report.

How Long Does an Appraisal Take?

The physical inspection of a typical property usually takes about twenty to forty-five minutes. Sometimes an inspection can take longer if the house is difficult to measure or has some unique features that require additional investigation by the appraiser.

After the initial inspection of the property the appraiser spends time examining or analyzing the neighborhood or area. The purpose of this is to search for other properties that are similar to the property being appraised that have sold recently and examine neighborhood influences. When the fieldwork is finished, the appraiser completes the report at his office.

What does the Appraiser Need to Know?

To help the appraiser complete the appraisal, you can provide some information that is helpful. Please tell the



appraiser of any previous sale on the property within the last 12 months. Indicate if there is a pending contract to purchase on the property. Does the property have any right of way or other easements? Is there structural damage, or water leakage in the house? Is the property in a flood zone? Basically, inform the appraiser about any hidden features or detriments to the property.

How Do I Choose an Appraiser?

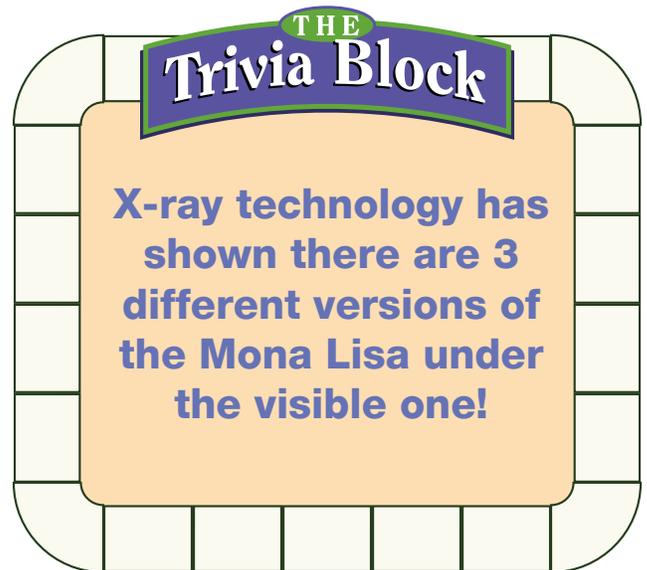
Although federal and state laws usually require that the lender must hire the appraiser when the appraisal is to be used for a

real estate loan, some lenders will allow you to select an appraiser from their list of approved appraisers. For all other appraisals, you are allowed to select your own appraiser.

Licensed real estate appraisers can be found on the internet or by talking to your friends who have previously used an appraiser. Be sure to interview the appraiser carefully to determine if he or she is licensed and experienced in appraising your type of property.

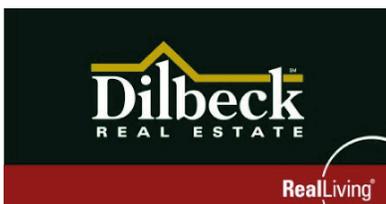


Most licensed appraisers will provide an advance estimate of the cost to perform the appraisal, and many will commit to a fixed fee for the appraisal. It is always wise to obtain a written contract for services which includes a description of what is to be appraised, the scope of the assignment, the anticipated delivery date, the fee and terms of payment.



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