

# How to answer 10 common seller appraisal questions

Educating sellers on the appraisal process helps manage expectations. It gives them a realistic understanding, and it will enable them to navigate the process successfully

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Remember the conversation you had with the sellers about pricing? How sellers can ask whatever they want, and no matter what price the buyers and sellers agree on, if the buyer is obtaining financing, the property has to appraise at the contract sales price or it [opens everything up to renegotiation](#), or possibly the buyer walking away?

You, as the [real estate agent](#), might have total recall, but the sellers might have buried the appraisal speech among so many other things they were going through with [getting the house ready for sale](#).

In anticipation of this event, here are 10 things sellers will ask and how to answer their questions in preparation for the appraisal process.

## 1. What does an appraiser do?

This might seem beyond basic, but sellers might have preconceived notions, correct or incorrect about an appraiser's role.

The appraiser, when hired by a [mortgage lender](#) to conduct an appraisal for purposes of making the loan, is essentially the eyes and ears of the **bank**.

They are supposed to be unbiased and objective, and they will attempt to validate the contract sales price of the property (known as the “subject property”) for the lender making the loan.

This means they will do a physical visit to the property to measure the heated and cooled living space, take pictures and do a visual inspection of both the inside and outside with respect to lot, location view, etc.

Their walkthrough and documentation of the property will serve as the basis for their research to find three to six active, under contract and sold comparable sales that are in the immediate neighborhood as close to the subject property as possible.

But I’ve heard many a seller (and buyer) think they were some sort of [inspector](#). Remind your sellers that appraisers will *not* inspect or check any elements in the house, and they will not walk on the roof. If they observe something of concern, they will note it on the appraisal, such as a stain on the ceiling, tree limb on a roof or potentially a leaning fence.

An [appraiser](#) holds a state issued license based on completing coursework and passing exams to become licensed.

Depending on the state, they must work under a more experienced appraiser for a designated length of time before they can go completely on their own.

There are different levels of appraisers based on their experience levels.

Things that could be noted also depends on the kind of loan being done. If the loan is [Federal Housing Administration \(FHA\) or the Department of Veterans](#)

Affairs (VA,) they will closely scrutinize these kinds of things compared to a conventional mortgage.

## 2. What information should an appraiser have?

The appraiser will need an MLS sheet, tax record, any floor plan or survey documents as well as **a list of improvements and upgrades** that have been done to the home.

The listing agent can provide all of this to the appraiser before their visit. The more information the better. The goal is to make it as easy for the appraiser as possible.

They are typically running from appointment to appointment each day and inside numerous properties, and this helps make sure they have a handy reference and won't omit anything.

## 3. How will our updates impact the appraisal?

It's important for a seller to understand that **not everything that they've put into their home, no matter how extensive or exquisite will be given substantial value in the eyes of an appraiser.** It's critical to remember that an **appraiser will never give value equivalent to the cost of each component in a home.**

The seller might have spent \$20 per square foot on wood floors, but an appraiser might not give any more in value to these than a home that has \$8 per square foot wood floors or even wood tile.

The fancy marble counter tops might not add any extra value when comparing this to a home that has quartz or even granite counters. Pools are especially

subjective, and just because a seller spent \$150,000 on a lagoon style pool with grotto, bar, water slide, etc., does not mean an appraiser will see it that way as far as how much the pool is worth appraisal-wise.

Certain things will not add extra value at all, such as a newer roof or home air conditioner and ventilation system, but they will help the home sell faster and for a stronger price. Pool screens, epoxy flooring or cabinets in the garage, while pricey to install, will not inherently increase the value of a home on an appraisal.

## **4. How will other home sales factor in?**

Real estate: It's complicated. And when it comes down to which comparable properties to use on the appraisal report, it can be anyone's best guess. Fingers crossed, but this is where it can get subjective.

It is important to remember that an appraisal is defined as an art and not a science. Therefore, the comparable properties that one appraiser uses might not be the same as another. Don't expect an appraiser to necessarily include properties in an adjoining neighborhood or area that sold for higher prices to justify a seller's contract sale price if there are lower-priced comparables that are suitable in the subject property's immediate neighborhood.

Cash sales might not be used when the subject property is being financed. An appraiser cannot give huge adjustments to make the subject like the

comparables due to lending guidelines that dictate limits on the maximum percentage of adjustments that can be made.

In other words, don't expect an appraiser to take a 3,000-square-foot home and adjust it to the subject property that is 2,400 square feet. Appraisers are going to try to use the most recent comparable sales available, and those most like the subject in size.

This might be disappointing for sellers who were banking on that record-breaking sale from six months ago to be incorporated when there have been several recent sales that closed for less.

If the home is in a neighborhood where there are higher new construction sales, the appraiser will most likely stick to resales that could have lower prices.

## **5. How does the appraised value compare to market value?**

The market might want to pay more for a home, but when there is financing involved, it's rare that a buyer will want to pay over the appraised value. When there is a shortfall between contract sales price and appraised value, no matter how exceptional or nice the home is, there is less confidence about the purchase.

If the home is in an area that tends to have a lot of first-time, FHA or [VA buyers](#) for example, and there are concessions being given by sellers, such as closing costs, the appraised value might come in less.

Concessions are not viewed as the true sales price of a property, so the appraiser will discount them when determining the real price. In many neighborhoods where this happens, the values want to increase, but appraisals often hold prices back a bit, simply due to the dynamics of most buyers in the neighborhood needing financing that requires an appraisal.

## **6. What if the appraisal comes in less than the contract sales price?**

Besides a difficult inspection, this is one of the most stomach-dropping moments in a real estate transaction. Everything seems to be sailing along just fine until boom, the lender shares the bad news that the appraisal came in less.

The buyers might not have the additional funds to come out of pocket or might not want to. When this happens, the buyer's agent will typically share the appraisal report with the listing agent (unless prohibited by law, etc.), so they can see and understand the shortfall and how the appraiser arrived there.

The seller and listing agent can appeal the appraisal, but don't expect much to happen there. The process can take several weeks with no guaranteed outcome, leaving the sale in limbo and everyone's plans on hold.

Unfortunately, time and money does not wait. The listing agent can pour over the report like a forensic accountant backward and forward looking for discrepancies, errors and bad information as well as submit comparable sales they feel should be considered.

Typically, the appraiser will refute the data submitted. Although minor tweaks could be made, it's usually not enough to pull the value up. As a result of today's lending guidelines, the lender can rarely, if ever, throw out the appraisal and order a new one.

The buyer and seller can elect to renegotiate the price, which could also put all the other terms in the contract up for grabs. This means that any closing costs, items the sellers were willing to leave as well as the closing date could be up for discussion.

If the seller has to come off their price by a certain amount, they might not be willing to do as much or want to close sooner or later in exchange for the hassle.

Worst case, both parties can walk away. It's rare, but it can happen. Sometimes an appraiser brings the value in so low that [the damage is irreparable](#). The appraiser might not be familiar with the area or have experience with the kind of home being appraised (unique, higher-end, waterfront, niche property, etc.), which hurts everyone involved in the transaction.

Determining value is an intrinsic skill that is built over years of working with properties in a variety of neighborhoods and truly knowing and understanding the fabric of those communities inside and out.

Knowing every home, floor plan, how the homes were constructed, who the builders were, lot sizes, views, etc., is not something that can be gleaned from data on a MLS sheet.

## **7. How is an appraiser chosen?**

This is the million-dollar question buyers and sellers wonder about. Who chooses them? The answer is no one. The assigned appraiser is typically in a pool of appraisers that come up in a rotation by a third-party appraisal management company that the lender uses to put everyone at arm's length in the transaction.

The appraiser is randomly assigned, and no one can request a particular person.

While agents are often familiar with some appraisers more than others and might see them come up in a particular lender's appraiser pool, there are plenty of appraisers an agent might not be familiar with who could be given the property to appraise.

## **8. Are there bad appraisers?**

Just like agents, some are better than others. Some appraisers are more intuitive, detailed and have a better grasp of their market. Others are more



reasonable and allow some leeway within reason with the comparables they choose as well as their adjustments, whereas others are more conservative.

No two appraisers necessarily see things through the same looking glass, just like agents.

## **9. Can you talk to the appraiser?**

Appraisers are to remain neutral, so beyond providing information or answering any questions they might have about the property, neither the agents involved in the transaction, the buyer, the seller nor the lender cannot influence them in any way.

Agents cannot ask them what they plan to bring the value in at ahead of time. As a matter of practicality, some appraisers might give agents a heads-up that they are having difficulty bringing the value in at the contract sales price and ask for assistance with comparables.

This is often indicative of the reality to come. A seller lurking around the house while the appraiser is doing the appraisal is not helpful and may only exacerbate the situation.

Pointing out the obvious or how much money was spent doing x, y or z is not productive. This is why providing details of upgrades and what has been done to the home in advance of the appraiser's visit is strongly recommended.

A seller can have this information for reference in the home, but there is no need to go into a dissertation of each item and the history of what was done and why.

If there is an extenuating set of circumstances that need explanation, then it might be helpful to have the [listing agent](#) convey all of that information to the appraiser at the time of their visit.

## **10. What keeps appraisers accountable?**

Just like real estate agents, an appraiser's license is on the line with their work, each and every time. Appraisers have been under scrutiny like never before, especially in the post-real estate market crash era.

They cannot pull numbers out of thin air, and everything they put on an appraisal report must be verifiable, justifiable and have an explanation.

Undewriters review appraisal reports when they are completed for accuracy and might scrutinize what was done on the report and ask the appraiser for more information.

In short, educating sellers on what the appraisal process entails will help to manage expectations from beginning to end. Sellers with a realistic outlook of the process and an understanding of what is and what is not within their control, as well as their listing agent's control, have the best chance of navigating through this milestone successfully, no matter the outcome.