



# **Get What** *it's Worth*


## **Understanding Your Appraisal**

**By Darlene Greene**


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**You might be a novice real-estate investor who wants to know the nuts and bolts of property valuation. Learning about appraisals is a basic part of real-estate investment. Novices can't afford not to seek a professional appraisal. In contrast, if you are an experienced investor, you may or may not feel the need for an appraisal. After all, given your experience, you usually already know property values in your area, or you may work with a diligent real estate agent who performs excellent research. However, if you want to fine-tune a safe, effective approach to property valuation, this report can help.**


**Whether you are a novice or veteran real-estate investor, you must know why an appraisal is critical in some situations to make sure you can expect a positive return on your real-estate investments. The importance of an appraisal depends on you and the particulars of your potential investment property. The tips below can help you decide when to get an appraisal and understand the process.**




For newer investors, getting an appraisal before deciding to invest in the property is a good idea. You may think you are well-informed simply through reading and talking to real-estate agents. That's not enough for a novice. Even for me, a seasoned investor and a mortgage broker, I still rely on professional appraisers because I realize that an appraisal is the only fair, independent, objective assessment of property value.




Appraisals aren't the place to cut costs, though you may be tempted. Admittedly, they aren't cheap. An appraisal may cost around \$300, but that is a small expense for a \$100,000 investment, for example, to ensure that you are getting the value you anticipate.




Appraisals are about financial safety and risk-management for investors. Save yourself heartache and worry by making sure that the value you're assuming actually is there. Otherwise, the consequence is simple: you won't get the anticipated return on your investment.




Not sure how to locate a good appraiser? Start with your mortgage broker. He or she can refer you to a solid appraiser who is known for fair, accurate, market-savvy appraisals. If you're not satisfied, talk to a few mortgage brokers to receive an array of referrals.




If you are buying a personal residence, you still want to get a professional appraisal, especially if you have some nagging concerns about the soundness of the property or if the numbers don't sound right to you. For a personal residence, your loan officer should handle getting the appraisal appropriately through the mortgage company.



If you found an appraiser whom you like, build and/or maintain a relationship so that you have someone you trust to help you assess the next investment property you identify. Someone who works with you over time will learn your strengths and blind spots.



Know that an appraisal for a rental property should include a market analysis and a rent schedule for your tenants so that you can make accurate financial plans for your future.



Sometimes you will need a second opinion from a different appraiser. As a rule, a conventional lender may ask for more than one appraisal in situations where the property is extremely unusual (for example, a historic, high-end property). Generally, for the basic single-family residence, there is no need for a second appraisal, but if you have any doubts, trust your instincts and pay for the second appraisal.

**An appraisal is a means of becoming secure in the knowledge that you can plan on your property's true worth. A solid appraisal helps to remove the risk from specific real-estate investments. The cost of an appraisal is a small price to pay for information that could save you from a lack of return on a poor investment.**



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**Premier Mortgage Source Inc 1900 Byrd Ave Suite 100 Richmond, VA 23230-3033**

**Toll Free Phone: (800) 697-9873 Fax: (804) 377-9354**

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