

## The Appraisal Process Has Many Buyers Confused, So Allow Me to Explain It

First, a caveat: I am not an expert on appraisals and appraisers. As a Realtor®, however, I have a sufficient understanding of the process as it relates to buying a home, and I find that even my seasoned buyers look to me for an explanation, so here's what I tell them.

Until a couple years ago, appraisers were hired by the mortgage loan officer, but that ended when it was discovered that some loan officers (and real estate agents) were colluding with appraisers to defraud lenders by overvaluing homes.

Nowadays, loan officers must work with appraisal mortgage companies (AMC's), who select and pay the appraiser. This has added \$100 or more to what buyers pay for an appraisal, and the quality of appraisals has declined because the AMC's maximize their profit margin by paying less to the ap-

praisers. Loan officers and real estate agents are prohibited from speaking with the appraisers, lest they influence them in any way. This is not entirely a good thing, since the appraisers are less likely than before to be familiar with the area in which the home is located.

Just this week, I had a loan rejected because the appraiser described Golden as a "declining market."

Even though the appraisal was in excess of the contract price, the underwriter would not approve the loan. The only solution was to delay closing by a couple weeks so that a new lender could be found and a new appraiser could be hired. But it's still a crapshoot.

Usually, the appraisal is not ordered until after inspection issues are resolved. This is to save money for the buyer in case the contract falls on inspection issues.

In some cases it makes sense to do the appraisal first and hire the inspector second. An example of this is when the buyer suspects the house will not appraise and wants to renegotiate price before investing in an inspection.

If a house doesn't appraise for the contract price, the seller can sometimes sell the house — as I have done — above the appraised value. This is especially possible when the buyer is borrowing less than 80% of the purchase price. If a buyer is borrowing only 50% or less of the purchase price, the lender is less at risk when the buyer pays more than the appraised value of the home.

Comments from an appraiser and two mortgage professionals can be found on the website, [JimSmithColumns.com](http://JimSmithColumns.com).

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#### Beautifully Updated 4-Bedroom Home in Golden

Mountain Ridge has some great moderately-priced homes, and this is one of them. Located in the heart of the subdivision at **282 Canyon Point Circle**, it boasts a newly updated kitchen and master bathroom, which you will really like. The backyard is big and private compared with other yards, and the 3½-car garage is a handyman's delight! The super high-end hot tub is included with a full-price offer. The home's original wood shingle roof was recently replaced with composition shingles, too. I don't see any flaws in this home! Priced to sell at **\$429,000**, I'm expecting this home to sell quickly. Visit the website above to take a narrated video tour or see a slideshow. **Open this Saturday, 1-4 p.m.**



[www.MountainRidgeHome.com](http://www.MountainRidgeHome.com)

#### REAL ESTATE TODAY



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