

What Happens if the Property I'm Buying Doesn't Appraise?

You found your dream house and maybe bid a little more than you intended to pay. You figure it will all work out since your mortgage pre-approval was for more than you bid. But then the appraisal happens and you hear the dreaded words 'the house didn't appraise.'

Now what?

What Does it Mean for a Property 'Not to Appraise'?

First, let's look at what it means when a house doesn't appraise. Don't sellers market their homes for the right price?

In a perfect world, yes they do, but not all sellers work with experienced real estate agents or appraisers. They may price the home on what they feel it's worth, but the market data may say otherwise.

A home's true market value relies on the appraiser's evaluation of the subject home and any comparable sales in the area. An appraiser's fair market value is an independent evaluation of the property that most lenders take at face value.

What Options do you Have if a Property Doesn't Appraise?

So what happens if the appraiser says the home is worth less than you offered? It's a difficult situation, but you have options.

- Renegotiate the sales price with the seller – Many sellers will renegotiate the sales price knowing that unless they find a cash buyer, they won't get the higher price since lenders won't lend more than the home is worth.
- Pay the difference in cash – If you have the cash handy, you can make up the difference between the sales price and appraised value. This means you'll pay more for the house than it's worth, but sometimes if it's a long-term investment, it's worth it.
- Walk away from the sale – If you don't have the cash to make up the difference and the seller won't renegotiate, you may want to consider finding another property that's worth as much as you offered.

Should you Buy a House that Doesn't Appraise?

The bigger question here is – should you buy a house that doesn't appraise? While it's a personal decision, you should weigh all the factors.

Ask yourself:

- How long will you keep the home? Paying more for a home you'll only own for a short time will likely end up with a loss.
- Do you plan to fix the home up to increase its value?
- Do you have the cash to invest in a home that you're paying an inflated price for?
- Will your lender approve it?

Final Thoughts

When a house doesn't appraise it can feel frustrating, but there are ways to work around it. If you're wondering how you'd handle the situation or you want a trustworthy real estate agent by your side helping you make these difficult decisions, contact me.

I've been in the industry for many years and have helped families through similar situations. While it's not fun to find out a home didn't appraise, you have options and I'm here to help you through them.