

## **Some Myths and Realities About Real Estate Appraisals and Appraisers**

**Myth:** Assessed value should equate to market value.

**Reality:** While most states support the concept that assessed value approximate estimated market value, this often is not the case. Examples include when interior remodeling has occurred and the assessor is unaware of the improvements, or when properties in the vicinity have not been reassessed for an extended period.

**Myth:** The appraised value of a property will vary, depending upon whether the appraisal is conducted for the buyer or the seller.

**Reality:** The appraiser has no vested interest in the outcome of the appraisal and should render services with independence, objectivity and impartiality — no matter for whom the appraisal is conducted.

**Myth:** Market value should approximate replacement cost.

**Reality:** Market value is based on what a willing buyer likely would pay a willing seller for a particular property, with neither being under pressure to buy or sell. Replacement cost is the dollar amount required to reconstruct a property in-kind.

**Myth:** In a robust economy — when the sales prices of homes in a given area are reported to be rising by a particular percentage — the value of individual properties in the area can be expected to appreciate by that same percentage.

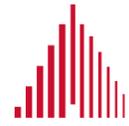
**Reality:** Value appreciation of a specific property must be determined on an individualized basis, factoring in data on comparable properties and other relevant considerations. This is true in good times as well as bad.

**Myth:** You generally can tell what a property is worth simply by looking at the outside.

**Reality:** Property value is determined by a number of factors, including location, condition, improvements, amenities and market trends.

**Myth:** Because consumers pay for appraisals when applying for loans to purchase or refinance real estate, they own their appraisal.

**Reality:** The appraisal is, in fact, legally owned by the lender — unless the lender “releases its



interest” in the document. However, lenders must provide property buyers with free copies of appraisals no later than three days before the loan closes.

**Myth:** Consumers need not be concerned with what is in the appraisal document so long as it satisfies the needs of their lending institution.

**Reality:** Only by reading a copy of their appraisal can consumers double-check its accuracy and question the result. Also, it makes a valuable record for future reference, containing useful and often revealing information — including the legal and physical description of the property, square footage measurements, list of comparable properties, description of the general market area and current market trends in the vicinity.

**Myth:** Appraisers are hired to provide opinions of value only in situations involving mortgage-lending transactions.

**Reality:** Depending upon their qualifications and designations, appraisers can and do provide a variety of services, including advice for estate planning, dispute resolution, zoning and tax assessment review and cost/benefit analysis.

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