

7 Steps to Take When an Appraisal is Too Low

Appraisals that come in below the agreed-upon purchase price can kill a sale. Having a response plan can save you from losing out on all the hard work you've undertaken to find your dream home.



1. Comb the appraisal for small errors

Read the appraisal report front-to-back to check for any errors. It's not unheard of for an appraisal report to miss a bedroom or underreport the home's square footage.



2. Check the comps

Check in with your agent about whether the comparable properties used by the appraiser were reasonable. If your home was compared with properties from a different neighborhood, school district, town or construction era, they can affect how a property is valued.



3. Request a second opinion

If the appraiser ignores your request to revise the report, escalate your request to your agent or lender who might be able to plead it to the underwriter and request a second appraisal.

If the second appraisal supports your claims, the lender is much more likely to consider disregarding the first appraisal, and accepting the second opinion.

Why does the appraisal matter?

Mortgage lenders will only fund transactions up to a certain percentage of the appraised value of a home.

If the home appraises low, either the buyer must come up with an increased down payment, the parties must agree to a price reduction, or some combination of both of these must happen. If not, the deal is off.

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4. Renegotiate your sales price

A low appraisal is a lose/lose situation. If the sellers have the leeway (meaning equity) or their bank agrees (in short sales), they might consent to reduce the price or complete some needed work to close the deal.



5. Help close the gap

When trying to negotiate a price reduction, increasing your down payment to help sellers close the valuation gap can be a great motivational tool.

Some buyers refuse to do this because they feel like they're overpaying for the property. Others are willing to kick in a little extra dough to get the home they want. Work with your agent to figure out which bargaining position works for you.



6. Change lender divisions

Many experienced local mortgage brokers work for companies that also have banking divisions, which they might use to process your loan and work around a low appraisal. Ask your mortgage broker if their office has a banking division.



7. Change your lending company

Mortgage brokers can no longer cherry-pick appraisers for a given transaction. Make sure your appraisal is conducted by a local professional who understands and appreciates nuances like neighborhood, school district or construction era.

Consider talking to your agent

If you feel that a property you're interested in is worth a higher price, talk to your agent and lender about these seven strategies and other lending options you can use to overcome an appraisal hurdle that threatens your ownership dreams.