

What To Do With A Low Appraisal

By Rob Lawrence



On every loan, there are a number of hurdles that must be overcome before the loan is “cleared to close” by the underwriter. One of the most important hurdles is the appraised value on the property. A deal can be dead on arrival, if the property comes in too low. A value can never be high enough (given the local market conditions), provided that there is comparable value to support it.

I’ve seen too many loan officers work so hard on a loan, only to have it fall apart when the report comes back. Could you have saved your last dead deal? How much money did you lose in commission, because of a low appraisal? Follow these steps and your next deal will be a closer, NOT a loser...

- * Get the appraiser to go back out and re-evaluate the property. Did he overlook something? Did he do most of the report at his desk and spend little time out at the property? Was it a rushed job?

- * Be sure to check the comparable properties listed on the report. Ask for additional comparables so you can make sure that the appraiser is valuing it properly.

- * Ask your realtor contacts if any similar properties will be closing soon. You may be able to use these as comparables if need be.

- * Will the bank allow a desk appraisal? If there is significant equity in the property, or the purchaser is putting a lot of money down, is there even a need for a full appraisal? What did automatic underwriting come back with? Will the bank accept a drive-by appraisal?

- * Did you do your homework up front first? Always be sure to check the property value on your own. A great site I use is domania.com. Also you’ll want to check the local tax assessors office to get a rough idea of property values in the area. Do this, and you’ll always be able to get a sense if the deal looks “iffy” or not.

- * If it’s a purchase loan, you can still do the loan, but purchaser will have to make up the difference in down payment amount and pay for the additional “missing equity” with extra money down. Does the borrower have the funds to do this? Are they even that interested in the property to pay above “market value”? Don’t count this out! I’ve seen it happen!

- * Will the seller lower the asking price? This can help make up the difference between the appraised value and the sales price.

- * Can you get rid of any seller concessions, which may artificially have raised the purchase price of the home? Again, this will help lower the sales price and shorten the gap.

- * Is there still time before you submit the loan to have a new appraisal done by another company? If the original report had serious flaws, you may want to consider this. Keep in mind that all appraisers work within specific guidelines and one appraiser may not be any better than another.

Please, don’t give up too soon! Just when you think the deal is dead, it may come back to life. Follow my advice above, and you’ll be all the richer next time.