



Appraisal  
Institute®

*Professionals Providing  
Real Estate Solutions*

# Estimating Home Value



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## **How can I find out what my house is worth?**

As a homeowner, you may have reason to question the value of your home on various occasions. These may include planning to buy or sell a home, appealing your property tax assessment, seeking to eliminate payment of private mortgage insurance or undertaking a major home renovation project.

## **When an Appraisal Is Needed**

### **Buying or Selling a Home**

If you're planning to sell your home, setting an appropriate listing price can help to speed the sale. An appraiser, using market data, arrives at an opinion of market value that can help you decide on a fair listing price. Similarly, when you're shopping for a new home, a professional appraisal can tell you if you're paying market value.

Transfer of ownership typically involves a mortgage, and an appraisal usually is required before a home loan is approved. Lending institutions may require an appraisal of property that will be used as security for a mortgage, and this opinion of value plays a key role in mortgage application approval and the amount of down payment required.

### **Canceling Private Mortgage Insurance**

New homeowners are frequently required to obtain private mortgage insurance, but as a result of legislation passed by Congress in 1998, homeowners can cancel this coverage when their loan-to-value ratio reaches 80 percent. To take advantage of this option a homeowner generally must have a good payment history and satisfy the holder of the mortgage that the

value of the property has not declined below its original value. An appraiser can develop an opinion of the current value of the home, which will assist the homeowner in deciding whether or not to ask the lender to drop mortgage insurance.

### **Relocating for a Job**

Real estate appraisals are often needed by relocation firms that assist employers in the transfer of their employees. Sometimes, the relocation firm offers to purchase an employee's home if the employee is unable to sell the home during a specified time period. An appraiser is called in to estimate the market value of the home; this estimate of value helps the relocation firm decide how much to pay for the property. The appraiser may be selected by the relocation firm, the employer or by the homeowner-employee, depending on the relocation firm's policy.

### **Appealing Your Tax Assessment**

In most communities real estate taxes are based on an *ad valorem* ("according to value") assessment of your property's value. If you believe the assessed value is unfair, you may have the right to appeal the assessor's valuation. Many assessment appeals can be resolved with a telephone call or letter to your local assessor. If a dispute is carried beyond this point, however, you may want a professional appraiser to give you an independent opinion of value to bolster your appeal to the assessor.

### **Remodeling & Rehabbing**

Many homeowners today are choosing to fix up rather than trade up: to remodel and enlarge their current home rather than move to another home. But don't count on receiving a dollar-for-dollar return at resale time—improvements may not return their costs. Some highly personalized improvements can even handicap the sale of your home. If you're considering improving your home with the intention of increasing its resale value, an appraiser can help you decide which improvements make the most economic sense.

If you're undertaking a major rehabilitation project, a feasibility study can be very useful. The appraiser can also investigate whether your property qualifies for historic preservation benefits from the federal and local governments. All of the data, gathered and analyzed by the professional appraiser, can aid you in your decision to rehabilitate.

### **Other Decisions Requiring Appraisals**

An experienced, professional appraiser can assist in many other real estate decisions. Appraisers often are asked come up with a value for the courts to use in establishing "just compensation" in situations where the government takes private property for public use, such as for a road or public park. The law requires that owners of the property taken in this manner must be paid a fair price. Appraisers also can give an opinion of value of property for gift or inheritance taxes, lease rental schedules and other investment purposes.

### **The Value of A Good Appraiser**

Whatever the reason that calls for a value estimate of your home, you should engage the services of a designated member of the Appraisal Institute. These professionals have met stringent education, experience and ethics requirements that surpass many of those required for state licensure. Reflecting their unbiased and objective approach to real property appraisal and analysis, members of the Appraisal Institute are required to adhere to a strictly enforced Code of Professional Ethics and Standards of Professional Appraisal Practice. Appraisal Institute members may hold the prestigious MAI, SRPA and SRA designations.

### **How to Find a Member of the Appraisal Institute**

It's easy to find a member of the Appraisal Institute. Simply go to [www.appraisalinstitute.org/search.asp](http://www.appraisalinstitute.org/search.asp) for our "Find an Appraiser" option. You can search for designated and associate members throughout the United States as well as abroad by name, city, county,

state or metropolitan statistical area (MSA). You can also search for designated members by business services and property type.

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*For 75 years, the Appraisal Institute has been the leading organization for professional real estate appraisers. Reflecting their unbiased and objective approach to real property appraisal and analysis, members of the Appraisal Institute are required to adhere to a strictly enforced Code of Professional Ethics and Standards of Professional Appraisal Practice. Appraisal Institute members may hold the prestigious MAI, SRPA and SRA designations.*

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