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Determining Your Home's Value

Appraisals and CMAs

Appraisals are primarily used to protect the lender's interest in the property. Just like lenders can be hesitant to issue a mortgage to credit-risky borrowers, they don't like to underwrite properties for more than they're worth. Appraisals also are used when other factors have made it difficult to assess your property's value, such as a lack of real estate activity in your area.

REALTORS® stress the importance of understanding that an appraisal is just the opinion of a trained professional: Five different appraisers could attach five different price tags to your home. Appraisals are based on past sales data, the location of the home, the size of the lot and the condition of the home. If the buyer's mortgage is insured through the FHA, the appraiser must disclose potential problems relating to the physical condition of the home; there are no similar stipulations for non-FHA mortgages.

Your REALTOR® may recommend an appraiser for your home. Also, the Appraisal Subcommittee of the **Federal Financial Institutions Examination Council** offers a member directory on its Web site. You can check the status of California appraisers' licenses through the **Office of Real Estate Appraisers**.

To determine an accurate measure of what your home is worth, REALTORS® can supply a comparative market analysis (CMA), which provides information on recent selling prices of similar properties in the same market. With a CMA, you can monitor the closing price of specific house types in certain areas (e.g., a condominium in a metropolitan area). Again, consult your REALTOR® if you're interested in learning more about a CMA.

Setting The Price

In establishing the listing price for your home, you need to strike a delicate balance between a figure that will scare off potential buyers and a low price that doesn't represent your home's worth. Buyers will compare your home's price with other properties on the market. Therefore, you should use a CMA to assess what consumers are paying for similar homes. CMAs also include information about area homes that failed to sell in recent months along with their corresponding list prices. Your REALTOR® can assist you in obtaining and analyzing that information.

The NATIONAL ASSOCIATION OF REALTORS® suggests some additional steps to help you set your list price. After analyzing sales data, conduct some market research on your own. Attend an open house or two and make an impartial assessment of how those homes compare to yours in terms of size, location, amenities and condition.

Your REALTOR® can be a vital resource in analyzing all the pertinent information with you to develop a list price. Trust your REALTOR®'s judgment, as he or she offers experience in this arena. However, the final decision on the listing price for your home is your choice to make.

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