What Buyers Need to Know About a Home Appraisal

When you're buying a home and using a mortgage, your lender will typically require an appraisal. This step ensures the home’s value supports the purchase price and the loan amount.

What Is a Home Appraisal?

A home appraisal is a professional opinion of value completed by a licensed appraiser. It determines if the price you've agreed to pay for the home is in line with its current market value.

Why It Matters to You

- Loan Approval: Lenders won’t lend more than a home is worth. If the appraisal comes in at or above the purchase price, the process can move forward.
- If the appraisal comes in low, it may jeopardize your loan, require renegotiation of the price, or mean you’ll need to pay the difference out of pocket.

Who Orders and Pays for It?

The lender orders the appraisal, but the buyer usually pays for it as part of their closing costs. Expect to pay between $400–$700, depending on the property and location.

How the Appraiser Determines Value

- The home’s size, layout, and condition
- Location and neighborhood
- Comparable home sales nearby (called “comps”)
- Recent market trends

What If the Appraisal Is Low?

- Renegotiate the purchase price with the seller
- Make up the difference in cash
- Dispute the appraisal if you believe there were errors
- Walk away, if the contract has an appraisal contingency

Pro Tips

- Don’t confuse an appraisal with a home inspection—they’re very different.
- The appraisal protects the lender, but it also indirectly protects you from overpaying.