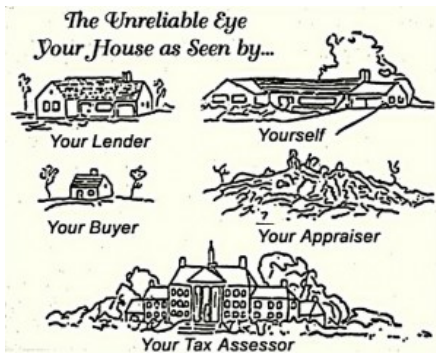


## What Is My House Really Worth?



Many people right now are asking themselves, "What is the value of my home?" **WHO KNOWS?!!!!**

This answer is as good as any considering all of the short sales, foreclosures, and distressed property sales in the market. Before you settle on a value number for your home, make sure you ask yourself WHY you are asking this question. Allow me to explain...

### **What is your home worth if you want to sell it?**

Your home will typically sell for an amount that a buyer is willing to pay you for it...not what you think they SHOULD pay, but what they are WILLING to pay. Your best bet is to seek the advice of a professional Realtor®; before listing your home for sale. A good Realtor can provide you with a list of comparable homes in your neighborhood that have sold recently. These are known in the industry as "comps". You can use comps and their selling prices to figure out a price range for what a buyer would most likely pay for your house. Don't forget to consider how long it took the comps to sell, because this will give you a general idea of how long it might take you to sell your home.

### **What is your home worth if you want to refinance it?**

A mortgage lender will typically require an "appraisal" in order to approve your loan. An appraisal is simply a licensed appraiser's opinion of what he or she thinks that a buyer would most likely pay for your home if it was listed for sale right now. The appraiser looks at recently sold comps when evaluating the market value of your home.

### **Couple of things about the appraisal:**

You will most likely NOT agree with the appraiser's opinion of value. But don't get too bent out of shape with the value opinion if the number works and you are able to proceed with a more favorable rate and financing term. It's just an opinion. You will most likely NOT agree with the comps that the appraiser chooses to use. Appraisers have strict guidelines that must be followed before a comp can be chosen &mdash; one of the most important being, "recent sales in your most immediate area." This guideline can be a real value killer with all of the short sales and foreclosures going on in many subdivisions. Remember, an appraiser is looking at the price that houses are selling for RIGHT NOW, not the price your house might sell for at some point in the near future.

### **What is your home worth for property tax purposes?**

Hopefully not too much! Typically, the city or county "Tax Assessor's Office" assigns an "Assessed Value" and/or a "State Equalized Value" to your property. This value or number is used to calculate your annual property tax. It's not a number that should be used to list your home for sale. Nor is it a number that a lender is going to use to consider lending you money on the property.

Remember, you can dispute the "assessed value" and hopefully lower your taxes! If you're looking at the tax assessor's property valuation and thinking, "Man, there is no way my home will sell for this amount", then you may want to consider filing a dispute valuation with the taxing authority.

Be prepared to fill out the necessary paperwork and provide the assessor's office with evidence to support your claim &mdash; such as recent comps or a recent appraisal from a mortgage refinancing. Be prepared to stand in line along with all of the other thousands of property owners that are currently disputing their property value.

### **What is your home worth for homeowner's insurance purposes?**

You need to look at the "replacement cost" of your home if you are trying to determine if you have enough homeowners insurance. At a minimum, you want to always make sure that your home is insured for at least 100% of its estimated replacement cost.

**Replacement cost is NOT** the market value of your home. **Replacement cost is NOT** the home's purchase price or the cost of

the land. **Replacement cost is NOT** the outstanding amount of your mortgage.

Make sure your insurance agent explains to you the difference between market value and replacement cost for insurance purposes. You don't want to find out the difference between the two when it is necessary to file a claim with your insurer.

**What is your home worth if you are considering buying it or making an offer on a property?**

Make sure you talk to your Realtor<sup>®</sup>; before deciding on this number. The Realtor can show you some comps, tell you what similar homes are selling for in the neighborhood, how long houses are staying on the market, and tons of other important information that **MUST** be considered. Also, the mortgage lender will require a professional appraisal in order to approve your loan if you are using a mortgage to finance your home purchase. The lender will only lend you money based on the **LOWER** of the appraised value or the purchase price. For example, if the purchase price is \$200,000 and the appraised value is \$190,000, the lender will calculate your maximum loan amount using the \$190,000 value. Make sure to make your purchase agreement contingent upon the appraisal.

In conclusion, let me say that there will always be many opinions when considering what your home is truly worth. It's important that you first ask yourself **WHY** you're asking this question before you can really begin your quest for your specific valuation number. As a Certified Mortgage Planning Specialist<sup>®</sup>, my role is to help you make sense of all the chaos and confusion in the market, so that you can better evaluate your mortgage and real estate options. Please call me or send me an email for more information!