

What is "Market Value?"

Market value or fair market value is the most probable price that a property should bring (will sell for) in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised; (3) a reasonable time is allowed for exposure to the open market; (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Who Actually Owns the Appraisal Report?

In most real estate transactions, the appraisal is ordered by the lender. While the home buyer pays for the report as part of the closing costs, the lender retains the right to use the report or any information contained within. The home buyer is entitled to a copy of the report - it's usually included with all of the other closing documents - but is not entitled to use the report for any other purpose without permission from the lender.

The exception to this rule is when a home owner engages an appraiser directly. In these cases, the appraiser may stipulate how the appraisal can be used; for PMI removal, or estate planning or tax challenges, for example. If not stipulated otherwise, the home owner can use the appraisal for any purpose.

For more information about the appraisal process, or about Heck Enterprises, please visit our website:

www.Seward-RealEstate.com

As always, feel free to call our office with any questions about your appraisal.

**** Values are not guaranteed. The performance of an appraisal is a service and is not impacted by meeting a predetermined value—as this is against the law and against USPAP regulations.**

As a result, our fee is paid independent of the value conclusion. Our opinion of value is made without bias or prejudice and is based solely upon the data gathered both in the market and at the inspection.



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SEWARD REAL ESTATE SERVICE

Quality Appraisal Services

Frequently Asked Questions

Understanding The Appraisal Process

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What is an appraisal?

An appraisal is a thought process leading to an opinion of value. This opinion or estimate is arrived at through a formal process that typically uses the three "common approaches to value". They are the Cost Approach - which is what it would cost to replace the improvements, less physical deterioration and other factors, plus the land value. There is the Sales Comparison Approach - which involves making a comparison to other similar, nearby properties which have recently sold. The Sales Comparison Approach is normally the most accurate and best indicator of value for a residential property. The third approach is the Income Approach, which is of most importance in appraising income producing properties - it involves estimating what an investor would pay based on the income produced by the property

What does an appraiser do?

An appraiser provides a professional, unbiased opinion of market value, to be used in making real estate decisions. Appraisers present their formal analysis in appraisal reports.

Why would a person need a home appraisal?

There are many reasons to obtain an appraisal with the most common reason being real estate and mortgage transactions. Other reasons for ordering an appraisal include:

- * To obtain a loan.
- * To lower your tax burden.
- * To establish the replacement cost of insurance.
- * To contest high property taxes.
- * To settle an estate.
- * To provide a negotiating tool when purchasing real estate.
- * To determine a reasonable price when selling real estate.
- * To protect your rights in a condemnation case.
- * Because a government agency such as the IRS requires it.

What is the difference between an appraisal and a home inspection?

The appraiser is not a home inspector nor does he/she do a complete home inspection. An inspection is a third-party evaluation of the accessible structure and mechanical systems of a house, from the roof to the foundation. The standard home inspector's report will include an evaluation of the condition of the home's heating system, central air conditioning system (temperature permitting), interior plumbing and electrical systems; the roof, attic, and visible insulation; walls, ceilings, floors, windows and doors; the foundation, basement, and visible structure.

What is the difference between an Appraisal and a Comparative Market Analysis (CMA)?

Simply put, the difference is night and day. The CMA relies on vague market trends. The appraisal relies on specific, verifiable comparable sales. In addition, the appraisal looks at other factors like condition, location and construction costs. A CMA delivers a "ball park figure." An appraisal delivers a defensible and carefully documented opinion of value.

But the biggest difference is the person creating the report. A CMA is created by a real estate agent who may or may not have a true grasp of the market or valuation concepts. The appraisal is created by a licensed, certified professional who has made a career out of valuing properties. Further, the appraiser is an independent voice, with no vested interest in the value of a home, unlike the real estate agent, whose income is tied to the value of the home.

Who do appraisers work for?

Typically, appraisers are employed by lenders to estimate the value of real estate involved in a loan transaction. Appraisers also provide opinions in litigation cases, tax matters and investment decisions.

How are appraisers certified?

Regulations regarding licensing and certification of Real Estate Appraisers vary from state to state. However, licensing and certification is most often associated with many hours of coursework, tests and practical experience.

After completing the report, what assurance is there that the value indicated is valid?

In communicating an appraisal report, each appraiser must ensure the following:

- That the information analysis utilized in the appraisal was appropriate.
- That significant errors of omission or commission were not committed individually or collectively.
- That appraisal services were not rendered in a careless or negligent manner.
- That a credible, supportable appraisal report was communicated.

Most states require that real estate appraisers are state licensed or certified. The state licensed or certified appraiser is trained to render an unbiased opinion based upon extensive education and experience requirements. To become licensed or certified, appraisers must fulfill rigorous education and experience requirements. In addition, appraisers must abide by a strict industry code of ethics and comply with national standards of practice for real estate appraisal. The rules for developing an appraisal and reporting its results are insured by enforcement of the Uniform Standards of Professional Appraisal Practice (USPAP).

Where does an appraiser get the information used to estimate value?

Gathering data is one of the primary roles of an appraiser. Data can be divided into Specific and General. Specific data is gathered from the home itself. Location, condition, amenities, size and other specific data are gathered by the appraiser during an inspection. General data is gathered from a number of sources. Local Multiple Listing Services (MLS) provide data on recently sold homes that might be used as comparables. Tax records and other public documents verify actual sales prices in a market. Flood zone data is gathered from FEMA data outlets, such as a la mode's InterFlood or Flood insight products. And most importantly, the appraiser gathers general data from his or her past experience in creating appraisals for other properties in the same market.