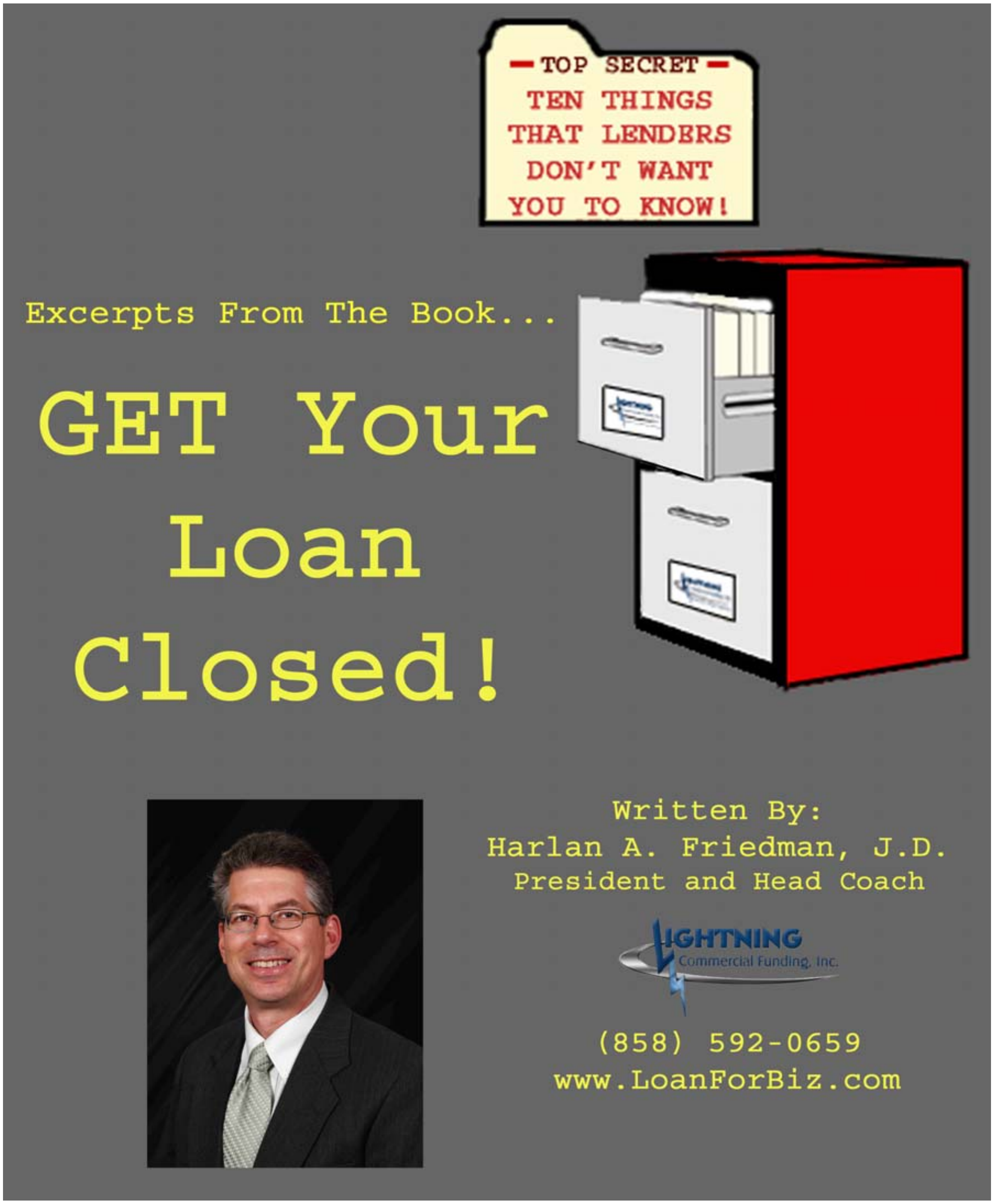

LEARN THE TRUTH ABOUT APPRAISALS

What does the Appraisal process have to do with loan approval?

Everything…ESPECIALLY TODAY!

As lenders become more and more cautious about lending their depositors dollars they are looking for more and more security. Security translates to collateral, collateral translates to security, and they are now one and the same.

An appraisal will be needed to guarantee the bank that the borrower will provide the bank with adequate collateral/security.

The appraisal can be for the subject property, or the appraisal can be for the collateral, or for both. As the appraisals for subject properties are coming in lower than the purchase prices even real estate deals are still requiring additional collateral.

How can that be?

The answer is because of bank foreclosures, short sales, and the sub-prime debacle.

What does that have to do with a good solid deal? EVERYTHING!

Since the banks may have to in the future take back the property as mentioned in the last white report, the bank needs to know they have enough security behind the deal.

With this report we are not going to delve into the different types of appraisal methods, such as the three ways of appraising property: comparables, market approach and the income approach. We are also not going to discuss the highest and best use rule other than to say that a property should be appraised for its ultimate use, not necessarily the use that it is today.

For example a lot that can be approved for neighborhood commercial real estate should be appraised for commercial usage rather than as a residential lot if the property can be re-zoned. More on the process in *GET Your Loan Closed!*.

The appraisal process is a very complicated science with lots of moving variables. Appraisers find comparable properties then either add or deduct value as the subject property is evaluated to the comparables. The appraiser based on what the market is dictating determines the value added or deducted. If the market is stronger then the additions will be higher, if the market is tending to be lower then the additions will not be as high, or maybe not at all. In a declining market properties that are not as strong and the comparables will have even higher deductions as well.

The appraiser will look at all plans and drawings to determine what the future use of the property is for clients that are going through the construction process.

As I am not an expert in the appraisal process this white report will be cut short, the purpose of this report was to identify potential issues and to point you in the right direction as it relates to the process.

Most importantly for a commercial loan do not order the appraisal yourself! If you need to have a value before you enter into a purchase agreement there are two approaches you can take.

1. Hire an appraiser to do a simple appraisal to get a value, do not get the full blown report as it will cost you thousands for a commercial appraisal, and the likelihood that the bank will accept the appraisal is not very high.

2. For the second point download a copy of our book today or order at hard copy at *GET Your Loan Closed!*

For more on the different types of appraisal and more comprehensive examples order our book *GET Your Loan Closed!*