

- [What is an appraisal?](#)
- [What does an appraiser do?](#)
- [Why would a person need a home appraisal?](#)
- [What assurance do I have that the value indicated is valid?](#)
- [Where can I find more information about Real Estate Appraisals?](#)

What is an appraisal?

An appraisal is an unbiased estimate or opinion of value based on supportable evidence and approved methods. They are:

Cost Approach - What it would cost to replace the improvements, less the physical deterioration and other factors, plus the value of the land.

Sales Comparison Approach - Involves making a comparison to other similar, nearby properties, which have already sold. The Sales Comparison Approach is normally the most accurate and the best indicator of value.

Income Approach - This is the most important 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 opinion of market value, to be used in making real estate decisions. They then present their formula in an appraisal report.

Why would a person need a home appraisal?

The most common reason is to obtain real estate property or any mortgage transactions. Some other reasons why a person would need an appraisal are:

- Lower your tax burden
- Obtain a loan
- Establish the replacement cost of insurance
- Settle an estate
- Contest high property taxes
- Provides a negotiating tool when purchasing real estate
- A government agency such as the IRS requires it
- You are involved in a lawsuit

What assurance do I have that the value indicated is valid?

Appraisers must abide by a strict industry code of ethics and comply with national standards of practice for real estate appraisals. The rules for developing an appraisal and

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reporting its results are insured by enforcement of the Uniform Standard of Professional Appraisal Practice (USPAP). Also, most states require that appraisers are state licensed or certified. The state licensed appraiser is trained to render an unbiased opinion based upon education and experience requirements.

Where can I find more information about Real Estate Appraisals?

Wikipedia has a good overview of Real Estate Appraisals [HERE](#).