

How to Dispute an Appraisal You Think is Incorrect

by Gary Dent, First Bank of Beverly Hills

You've certainly heard this horror story, if it hasn't actually happened to you! Everything's set. The buyer, the seller and the lender are all ready to go. And then, the appraisal comes in too low! But don't panic. Appraised values are not set in stone! Here's how to dispute an appraisal you think is incorrect.

1. KEEP IT PROFESSIONAL, NOT PERSONAL. A good appraiser will listen when he's told he might be wrong. But no one wants to be told they're sloppy, they don't know their business, or they're a "deal killer". Tell the appraiser why you think they're incorrect, clearly, simply and professionally. As Donald Trump would say "It's not personal; it's only business!"

The best reason to claim an appraisal is incorrect is that the appraiser handled data incorrectly or omitted relevant data. Look for these errors and omissions.

2. GIVE FACTS, NOT OPINIONS. Statements like "Everybody knows the market supports my value" or "It's obvious that the value should be higher" won't motivate appraisers. Give him facts, not unsupported opinions. The best reason to claim an appraisal is incorrect is that the appraiser handled data incorrectly, or omitted relevant data. Look for these errors and omissions. Are projected expenses too high because past major repairs are now being included in routine expenses? Is a tenant about to move out, to be replaced with a new tenant at a higher rent? Did the report leave out the sale of the building next store, which closed just yesterday? A good appraiser must review such new data, which is your best support for a higher value.

3. PRODUCE THE DATA YOU CLAIM TO HAVE. It's pointless to tell an appraiser "I have a purchase offer for more than your value!" or "Another appraiser valued it for more a year ago!", and then not be able to produce that data. If you want the appraiser to rely on data you have, be prepared to produce it. Otherwise, he'll just assume it doesn't really exist.

4. UNDERSTAND THAT APPRAISAL IS AN ART AND A SCIENCE and apartment buildings don't sell like stocks. It's easy to figure the value of a share of IBM. But buildings are all unique; no two are alike. Be prepared to demonstrate why your building is worth what you think it is.

5. BE PATIENT. Every appraiser knows that some amount of follow up is included in every assignment. But good appraisers are busy! And every good appraiser has several clients, all of them thinking their property should be the appraiser's first priority. After you've told the appraiser why you think the value is too low, give him some time to analyze the information. And ask everyone else in the process – mortgage broker, sales broker, etc. – not to constantly phone the appraiser. Remember, every interruption is a delay. Let the appraiser get his work done!

6. UNDERSTAND THE APPRAISER'S JOB. The appraiser's job is to give his best estimate of market value. It is NOT to come up with the highest value possible, nor to make your deal for you. The appraised value may in fact be correct, even though it's not the value you were hoping for. Be prepared to develop alternative plans with your buyer / lender, etc. if you can't get a higher value.

An unexpected low appraised value doesn't have to be the end of your deal. Get your data together, keep it professional and you may yet grasp victory from the jaws of defeat.

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