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How Much Does a Mortgage Appraisal Cost?

Understanding the process and fees involved in a mortgage appraisal

You've determined the price range you can afford for your future home, you've saved up for the down payment, you've investigated mortgage types and now you're ready to begin the mortgage application process. One of the first steps a mortgage lender will require you to take is to have your home appraised to determine the house's estimated value. As with all steps of the application process, there are fees involved. Is having an appraisal really necessary? What does the fee cover? Are you financially ready to complete the mortgage transaction?

Why an appraisal?

An appraisal is a comprehensive report that will give you a better idea of the property's value. A mortgage lender will require a home appraisal to ensure they are not lending more than the property is actually worth. This is because the house you are purchasing acts as collateral, or guarantee, for the mortgage loan.

What if the house is appraised for less than expected?

If the house does not appraise for the full amount you need to borrow, the mortgage company will either deny your mortgage application or offer you less money for your mortgage. This means that you will either need to increase your down payment to make up the difference, or re-negotiate with the seller for a lower sale price. Alternatively, you can ask the mortgage lender to overlook the lower appraisal report and approve the loan anyway, or request a second opinion by another assessor.

What's the appraisal based on?

An unbiased mortgage appraiser will come to the property and survey the home's internal and external physical characteristics. The appraiser also considers the current real estate market, as well as recent home sales in the area with similar characteristics including size, year built and type of construction. A mortgage appraiser will also take into account how much it would take to rebuild the home from the ground up. The interior trappings of a house, such as wall-to-wall carpeting, exquisite light fixtures or peeling paint, have absolutely no bearing on the outcome of the mortgage appraisal.

How much will an appraisal cost?

There are a number of up-front costs involved with purchasing a home. Paying for an appraisal is one of them. A mortgage appraisal generally costs between \$250 and \$350 for a standard single-family home. Appraisals for multi-unit dwellings and homes located in rural areas will usually cost more.

How do I find someone to do the appraisal?

The mortgage lender will usually select the home appraiser to do the assessment, but you can also find qualified appraisers by asking for homeowner recommendations or by contacting home appraisal professional organizations, such as the American Society of Appraisers or the Appraisal Institute.