

WHAT HAPPENS DURING THE APPRAISAL PROCESS:



As part of your home purchase, an appraisal may be required to attain mortgage financing. An appraiser determines value based on 3 classic approaches: The Sales Comparison Approach, the Cost Approach and the Income Approach. The approach(es) employed depends on the type of property being appraised. For this checklist, we are assuming a residential resale purchase.

Here are the steps required of an appraiser when hired by your financial institution:

- ☐ The appraiser receives the order to appraise with time deadline (generated by your purchase offer).
 - ☐ The appraiser reviews recent (last 6 months or less) sales data of comparable homes in the direct area of the subject property (using MLS data).
 - ☐ The appraiser views the subject property, takes note of amenities and deficiencies, takes a few photos.
 - ☐ The appraiser then prepares the appraisal report using the comparable data, notes & photos from the viewing (the Sales Comparison Approach).
 - ☐ The appraiser then prepares an appraisal using the Cost Approach. Using data & tables the appraiser determines a value based on replacement cost of the subject property & land.
 - ☐ The appraiser then determines a value based on the Sales Comparison Approach, the Cost Approach is used to confirm the value estimate and submits the report to the financial institution.
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Here are the steps the financial institution takes next:

- ☐ As part of the pre-approval process, your financial institution will determine the maximum dollar amount they are willing to finance your mortgage for.
- ☐ This process will include collecting personal data from you regarding your employment, debts, financial obligations and credit rating.
- ☐ Your financial institution will then use the appraisal report to complete the final step in the process and determine whether the risk to the financial institution is within acceptable parameters and offer you mortgage financing for your purchase.
- ☐ The financial institution will finance up to the lesser of the appraised value or the purchase price.
- ☐ You will be required to sign commitment papers once your mortgage financing has been approved.

An appraisal is not required in certain circumstances such as a CMHC insured mortgage or a high-ratio financing option. It's important to note that each financial institution has its own rules and criteria. Educate yourself on the best financial institution for your needs. Better yet, contact me about using a mortgage broker.

If you need local expertise, contact me anytime. I'm here to help!



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