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# Low Appraisal? 3 Things to Do When Home Appraisal Is Lower Than Your Offer

By **Adriano Tori** / January 30, 2023 [Comment](#)

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**W**hen buyers put in a purchase offer on a home, the contract is often dependent on the appraisal. Sometimes, the appraisal comes in lower than the agreed-upon sale price, and lenders will not approve a loan that is

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**higher than the home's value. What happens if an appraisal is lower than the offer? Follow these three steps and use this information to best negotiate your offer after a low appraisal.**

**Notify the lender**

**Review the appraisal with a loan officer**

**Submit a dispute**

For informational purposes only. Always consult with a licensed real estate professional before proceeding with any real estate transaction.



## What Is a Low Appraisal?

**Homebuyers must get an appraisal for a mortgage to be approved in most states.** Lenders require an appraisal so that they can have a sense of the home's market value before they approve a loan on it. An appraiser uses a variety of details about the property and home to

establish value, including:

**Size**

**Location**

**Amenities**

**Recent sales of comparable homes in the area**

Simply put, a low appraisal means that the appraiser's estimated property value is lower than the price the buyer negotiated in the purchase contract.

## Why Do Some Appraisals Come In Low?

**There are several reasons that an appraisal may estimate a property's market value as lower than the price in the purchase contract.** For example, homes in a competitive housing market may increase in value quickly enough that comparable sales reflect an outdated price. Properties in areas with few sales may make it harder for appraisers to develop a comprehensive list of similar properties. In places where bidding wars are common, the price the seller is willing to accept may not be the price that lenders are willing to lend.

## What Can Buyers Do With a Low Appraisal?

**Buyers may have several options to deal with a [low appraisal](#).** These include:

**Challenging the appraisal**

**Canceling the purchase contract and looking for a different home**

**Making a larger payment to cover the difference**

**Renegotiating the purchase contract with the seller**

**Asking the seller to help pay for the difference**

The best choice depends on the buyer's ability to negotiate with the seller and the difference between the appraisal and the purchase contract price. Buyers should talk to their real estate agents before they decide which path to take.

## How Can Buyers Negotiate With Sellers?

**When the difference between the appraisal and the purchase contract is significant, buyers may need to try to negotiate a change with the seller.** In some cases, the seller may be willing to consider adjusting the contract so the sale can proceed. For example, a seller could agree to help pay for part of the [closing costs](#), so the buyer has more money available to cover the shortfall cost. They may also support the buyer in challenging the appraisal and renegotiating the contract, even if the renegotiated price is a little below the original offer.

## How Should Buyers Make a Choice?

**Buyers should take the time to research their options while paying attention to the terms of the purchase contract.** Buyers who have an appraisal contingency may only have a few days to renegotiate the contract or decide to cancel it. Buyers may be tempted to cancel the contract and start again. With no appraisal contingency, buyers could forfeit their deposit by withdrawing the contract. In many cases, it may make more sense to work with the seller to find a better solution first.

## Don't Get Blocked By a Low Appraisal

The buying process is complicated. It is not uncommon for buyers to wonder what happens if the appraisal is lower than the offer. By following this advice, buyers can decide how to navigate this occurrence and begin [planning a moving timeline](#).

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Buying a Home (90)

Community (1)

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Moving Guides (46)

Rental Properties (3)

Water Conservation Tips (2)

Posts By Month

April, 2024 (3)

February, 2024 (40)

Flips (2)

Market Updates (4)

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Selling Your Home (5)

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