

Why You Can't Sell Your House For More Than It's Worth

Peachtree Corners Real Estate Agent, Jennifer Sibley, explains the role that appraisals play in selling your home.

Many homeowners who are trying to sell their home approach it with a strategy of waiting to find the perfect buyer, but the fact is that this tactic just doesn't work. Even if you find the perfect buyer, a person who loves and appreciates your home and is willing to meet your asking price, they still will not be able to buy your home for more than it is worth, even if they want to.

The vast majority of home buyers finance their home purchase. Mortgage lenders look at many factors when deciding to make a loan including the borrower's credit rating and income, but it's not just the buyer that has to qualify in order for a loan to be approved. The property also has to meet certain standards.

During the loan approval process, lenders have an appraisal performed on the property. Most lenders require that the home appraise for at least the purchase price. When a home doesn't appraise, the buyers can't get a loan, no matter how good their credit or how much money they make. It's a deal killer.

In years past, the appraisal was considered a formality in the loan approval process. Some say that inaccurate appraisals are partly to blame for the real estate bubble and now appraisals are taken very seriously by lenders and are conducted by third parties in order to avoid bias.

According to research conducted by the National Association of Realtors, the number one issue that sellers want help with is setting a listing price for their

home. An experienced agent goes about determining a listing price in much the same way as a professional appraiser determines the value of a home. A comparable market analysis (CMA), performed by an agent who is familiar with the area, is the best way to determine a list price for your home.

When performing a CMA, an agent pulls data from public records and multiple listing services of similar homes that have sold in the current market. By analyzing this information, the agent is able to give a reasonable estimate of what the home is worth. However, it's not an equation based solely on numbers. It's important to use an agent with expertise in your neighborhood, because although homes may be similar in age, size, and location, there are other factors that can affect a home's value such as the prestige of a neighborhood or the quality of the elementary school. All of these factors come together to establish an appropriate list price for your home.

A simple economic truth about real estate is that homes that are priced correctly sell. If your home is priced too high, the market will tell you through a lack of showings and offers and you will need to consider a reduction.

Unfortunately, when trying to determine an asking price for their home without the aid of a qualified real estate agent, many homeowners weigh in factors that do not actually affect the value of the home including how much they originally paid for it, how much they owe on it, how much the improvements they've made to the property cost, or how much money they want to have to put down on a new house. In addition to incorrectly factoring these elements into the list price, sellers also face a psychological phenomenon called the endowment effect. Essentially, the endowment effect

says that people are psychologically predisposed to value items that they own more than they would value the exact same item if they did not own it.

As a homeowner looking to sell, your best bet for determining an asking price is seeking out the help of an experienced real estate agent with expertise in your area. Such an agent should be able to determine a price that will get your home sold in a reasonable amount of time and for a price that will be approved by the buyer's lender.