THE DELIA GROUP
REAL ESTATE PROFESSIONALS
248.733.5812

UNDERSTANDING YOUR HOME'S VALUE

Equity, Appraisals & What It Means for You

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WHAT DETERMINES YOUR HOME'S VALUE

Your home's value is shaped by both market conditions and how it compares to similar homes nearby.

Key factors include:

- Recent comparable sales (comps)
- Location and neighborhood demand
- Condition, updates, and presentation
- Square footage, layout, and functionality
- Current inventory and competition
- Interest rates and buyer behavior

Even small differences—like layout or updates—can impact value. That's why pricing and valuation should always be strategic, not estimated.

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WHAT IS HOME EQUITY (REALLY)

Home equity is the portion of your home you truly "own."

It's calculated as:

Current market value

Remaining mortgage balance

Example:

- Home value: $450,000
- Loan balance: $300,000
- Equity: $150,000

This equity can become a powerful financial tool—whether you're selling, borrowing, or planning your next move.

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HOW EQUITY BUILDS OVER TIME

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Equity grows in two main ways—and understanding both helps you build wealth faster.

1. Paying down your mortgage
Each payment reduces your balance and increases ownership.

2. Market appreciation
As home values rise in Rochester, MI, your equity increases even without major changes.

You can also accelerate equity by:

- Making extra principal payments
- Investing in value-adding upgrades
- Buying strategically in strong locations

Over time, equity becomes one of the biggest advantages of homeownership.

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WHAT AN APPRAISAL ACTUALLY IS

An appraisal is a professional valuation required by lenders to confirm a home's worth.

Appraisers evaluate:

- Recent comparable sales
- Property condition and updates
- Size, layout, and features
- Market conditions at the time

Important distinction:

Market value = what buyers will pay
Appraised value = what a lender will approve

These don't always match—and when they don't, it can impact the deal.

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WHAT HAPPENS WHEN AN APPRAISAL COMES IN LOW

A low appraisal can surprise both buyers and sellers—but it's not uncommon, especially in competitive or fast-moving markets where prices may outpace recent comparable sales.

If the appraisal comes in below the agreed purchase price:

- The lender will base the loan on the appraised value, not the contract price
- The buyer may need to bring additional cash to cover the gap
- The seller may need to reconsider pricing expectations
- The deal may need to be renegotiated to keep things moving forward

This creates what's called an "appraisal gap"—the difference between the purchase price and the appraised value.

Without a plan, this gap can delay or even derail a transaction. But with the right strategy and communication between both parties, many deals still successfully move forward.

YOUR OPTIONS WHEN VALUE & APPRAISAL DON'T MATCH

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When a low appraisal happens, you still have options.

Common solutions:

- Renegotiate the purchase price
- Split the difference between buyer and seller
- Buyer covers the gap with cash
- Challenge the appraisal (with stronger comps)
- Adjust deal terms or timelines

The best path depends on the strength of the offer, market conditions, and how motivated each side is to close.

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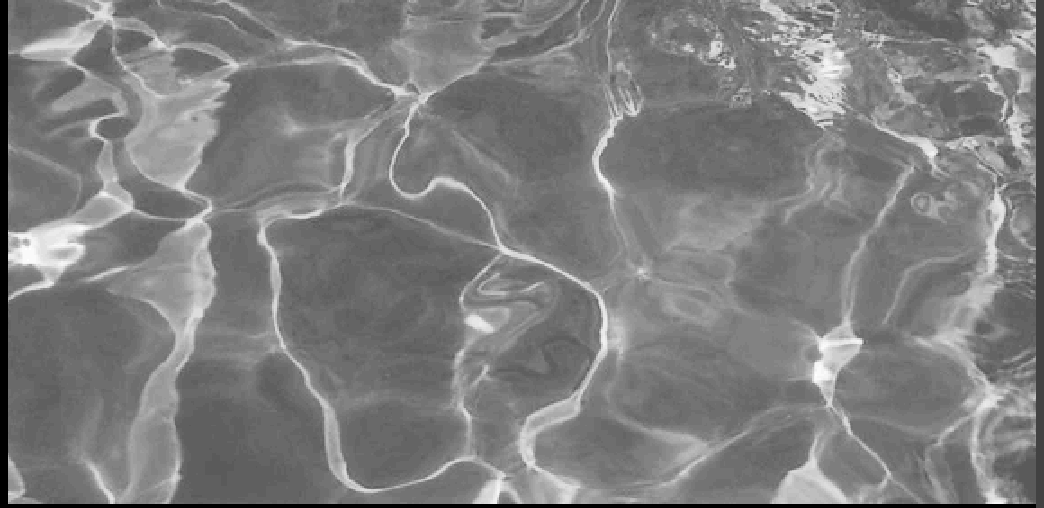

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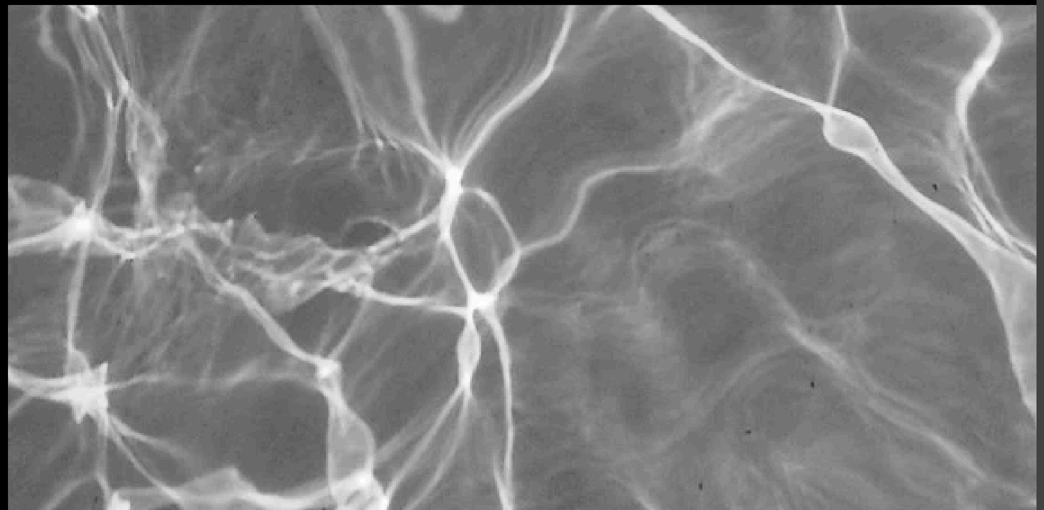
HOW TO PROTECT YOUR VALUE BEFORE IT’S A PROBLEM



The best way to handle appraisal issues is to prevent them.

For sellers:

- Price based on strong, recent comps
- Prepare the home to show at its best
- Understand how your home compares to others nearby

For buyers:

- Avoid stretching far beyond market value
- Understand appraisal risks in competitive offers
- Work with an agent who can guide strategy

Preparation and pricing are what protect your leverage.

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FINAL THOUGHTS

Understanding your home's value puts you in control.

When you know:

- How equity works
- How appraisals impact deals
- What your options are

You can make smarter, more confident decisions—whether you're buying, selling, or planning ahead.

If you're curious about your home's value or equity position in today's Rochester, MI market, The Delia Group can help you build a clear, strategic plan forward.

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kw PAINT CREEK
KELLERWILLIAMS.

THE DELIA GROUP

PHONE:
248-244-0703

WEBSITE:
thedeliagroup.com

ADDRESS:
440 SOUTH MAIN STREET, ROCHESTER, MI, 48307

SOCIAL MEDIA:
@thedeliagroup