Appraising The Appraisal: How Lev Got 15% Extra On A Cash-Out Refinance

By negotiating with a property appraiser, we secured an extra 500K in value for our borrower.

RETAIL

Shopping Center

Grand Rapids, MI

A borrower running a Michigan shopping center wanted a cash-out refinance appraisal that would account for added value and market conditions.

Borrowers usually have little control over how their properties are appraised. A third-party appraiser examines the asset, or the lender has an appraiser on staff. This dynamic prevents the borrower from unfairly boosting the valuation of the property.

Why Appraisals Can Be Tough To Negotiate

Unfortunately, the pendulum often swings too far in the other direction: The borrower receives an appraisal that is way too low. It's frustrating to put in so much time and money on an appraisal, only to receive a bad result. Most appraisers won't negotiate directly with borrowers, so the situation feels set in stone.

How Lev's Appraisal Team Went To Bat For Our Borrower

When our client's appraisal came in lower than expected, our team negotiated with the appraiser. Leveraging their experience in appraisal, our team **found two key flaws in their analysis**:

The appraiser didn't analyze their comparable lease data, instead defaulting to the notion that contract rents were "at market levels." Lev argued that their lack of analysis was misleading, and pointed to comparable leases that had higher rents.

In the profit and loss statement, the appraiser excluded utility reimbursement income which was a crucial aspect of overall miscellaneous income.

The appraiser adjusted their analysis, and the **valuation increased by about 500K, or 15% of the cash-out refinance.** Sometimes the only way to settle this type of dispute is appraiser-to-appraiser. At Lev, you can count on our valuations team.

Final Deal Terms

Loan Proceeds:	$3,030,000
Rate:	5.25%
Term:	5 Years
Amortization:	25 Years
Recourse:	Non-recourse