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Home Repairs to Do Before You Refinance

by

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Property values have come roaring back. Many can now refinance their loans by virtue of having additional home equity. And increased property values can also put homeowners in a better financial position to sell their home without entering short sale territory.

But the fact remains: Everyone wants to attain maximum value for their real estate and home repairs can help.

So what's the best barometer of a home's true worth? Simple: the amount a ready, willing and able buyer is willing to pay at any given point in time. Unfortunately, appraisal estimates can be skewed, especially when not all the home repairs and improvements are taken into consideration. This is why you should weigh all home improvement decisions carefully before you commit.

How Do Home Repairs Help?

When You Refinance

Unlike in years past, the weight of an appraisal to determine the home value for the purposes of refinancing a mortgage is based upon the facts (which are primarily based on other homes that have sold) and what the property description is.

Improvements that may help a refinance valuation:

Additional bedroom or bathroom

Addition to the lot size

Addition to the garage

Improvement that expands the "use" of the home

When it comes to improvements such as landscaping, painting, any home improvement more "cosmetic" in nature, realize that the primary benefit is for the enjoyment of the property, not for trying to influence value.

When Selling

A home buyer is going to take into consideration all of the facts associated with the property, location, lot size, square footage, bedrooms and bathrooms, as well as additional cosmetic improvements that have been done that add to the look and feel of the home.

Improvements that may help a sale price:

New paint job

Freshly maintained landscaping

Remodeled and/or upgraded interior

Deck and/or patio addition

Additional bedroom or bathroom

Addition to the lot size

Addition to the garage

What's the Biggest Bang for Your Buck?

These include the high-ticket items that increase square footage. An additional bedroom or an additional bathroom increases the

square footage, which in turn allows an appraiser to make higher adjustments when determining valuation against other comparable homes around the subject property.

Refinancing

Let's say you have funds ready for possibly improving your home for long-term enjoyment. Instead of using the funds to make home improvements in an attempt to enjoy your home more, you might actually see a greater benefit if you used that money toward a refinance. Over time, the money you save from refinancing could then be put toward those home improvements down the road.

Selling in the Near Future

Typically, you won't get a dollar-for-dollar recapture on the home improvement cost, even when selling. Because the weight is given to improvements that expand the use of the house (i.e. bedroom, bathrooms, etc.), it's more common to expect 20 cents on the dollar, or maybe 30 cents on the dollar, depending on the improvement in such a scenario. Because the market is the strongest indicator of price, the market will dictate sales price followed by additional improvements and subsequent marketing of the home.

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