

What is fair market value?

Find out what a home's fair market value is and how it's calculated.

Fair market value (or "FMV") is an estimate of the price that a home would sell for on the open market. When fair market value is estimated, it is assumed that the buyer and the seller are both reasonably well-informed and neither is in a hurry to buy or sell the house. FMV is an approximate price, not an exact amount.

Fair market value is different from the price for which a homeowner might be willing to sell a house or the price at which a buyer might be willing to purchase a house.

How is fair market value calculated

Professionals consider factors like the size of the home, its age and condition, the size of the property, and the neighborhood when they make their estimates. There is no one formula to calculate a home's FMV. Here are four ways to find it:

- Go to a site like **Zillow** or **Trulia**. One quick way to find the fair market value of a home is to check online real estate sites. Both homeowners and homebuyers can use these sites to research the estimated value of a home and compare it to other houses in the neighborhood.
- Contact a **local realtor** to run a comparable market analysis (CMA). Real estate agents often run this report for homeowners thinking about listing their houses for sale. A CMA will show properties in the area with similar features to the home. You'll see a range of what other homes are worth and get a better idea of where the asking price of your home should be.
- Get an **appraisal**. It typically costs between \$300 and \$400 for a home appraisal. An appraiser will go through the home to determine the interior and exterior condition and come up with what they think it is worth. Appraisals are a part of most home sales because lenders usually require them before they approve a mortgage to buy a house.
- Check the **taxes**. Homeowners can get a copy of the tax assessment, which can give insight into the value of the home. Many communities list this information online, typically on the local county tax assessor website. Both homeowners and homebuyers can use these sources. Online tax records may also include information about a house's last sale price, number of square feet, and more.



Note a house's fair market value can go up or down depending on the economy and local housing market. It's important to evaluate a property's value as close to the point when you want to buy, sell or refinance a home to ensure the FMV is as accurate as possible.

Why is fair market value important?

Fair market value is important in many different financial transactions. FMV is used:

- To help a seller price a home.
- To help a buyer know when a home is fairly priced.
- To help lenders decide when to offer mortgages.
- To estimate a house's value in order to assess property taxes.
- To help file an insurance claim due to a flood, fire or other disasters and accidents.
- To help lenders decide when to offer refinancing for a home. FMV is used to help calculate the equity a homeowner possesses, which is important to mortgage refinances, cash out refinances, and home equity loans.

Fair market value acts as a benchmark to help you determine a home's true worth and protects both sellers and buyers. Are you ready to buy a house, refinance a house, or get cash from your home's equity? We can help with all three! Contact a Freedom Mortgage [home loan advisor](#) to learn more. Call 877-220-5533.



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