



BPOs: The Agent's Role in the Valuation Process

Student Manual

A program by the National Association of REALTORS® and the Center for Specialized REALTOR® Education



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Introduction

Acknowledgments

REBAC and the National Association of REALTORS®(NAR) expresses gratitude and appreciation to the following individuals for their subject matter and industry expertise, input and feedback, and commitment to providing the best education for today's real estate professionals:

- David DeMello, Chief Appraiser, Clear Capital, Truckee, CA
- Lynn Madison, ABR, ABRM, GRI, SFR, SRES, Lake Zurich, IL
- Melanie McLane, ABR, CRB, CRS, e-PRO, GREEN, GRI, RAA, RSPS, SRES, Jersey Shore, PA
- Matt Wilkins, CRS, e-PRO, GRI, Woodbridge, VA

Welcome

NAR is pleased to welcome you to today's course on Broker Price Opinions (BPOs) and the role of agents in the valuation process. Please take advantage of this opportunity to engage in the subject matter, ask questions, and share your experiences and opinions. You all have something to learn and something to contribute.

Instructor and Student Introductions

Notes:

About This Course

This first decade of the twenty-first century has presented multiple challenges to our real estate industry (e.g., a housing boom and rising property valuations in the early 2000s, followed by economic decline, mortgage defaults, and a very unsettled market place in the later part of the decade). Evaluating property values depends more than ever on professional expertise and competence, the best use of technology, and a commitment to approach the valuation assignment from all pertinent perspectives.

This course is specifically designed to help residential real estate agents and brokers enhance their skills in creating BPOs, reducing risk, and applying alternative valuation methods.

What You Will Learn

This course will discuss the following topics:

Module 1: Roles and Responsibilities

- Multiple uses of BPOs and Comparative Market Analyses (CMAs)
- Code of Ethics
- Determining Competence
- Company Policies and Risk Management

Module 2: Tools

- Multiple Listing Service (MLS)
- Public Records
- Automated Valuation Models (AVMs)

Module 3: BPO Assignment

- Valuation Terminology
- BPO Assignment
- Managing Confidential Information
- Lockbox Access
- Choosing Appropriate Comps
- Adjusting Comps
- Market Value and Condition
- Photo Specifications

Module 4: Putting It All Together

- BPO Elements
- Complete a BPO

Learning Objectives

At the conclusion of this course, students will be able to:

- Prepare accurate and professional BPOs.
- Evaluate market valuation tools for the most productive preparation of professional and accurate BPOs.
- Identify and weigh all significant factors influencing the creation of a useful valuation.

Module 1: Roles and Responsibilities

Learning Objectives

At the conclusion of this module, you will be able to:

- Name the multiple uses of BPOs.
- Explain competence within the framework of the Code of Ethics.
- Describe how competence is determined.
- Outline the Value of Company Policies Pertinent to Risk Management

Positive Prospects

According to industry estimates, over 10 million BPOs are performed annually across the country. BPOs provide critical information for decisions and have been widely adopted as a valuation tool in the mortgage industry. BPOs have become an important and different source of information for the real estate industry and, increasingly, for government programs intended to aid the economy and help homeowners avoid foreclosure. For brokers and agents, BPOs provide multiple professional and fiscal opportunities for growth and expansion.

Questions:

- For whom do you do BPOs?
- For what purposes are the BPOs being done?
- Why would an agent want to do BPOs?

Notes:

Multiple Uses of BPOs

BPOs can effectively be used in the following situations:

- **Investments:** An investor may have 50 properties in a portfolio and may need to update the value of the portfolio. The investor may also want to sell some of the properties and needs an evaluation of those properties. (These are mostly commercial real estate events.)
- **Distressed loans:** Short sales are the primary reason for performing a BPO for a lender. A lender may want to determine whether to do a loan modification or to proceed with a foreclosure.
- **Legal:** Such legal events as divorce, bankruptcy, and estate planning often benefit from a BPO.
- **Financial institutions:** Generally, one should not use BPOs in lieu of an appraisal for purchase money loan origination purposes, except to the limited extent specifically permitted by Title XI of FIRREA (1989).

Notes:



BPOs and CMAs

While the terms *BPO* and *CMA* are often used interchangeably, there are some subtle differences:

- BPOs are generally prepared for banks.
- Historically, BPOs were not as thorough as CMAs; but they are becoming more consistent as more interior ones are done.
- CMAs are generally prepared for homeowners.

There are BPO and CMA features that are very similar:

- BPOs and CMAs are estimates of the probable selling price of a property. They include an inspection of the subject property, subject neighborhood inspection and analysis, local and regional market information and trends, and a description of comparable properties that are similar to the subject property.
- BPOs and CMAs must be prepared by a licensed real estate broker, agent, sales person, or a registered, licensed, or certified appraiser. An agent completing a BPO or CMA for a client is not necessarily assured of receiving the listing of the property.
- The final report must comply with client/BPO company guidelines, or provide sufficient explanations/comments.
- BPO representatives should not be influenced by any party involved with the property at the time of report completion.

How Do Appraisals Differ from CMAs and BPOs?

Appraisal: A certified appraisal is a formal, impartial estimate or opinion of value, usually written, of an adequately described property, as of a specific date, and supported by the presentation and analysis of relevant data. It is prepared as a result of a retainer, for reliance by identified parties, and for which the appraiser accepts responsibility. Only a state-certified appraiser can provide a certified appraisal.

CMA or BPO: A CMA or BPO is an informal estimate of market value, based on comparable sales in the neighborhood, performed by a real estate agent or broker.

License Laws

Before accepting any assignment, licensees are advised to review their state license law to determine if they have the authority to do BPOs. State laws will generally fall into the following three categories.

Unlimited authority	Broad authority	Limited authority
There are no limitations on real estate brokers and sales persons performing price and/or valuation analyses, including appraisals in non-federally related transactions.	Real estate brokers and sales people may perform broker price opinions, comparative market analysis, etc. as part of the listing process, and for other purposes. The broker or sales person may or may not be permitted to charge a fee for their services.	A real estate broker or salesperson may only perform a broker's price opinion, comparative market analysis, etc. as part of the real estate listing process. In some cases, brokers and sales people are prohibited from charging a fee or receiving any form of compensation.

Code of Ethics

When called upon to describe their roles and responsibilities as real estate practitioners, participants can find no better resource than the Code of Ethics developed by NAR, specifically Article 11. Article 11 focuses on the real estate agent's role and responsibilities in listing properties, advertising, representing a seller or buyer, concluding transactions, etc.

Article 11

Article 11 reads:

“The services which REALTORS® provide to their clients and customers shall conform to the standards of practice and competence which are reasonably expected in the specific real estate disciplines in which they engage. REALTORS® shall not undertake to provide specialized professional services concerning a type of property or service that is outside their field of competence unless they engage the assistance of one who is competent on such types of property or service, or unless the facts are fully disclosed to the client. Any persons engaged to provide such assistance shall be so identified to the client and their contribution to the assignment should be set forth. (Amended 1/10)”



Standard of Practice 11-1

When REALTORS® prepare opinions of real property value or price, other than in pursuit of a listing or to assist a potential purchaser in formulating a purchase offer, such opinions shall include the following unless the party requesting the opinion requires a specific type of report or different data set:

- *Identification of the subject property*
- *Date prepared*
- *Defined value or price*
- *Limiting conditions, including statements of purpose(s) and intended user(s)*
- *Any present or contemplated interest, including the possibility of representing the seller/landlord or buyers/tenants*
- *Basis for the opinion, including applicable market data*
- *If the opinion is not an appraisal, a statement to that effect (Amended 1/10)*

Standard of Practice 11-2

The obligations of the Code of Ethics in respect of real estate disciplines other than appraisals shall be interpreted and applied in accordance with the standards of competence and practice which clients and the public reasonably require to protect their rights and interests considering the complexity of the transaction, the availability of expert assistance, and, where the REALTOR® is an agent or subagent, the obligations of a fiduciary. (Adopted 1/95)

Standard of Practice 11-3

When REALTORS® provide consultive services to clients which involve advice or counsel for a fee (not a commission), such advice shall be rendered in an objective manner and the fee shall not be contingent on the substance of the advice or counsel given. If brokerage or transaction services are to be provided in addition to consultive services, a separate compensation may be paid with prior agreement between the client and REALTOR®. (Adopted 1/96)

Standard of Practice 11-4

The competency required by Article 11 relates to services contracted for between REALTORS® and their clients or customers; the duties expressly imposed by the Code of Ethics; and the duties imposed by law or regulation. (Adopted 1/02)

Determining Competence

Understanding in theory what *competence* is, real estate agents next need to develop a facility for applying theory to real-life situations. In other words, how do you determine whether you have competence?

Competence

Competency is gained through experience and affiliation with another REALTOR® who has experience and knowledge. No one comes into the business competent. We all find ourselves involved in “new waters” doing things in real estate we have not done before. However, it is inherent upon the agent to know when the level of competence required is beyond his or her abilities and to either seek assistance, or decline.

Competence Categories

Competence might be designated by the following categories:

- Geographical competence
 - This refers to the agent's knowledge of the marketplace in which the property is located.
 - Each geographic market has its own quirks and nuances and it is very easy for an agent to be out of his or her area of competence.
- Property type
 - Many agents may be comfortable valuing residential property, but not complex commercial or special purpose property.
- Access to information
 - Evaluate the types of information and ease in accessing that information to help in determining competence.

- Appraiser competence
 - There are certain times when an appraisal should be done instead of a BPO and it would be the agent's duty to decline the BPO and recommend an appraisal if the situation warrants.

Exercise:

A past client calls and asks if you can do an appraisal on some properties. The client owns a single-family home, two apartment buildings and a gas station/convenience store. You sold the client the home, but have not had a lot of experience with commercial or investment properties. How would you respond? What would you do?

Notes:

Company Policies and Risk Management

Failure to Supervise

As a general rule, the phrase *failure to supervise* refers to a stated or implied obligation on the part of the principal broker to make reasonable efforts to oversee and regulate the actions of an associate broker or sales associate who works for or with the brokerage agency to ensure they conform to the REALTOR® Code of Ethics and applicable license laws.

In addition, the person with direct supervisory responsibility over an associate broker or sales associate is responsible for a violation of the Code of Ethics or of pertinent state statutes if that supervisor ordered, ratified, or overlooked the violation at a time when its consequence could have been avoided or mitigated and failed to take any remedial action. That is why many managing brokers review and sign off on each BPO done by agents in their office.

More sales associates are preparing CMAs as a routine part of their business and those in and of themselves come with their own levels of responsibility and liability. However, when third parties request BPOs, they open themselves up to new liabilities. The top risks one needs to be aware of include:

- **Not Having a Policy.** A broker should have a policy that spells out when it is appropriate to prepare a BPO, what one may charge, who handles the fees, and who keeps records. Not having a policy is risky for the real estate agent and the broker because state law could impose a penalty if BPOs are prepared improperly or mischaracterized.
- **Using Incorrect Terminology.** Comparative Market Analysis (CMA) and/or Broker Price Opinion (BPO) means the analysis of sales of similar recently-sold properties in order to derive an indication of the probable sales price of a particular property by a licensed real estate broker. It is not an appraisal and should not be referred to as one.
- **Failure to Adhere to State Laws.** Be sure to investigate what is legal in your state. Your policy should include specific language allowing only what is permitted.
- **Being Uninsured.** If the E&O policy (Errors & Omissions) does not specify that it will cover liability for BPOs, one should obtain a policy that does.

- **No Policy on Compensation Flow.** Compensation is another issue that needs to be addressed in company policy handbooks. Most states require all compensation to flow through the responsible broker. Each broker should have a company policy on how compensation is handled.

Common Disclaimer Information

A disclaimer is a formal statement that says a person is not legally responsible for something, such as the information given in a brochure, ad, or online; or a claim that a person has no direct involvement or connection with it.

In our industry, there are familiar disclaimers that are often used, for example:

This is a market analysis, not an appraisal and was prepared by a licensed real estate broker or associate broker, not a licensed appraiser.

This market analysis is based on information we had on (date). This information may need to be updated.

A disclaimer needs to be specific to the situation. It needs to fit the context of what is being disclaimed. A disclaimer is not a guarantee that you will not be sued. If you should not be doing something, do not do it. Disclaimers cannot compensate for poor judgment.

Some states have their own disclosures that they require to be used on BPO's. Please check your own state requirements.

Square Footage Disclaimer

One disclaimer is appropriate when discussing public records and square footage information. Part of the challenge in supplying accurate square footage to clients is finding a reliable source of data. Many practitioners rely on the square footage contained in the tax assessor's records or the MLS. Those records are a convenient source, but public records were never intended to be used by the real estate industry as a source of square footage and many agents have input the square footage incorrectly in the MLS. Actual verification of square footage when doing a BPO is virtually impossible so a disclaimer would be advised indicating the actual square footage is neither warranted nor is it guaranteed correct.

Record Retention

Brokers are reminded that BPOs would fall under the same retention guidelines as any other real-estate related documents. All state license law requirements should be followed.

If no retention-of-documents guidelines are part of your license law it is recommended that you retain BPO records for a minimum of one year. Many experienced BPO brokerage firms have a five-year retention policy.

It is also recommended that additional information be retained in your file. For example, if there were comparables you did not use, keeping a copy of them with a note as to why they were not used may save you from potential liability and/or save you an immense amount of time when the bank or BPO client comes back and asks why you did not include specific properties.

Your notes might state:

- *Sufficient comparable sales closer to the subject property*
- *Across the school district line, skewing the value*
- *Sufficient more recent sales would require time inflation/deflation adjustment*

Remember, the client is often ordering more than one BPO on a property. When those BPOs are reviewed and the same comparables are not being used they often request an explanation.

Summary of Module 1

Please write down three key points you have learned from this module.

Key Points:

Module 2: Tools

At the conclusion of this module, you will be able to:

- Identify tools that are or are not useful in preparing effective BPOs.
- Use the MLS and public records to their fullest.
- Evaluate when AVMs could be useful in doing BPOs.

MLS

Purpose

The primary purpose of the MLS is to provide a facility for making an offer of cooperation and publishing a unilateral offer of compensation by a listing broker to other broker participants in that MLS. In other words, the compensation offered to a cooperating broker by the listing broker is published within the MLS to other cooperating brokers.

MLS Use

While the chief use of MLS services is assisting in the sale of a property, most computerized MLS services allow members to *number crunch* multiple possibilities. This is helpful in pricing property and determining trends in the market.

Markets Where Sales Are Not in MLS

A huge task awaits the agent working in a market with many non-brokered sales. For example, many new construction sites are not listed with brokers because the builder is selling the facilities. If this is the case then the agent will need to access public records for information.

Access to public records may also vary by state. Public records in non-disclosure states contain information that a sales transaction has taken place but the sale price is not disclosed. In non-disclosure states, the information on non-brokered, non-MLS sales is limited.



Note: Just because information will be available on properties outside your market area, it is not intended that you take on BPO assignments where you do not have first-hand knowledge.

Automated Valuation Models (AVMs)

AVMs are online databases that try to match up similar properties to give an idea of the range of sales prices that have historically been recorded. County assessors were some of the first to use such services because of budgetary and personnel limitations. However, this information is limited to factual data, such as the size of the house, number of rooms and bedrooms, age of the house, and distance surrounding the house.

Pros and Cons of AVMs

While AVMs are growing in acceptance because of their inherent benefits, they are also inflicted with deficiencies. Some of those pros and cons follow:

- Pros:
 - AVMs are quick, because the information is accessible via a computerized database.
 - They are less expensive than a BPO or an appraisal. Typically, the user pays a small fee per use, or a blanket fee for unlimited use.
 - AVMs can aid in collateral valuation decisions related to portfolios (properties in bulk) spanning many geographic areas.
- Cons:
 - Many AVMs do not “filter” the sales used for factors like arms’ length transactions, condition of property, duress, and sales concessions.
 - Garbage in, Garbage Out (GIGO) applies. If the primary data source is not reliable, the output is not reliable. Inaccuracies in public record data used to fuel an AVM may not be recognized.
 - Confidence scoring of AVMs lacks consistency.

Usefulness of AVMs

As far as usefulness in rendering BPOs and appraisals, AVMs have their deficiencies. They provide quick and convenient information, but may miss important value-influencing characteristics. Depending on data accessibility, they may not be able to distinguish distinct property characteristics such as the school district in which a property lies, if there is a nearby river, or if it is in or near a resort. For that reason, a professionally prepared BPO can prove to be much more valuable than an online AVM.

AVMs should not be relied upon exclusively in rendering a BPO; however, they may provide useful information about the subject and comparable properties within the neighborhood that can be considered as a component of the analysis.

The REALTORS® Valuation Model™ is an automated valuation model (AVM) produced using MLS listing content licensed by RPR, along with the assessment, deed, mortgage, and distressed property information in the RPR database.

The RVM is the only AVM that uses listing content that is 100% licensed directly from MLSs around the country by RPR. As such, the RVM provides a high degree of accuracy and timeliness of the underlying inventory data, creating as close to a real-time value index as exists in the market today. The RVM is not an appraisal, but with it, RPR seeks to establish a new standard for automated valuations through a product that is owned, powered, and provided by the REALTOR® organization.



Other Resources

Agency/Company Files

In many agencies, one resource to keep in mind is prior files on same-property transactions. These can prove helpful in getting perspective on pricing trends, property features, and positive selling points.

U.S. Government

A geographic information system (GIS) is a computer system capable of capturing, storing, analyzing, and displaying geographically referenced information (i.e., data identified according to location). With a GIS, one can "point" at a location, object, or area on the screen and retrieve recorded information about it from off-screen files. Using scanned aerial photographs as a visual guide, the user can ask a GIS about the geology or hydrology of the area, or even about how close a swamp is to the end of a street (http://egsc.usgs.gov/isb/pubs/gis_poster/). Agents use GIS to see what the surrounding properties are, and how close the property is to major highways, rivers, industry, etc.

GIS allows a reference for what is outside the four corners of the property, and this is helpful in preparing comparables for determining value. It also helps reference the property's location for later use when photographing the correct property during a drive-by BPO, especially when address verification is not visible on the property.

Web Sites:

The following Web sites can prove to be valuable resources for gathering data for a BPO:

- <http://www.Realtor.com> – Search for a new home, or find mortgage rates, real estate agents, and relocation services throughout the U.S., Canada, and Puerto Rico at this Web site provided by NAR.
- http://www.realtor.org/about_nar/realtors_property_resource – RPR is NAR's exclusive online real estate database. It will provide REALTORS® with data on every parcel of property in the United States, giving brokers and agents valuable tools and features to make them better informed and to increase their efficiency in the marketplace.

BPOs: The Agent's Role in the Valuation Process

- <http://www.GoogleEarth.com> – Google Earth enables the user to fly anywhere on Earth to view satellite imagery, maps, terrain, and 3D buildings, or to galaxies in outer space. One can explore rich geographical content, save toured places, and share with others.
- www.trulia.com/ – This is an all-in-one real estate Web site displaying timely information on homes for sale, apartments for rent, neighborhoods, markets, and trends to help the user figure out exactly what, where, and when to buy.
- <http://www.zillow.com/> – Zillow is a free online real estate site where you can search for homes for sale, find home prices, see home values, view recently sold homes, and check mortgage rates.

Exercise

List the tools you use most frequently in preparing BPOs.

Tools:

Summary of Module 2

Please write down three key points you have learned from this module.

Key Points:

Module 3: BPO Assignment

At the conclusion of this module, you will be able to:

- Define key valuation terms and pricing concepts.
- Describe BPO assignment instructions.
- Perform a drive-by exercise.
- Manage confidentiality.
- Explain lockbox etiquette.
- Choose appropriate comps.
- Perform comp adjustments.
- Determine market value.

Valuation Terminology

Knowing the following terms will assist in the appreciation of their use in the industry and in one's professional dealings.

Term	Description
Absorption rate	An estimate of the rate at which a particular classification of properties for sale or lease can be successfully marketed in a given area. It is often requested in a feasibility study or an appraisal in connection with a request for financing. An absorption rate must be developed to analyze supply and demand.
Adjustments	This is the dollar value or percentage amount added to or subtracted from the sales price of a comparable property to arrive at an indicated value for the property being evaluated (subject property).

Contribution	<p>(1) The appraisal principle that states that the worth of a particular component is measured by the amount it contributes to the value of the whole property, regardless of the actual cost of the component. The value of the component may be measured as the amount by which its absence would detract from the entire property value.</p> <p>(2) The value of a component tends to decrease as the number of the component increases. For example, there is more value (in most cases) for a second bath when there is only one than there will be for a fifth or sixth bath in a property. This holds true for fireplaces, possibly garages, extra kitchens, etc.</p>
Cost	<p>The total spent to acquire or build. May or may not reflect value. Cost is historic and does not vary.</p>
Distressed price	<p>Generally refers to foreclosures and short sales. Properties selling at discounts from non-distressed market prices can exert major negative impact on overall market prices.</p>
Externalities	<p>Property is affected either positively or negatively by influences outside the property lines.</p>
Forced sale liquidation	<p>A court-ordered liquidation sale, as in bankruptcy.</p>
Gross living area	<p>Gross living area (GLA) is the total finished, habitable, above-grade space, measured along the building's outside perimeter.</p>
Market value	<p>The most probable price a property should sell for in a competitive and open market with each party acting prudently and knowledgeably and neither being under any undue duress.</p>

Neighborhood	This refers to a smaller, loosely defined geographical location within a larger city, town, or suburb. They often consist of social communities with considerable face-to-face interaction among their members. Neighborhoods are important because prices vary considerably in different neighborhoods.
Neighborhood lifecycle	This is the period during which most of the properties in a neighborhood undergo the stages of development, equilibrium, decline, and revitalization.
Outlier	Outliers are properties that, for reasons that are usually undetermined, sold for a price that is extremely high or low based on all other comparables.
Price	An objective reality representing what a specific property sold for at a particular point in time, or what a property is currently being marketed for. Price paid may not reflect market value.
Progression	Concept that a property will benefit from surrounding properties that are superior. This is why the lowest priced home in the area is quickest to appreciate. The higher-priced homes pull up the value.
Regression	Concept that a property will suffer from surrounding properties that are inferior. That is why owners who over improve their properties, compared to the rest of the neighborhood, and thus have the most expensive home in the area, will not be able to recoup their expenses by selling beyond the top of the area's price range.

**Sales
comparison
approach**

This is one of three approaches to value in appraisal theory (*income* and *cost* being the other two). In this approach, value is based on a comparative analysis of recent sales prices of similar properties, after making adjustments for seller concession, time, and other differences in the properties.

Substitution

This is the premise that a prudent buyer will pay no more to acquire one particular property, or any component in a property, than what it would cost him or her to either buy elsewhere, build new or put the component in.

**Supply and
demand**

This is the principle that the value of any good or service will rise as demand increases and supply decreases, and it will fall as demand decreases and supply increases.

BPO Assignment

As we discussed earlier, there are many reasons why you may be doing a BPO. You will be given specific directions by the lender or their representative as to what they expect.

Sample Instructions for BPO

1. If you cannot personally inspect the property, select comparables and determine a price for the subject, please do not accept this assignment. Per the BPO Standards and Guidelines adopted by many industry leaders, the use of assistants to complete any of the aforementioned tasks is not permitted.
2. Do not accept if you or your office has completed a report on this property in the last six months, are currently listing this property, or have any vested interest in the subject property.
3. This is (check one):
 - Exterior only BPO - do not approach the occupants or owners.
 - Interior BPO - contact information for listing agent and/or seller is attached.

Managing Confidential Information

The REALTOR® Code of Ethics, Article 1, Standard of Practice 1-9, addresses the issue of agency confidentiality:

The obligation of REALTORS® to preserve confidential information (as defined by state law) provided by their clients in the course of any agency relationship or non-agency relationship recognized by law continues after termination of agency relationships or any non-agency relationships recognized by law.



REALTORS® shall not knowingly, during or following the termination of professional relationships with their clients:

- *Reveal confidential information of clients; or*
- *Use confidential information of clients to the disadvantage of clients; or*
- *Use confidential information of clients for the REALTOR®'s advantage or the advantage of third parties unless:*
 - *Clients consent after full disclosure; or*
 - *REALTORS® are required by court order; or*
 - *It is the intention of a client to commit a crime and the information is necessary to prevent the crime; or*
 - *It is necessary to defend a REALTOR® or the REALTOR®'s employees or associates against an accusation of wrongful conduct.*

Information concerning latent material defects is not considered confidential information under this Code of Ethics.

Exercise

You do a BPO for a bank on a property that is in pre-foreclosure and not yet listed.

- Who is your client?
- Can you solicit the listing from the homeowner?
- To whom do you owe confidentiality: bank or homeowner?
- Is it acceptable to refer this property to another agent and request a referral fee?
- What if you obtain a buyer/client for this property; what can you disclose?
- What does your state law say about such situations?

Notes:

Tips for Maintaining Confidentiality

When queried for information that you know is confidential, there are some standard formulas for responding in a courteous but clear manner. For example, you have prepared a BPO on a property, and a competing agent corners you at a dinner party looking for information she might use. You might say: "As an agent who is a REALTOR®, I am subject to the REALTOR® Code of Ethics which requires me to protect the confidentiality of my clients' information. I would exercise the same respect for your confidentiality to other inquirers as well."

Lockbox Access

Electronic Lockbox Service

Today, an electronic lockbox service is one of the most basic association member benefits. Members subscribe to their association's lockbox service and receive electronic keyboxes for the properties they list, and electronic keys to access properties to show.

No longer do practitioners need to pick up house keys from the listing broker's office to show a property or call for the manual lockbox access code. Association members simply use the electronic key that is unique to them to access any listed property in the area. The keybox records their time of entry and keeps a visitor log for the listing agent. Electronic lockboxes are an immense timesaving convenience for agents.



Lockbox Etiquette

There are certain actions that are not appropriate with regard to lockbox use:

- Unauthorized access
- Access without an appointment
- Failing to leave a business card
- Sneaking into a house to take interior pictures

Standard of Practice 3-9

REALTORS® shall not provide access to listed property on terms other than those established by the owner or the listing broker. (Adopted 1/10)

Choosing Appropriate Comparables

Parameters

The parameters used are what a buyer would use. For example, if a buyer comes into a REALTOR®'s office and says, "I'm looking for a three-bedroom home, with one-and-a-half baths, about 1,800 square feet, between \$XXX,XXX and \$XYX,XXX, in the Sunnyside School District, within commuting distance of my job, which is at XYZ industries.", typically the agent will search the MLS using those parameters and find several homes in competing neighborhoods.

What Are Market Expectations?

Market expectations are quite simply what a buyer expects to find in a house of a particular age, type, and price range (i.e., the lower the price, the lower the expectations). If a property has a glaring lack of something (e.g., it is located in Florida and does not have central air conditioning), the market will penalize the property for lacking that feature. The amount of the *penalty* would probably be the cost to remedy the deficiency. In other words, what would it cost to install central air?

Other deficiencies are not typically adjusted on a cost basis. In other words, a buyer may pay \$1,500 less for a house with only one bathroom, as opposed to two bathrooms. The price of \$1,500 is not the cost to install a bathroom, but instead, represents the buyer's opinion of the value of the second bath.

Exercise

In your marketplace, we will use two different price ranges, high-end and low-end. Define what those ranges would be. In those respective ranges, what would your buyer expect to see in a house?

Price Range	to	Price Range	to

Freddie Mac refers to price ranges as *determining the property market*. When choosing comps, select those that Single Family Property Market includes, i.e., all of the properties that a buyer would consider purchasing if comparing them to the subject property. Those comps would be based on the following factors:

- Type of ownership
- Buyer motivations
- Physical characteristics
- Location

Type of Ownership	Buyer Motivations	Physical Characteristics
<ul style="list-style-type: none"> ▪ Condominiums ▪ Single Family Attached ▪ Single Family Detached 	<p>Investor</p> <ul style="list-style-type: none"> ▪ Present and/or future net income <p>Owner Occupant</p> <ul style="list-style-type: none"> ▪ Safety ▪ Security ▪ Proximity to job services/amenities ▪ Quality of school district 	<p>Gross living area</p> <ul style="list-style-type: none"> ▪ Bedroom/bath count ▪ Age of property <p>Lot size</p> <ul style="list-style-type: none"> ▪ Large lot with room for garden, outdoor activities ▪ Small yard, little upkeep ▪ No yard <p>Basement</p> <ul style="list-style-type: none"> ▪ Workshop, storage area ▪ Recreation area <p>Quality of material used in construction</p>

Choosing the Comps

- Use at least three sold comps.
- Use at least three on-market comps.
- Make every attempt to locate sold comps that are equal to the subject in location, size, and amenities.
- Market expectations should be taken into consideration when choosing and adjusting the comps.

In all cases, if the above cannot be followed, an explanation of why comps outside the geographic neighborhood or beyond the recommended radius were used would be required.

Location

Suburban Markets	City Markets	Rural Markets
<ul style="list-style-type: none"> ▪ Try to use comps from the same subdivision ▪ If no subdivision exists – stay in the same neighborhood ▪ If schools are a driving force – use same school if possible ▪ Stay within a 1 mile radius if possible 	<ul style="list-style-type: none"> ▪ For condo – use the same complex or building ▪ A ½ mile radius is recommended 	<ul style="list-style-type: none"> ▪ Comps within five miles are recommended

Sold Comps – Date of Sale

Stable Market

Where there is no more than 3% change in prices in last six months, sold comparables should be no more than six months old.

Changing Market

Where there has been more than 3% appreciation or depreciation in the last six months, sold comparables should be no more than three months old.

Room-Counting Guidelines

Room-counting guidelines for BPOs will often vary from the guidelines used by individual MLSs. Any listing sheets submitted with the BPO that show, for example, that bedrooms in the basement count, would require explanation.

Include in the room count only those areas above grade that are finished and can be used year round. They must have utilities (electric, heat, cooling, as appropriate) as well as floors and ceilings that are similar to or blend with the rest of the house. Generally speaking, the following are included in the room count:

Kitchen	Bedroom	Living room	Dining room
Family room	Office	Den	Sun room that is heated and/or cooled

The following are not considered rooms and should not be included in the room count but can be included in the description of the house:

Bathrooms	Loft	Closets	Storage rooms
Foyer	Hallways	Laundry room	Utility room
Three-season rooms (no heating/cooling)			

Adjusting the Comps

Adjustments and/or comments must be made for each difference between the comp and the subject property in the following areas:

Number of bedrooms	Number of bathrooms	General condition	Style of house
Quality of construction	Terms of sale/financing	Location/site/view	
Site amenities (pool, decks, patios, outbuildings)			

The adjustments are made by performing a paired sales analysis. The differences between the comp and the subject property are isolated and an adjustment is applied based on the market value of the item being adjusted. There is no definitive list of values that can be applied universally when doing a property valuation. Experience in the market or periodic brainstorming with local appraisers will help you determine the value of an adjustment.

For example, if one had a garage, and sold for \$122,000, and one did not have a garage - and sold for \$120,000, the value of the garage is \$2,000. In real life, it is not this simple. First, paired sales are great in theory, but in practice are not easily found. Homes always vary by more than one item. However, by looking at a market and sales over time, competent agents can infer the value of an item. Some are easy to identify. For example, it is easy to identify the value of a lake front lot versus one that does not have lake frontage.

Making the Adjustments

The comparable adjusts to the subject. Adjustments relate to sale prices. In other words, you adjust what is known, and what is known is what a (comparable) property sold for, in order to estimate what is unknown (the subject's value).

In the previous example, the adjustment factor is \$2,000. This factor is either added or subtracted to the comparable sale price to equate to the subject. So - if the subject property was the one with the garage, the adjustment would add \$2000 to the sales price of the comp. If the comp had the garage and the subject property didn't there would be a \$2,000 deduction from the price of the comp. There are two easy acronyms to remember this adjustment principle:

- **SBA** – Subject better – Add
- **CBS** – Comp better – Subtract

Many of the BPO forms you will be using ask you to rate the comp to the subject by indicating whether the comp is:

- S - Superior
- I - Inferior
- E - Equal

Comp is Superior	Comp is Inferior	Comp is Equal
<ul style="list-style-type: none">• Subtraction from the known sales price of the comp	<ul style="list-style-type: none">• Addition to the known sales price of the comp	<ul style="list-style-type: none">• No adjustment to the known sales price of the comp

How Adjustments are Determined

Bedrooms

Many municipalities have requirements for minimum bedroom size. In general, bedrooms should be at least 90 square feet in size, with a closet, a window that provides an emergency exit, natural light and ventilation.

If the marketplace counts tandem bedrooms (must walk through another room to get to the bedroom) a comment to that effect should be made. In most cases, a bedroom with no hall access cannot be counted as a bedroom. Be careful to only comp-like-style bedrooms here. A bedroom with its own hall access would have more value than a tandem room.

Adjusting Bedrooms and Bathrooms

- Be careful of not 'double dipping' when making adjustments.
- If you adjust for the additional 500 square feet in your subject, do not adjust *again* for the extra bedroom and bath that square footage represents.

Bathrooms

- A full bathroom includes at least three out of these four:
 - Toilet
 - Sink
 - Bathtub
 - Shower
- A half-bath consists of sink and toilet.
- Some market places use the 3/4 bath category - toilet, sink and tub or shower but not both. For BPO purposes this would be a full bath.

Size

Gross Living Area is defined by Fannie Mae as finished above-grade areas measured from the exterior building dimensions. Garages and basements (including those that are partially above-grade) should not be included.

For example, a walk-out basement with finished rooms would not be included in the above-grade room count or GLA.

Rooms that are not included in the above-grade room count and GLA may add substantially to the value of a property. Comment on the basement or below-grade areas separately.

Comparisons should be made only by comparing above-grade areas to above-grade areas and below-grade areas to below-grade areas.

Adjusting For Gross Living Area

Although the GLA should be as close to the subject property as possible, if the GLA is not the same, adjustments and/or comments do **not** need to be made unless the variance is significant.

- Generally speaking, if the difference in GLA is 20% or less, no adjustment needs to be made.
- In this case, if there was a room count difference, an adjustment would be made if required by the marketplace.

Ceiling Height Requirements

To be included in finished square footage calculations, finished areas must have a ceiling height of at least 7 feet, except under beams, ducts, and other obstructions where the height may be 6 feet 4 inches, or under stairs where there is no specified height requirement, or where the ceiling is sloped.

If a room's ceiling is sloped, at least one-half of the finished square footage in that room must have a vertical ceiling height of at least 7 feet; no portion of the finished area that has a height of less than 5 feet may be included in finished square footage. There must also be permanent access to the room. These requirements would help determine if a third-floor attic type space could be counted in the GLA, and whether those rooms could be counted in the room count. An attic area with pull-down stairs would not be counted.

Age

All attempts should be made to find comps in the same neighborhood as the subject property; that would mean no adjustment for age. If either the subject or the comp is new construction, an appropriate adjustment would need to be made. If required, the following guidelines can be used:

Adjusting for Age	
Subject is:	Adjust only if comp is:
▪ 0 – 15	+/- 5 years
▪ 16 – 30	+/- 8/10 years
▪ 31 – 50	+/- 15 years
▪ 51 – 75	+/- 20 years
▪ 76+	+/- 25 years

Lot size

Again, because of neighborhood characteristics, lot size will probably be similar enough that no adjustment will be needed. If required, the following guidelines can be used:

Adjusting for Lot Size	
Subject is:	Adjust only if comp is:
▪ Less than one acre	+/- 25%
▪ 1 – 3 acres	+/- .5 acre
▪ 3.1 – 6 acres	+/- 1 acre
▪ 6.1 – 12 acres	+/- 2 acres
▪ Over 12 acres	+/- 20%

Condition

Although determining whether a property is in good, fair, excellent, or poor condition is subjective, a base-line analysis of each category will help you make this determination. In almost all cases, the BPO will require you to mark whether the property is in Excellent, Good, Average, Fair, or Poor condition, and will want analysis of the neighborhood based on the same benchmarks. The requirement for the neighborhood is that the homes in it are predominantly the same standard as for the house itself.

Excellent	Good	Average
Well maintained Quality building materials Upgraded as needed Appliances are up to date, high quality, modern, many upgrades	Well maintained No evidence of disrepair Some upgrades Appliances up to date and good (not high) quality	Maintained with some wear and tear typical for age and neighborhood Appliances up to date, appropriate for property and functioning

Fair	Poor
Evidence of lack of maintenance Repairs needed to bring it up to average condition Appliances out of date, but still functional	Uninhabitable, or close to it Major repairs needed Landscaping not maintained Exterior repairs needed Possibly not financeable Appliances out of date and in disrepair (possibly not functioning)

Other Factors in Determining Market Value

Competition

No matter what type of BPO is requested, issues of supply and demand must be factored in. Most lenders want to know what the competition looks like. The current listings tell us this, not only in terms of how much competition is out there (how many other homes are for sale), but also the value (at what price are those homes listed).

Supply and Demand

Looking at both listings and sales is performing a supply-and-demand analysis. This cannot be done without completing an absorption rate. The absorption rate will absolutely drive the price. For example, if the current inventory represents a 24-month supply in this price range, and the lender wants a quick sale, which he defines as within 60 days, the price will need to be heavily discounted *below* the competitive asking prices in order to sell the property. Agents should pay attention to incentives offered, both to buyers and to agents (e.g., bonus commissions).

Absorption Rate

Absorption rate is the mathematical representation of the relationship between supply and demand. The total amount of available product is divided by the total amount of product sold in a specified previous time frame. The resulting number represents the number of months it would take, at that same pace, to sell the entire inventory of product.

Absorption rate in any local real estate market is usually considered the best indicator of whether that market is a sellers' market, a buyers' market, or a neutral market. The market is what it is.

- Sellers' market conditions - Absorption rate is 1-4 months
- Normal market conditions - Absorption rate is 5 and 6 months
- Buyers' market conditions - Absorption rate is 7+ months

Example

Current inventory of appropriate properties:	45
Number of properties sold per month for last 6 months	5

45 divided by 5 = 9 months of inventory

Current inventory of appropriate properties:	45
Number of properties sold per month for last 3 months	3

45 divided by 3 = 15 months of inventory

Current inventory of appropriate properties:	45
Number of properties sold per month for last 1 month	2

45 divided by 2 = 22+ months of inventory

Based on the above example, what is happening in this market?

Note: This indicates the minimum months of inventory. It is presumed that other competing properties may come on the market. This statistic is constantly changing as properties are listed or sold. It is imperative that you keep your seller informed of changing market conditions.

One of the first determinations is how many months back should you evaluate to find your base. It is recommended to use three months for the average and then use just the previous month to see the trend. When doing a BPO for a bank on a short sale, you may be asked for a one-month base, a three-month base and then a six-month base for comparison.

Market Conditions

Distressed Properties Impact

- If the majority of the comps are short sales or REOs, they set the market. Your comments need to indicate that the market is dominated by distressed property sales.
- If the BPO asks for a distressed price, distressed comps should be used when available, rather than arm's length transactions to price the subject.
- If a fair market price is requested and the subject is located in a distressed market, distressed comps can be used. Your comments should indicate that.

Normal Market

- If the majority of the comps are arm's length transactions where neither party is acting under duress, distressed property comps should only be used if no other comps are available.
- Adjustments should be made if the comp is not an arm's length transaction.

Lack of Comparables

If matching comps are not available, choose those that require the least adjusting and have the least impact on price. Which factors have the least impact on price is market driven and should be considered carefully. They include:

Age	Condition	Lot size
Seller concessions	Room count	Date of sale
Amenities		



Functional Obsolescence and Externalities

Anything in and around the property, the surrounding neighborhood, and/or the vicinity of the property that will influence the price of the property, positively or negatively, must be documented with photos and comments. Common examples include, but are not limited to:

- Functional obsolescence
 - Insufficient bath count relevant to bedroom count
 - Poorly located bedrooms
 - Non-conforming features
 - Upgrades
 - Damage/deferred maintenance
 - Renovations/construction

- External influences
 - Airport flight path
 - Rail road tracks
 - Electrical towers
 - Water towers
 - Expressways or major roads
 - Located in proximity to commercial facilities

Red Flags

If the subject property raises a *red flag* it should be noted in the BPO. Typically, *red flag* properties have a longer marketing time frame or sell at a lower than anticipated sales price. The following factors ought to stir your attention:

- Unique or non-traditional building styles in areas with traditional styles
- Steep driveways, either below grade or above grade designs
- Homes with no basement in an area where most homes have basements
- Three-bedroom design in a four-bedroom neighborhood
- Over-improved homes (square footage, site size, site amenities) for the immediate area
- Homes with remote locations; homes with private streets having no formal road maintenance agreement
- Specific interior décor with numerous strong wall colors, wallpaper, or flooring
- Properties used for purposes other than their intended use (single family converted to rooming house)

Your Comments

Comments are critical. Remember that you are trying to explain a property and its surroundings to a person – or persons – who have no idea of the market place the property is in.

- Many marketplaces have their own terminology. Try to use generally understood terms, since the use of local terms can be confusing and may need a lot of explanation.
- Keep the comments short and relevant. The reviewer needs to know what is happening, not only in the subject market area (neighborhood or area from which comps are pulled), but also what is happening in the county, the municipality and possibly the zip code the property is in.

Comments: Why the Comparable Listing is Superior/Equal/Inferior to the Subject

Listing #1: Equal: Property is same as subject property in style, size, sq ft, and amenities.

Listing #2: Equal: Property is same as subject property in style, size, sq ft, and amenities.

Listing #3: Superior: This property has more sq ft than subject property.

Subject is in good visible exterior condition. Located on a residential neighborhood street with single-family homes that are in average to good condition. Neighborhood has a high volume of active homes, especially REO and short sales. Located close to public transportation, shopping and other amenities.

Comments: Why the Comparable Listing is Superior/Equal/Inferior to the Subject

Sale #1

Inferior - Inferior in sq ft and only one full bathroom. Comp has a one-car garage and C/A. In order to stay within a 20% GLA of the subject, a comp that has closed in the last six months, closest in style, age and an REO property, I had to exceed distance guidelines.

Sale #2

Equal - Most comparable in sq ft, style and distance that has closed in the last 6 months and is an REO property. Smaller room count, no basement, comp has C/A.

List #1

Inferior - Inferior in sq ft, partial basement, only one full bathroom and smaller room count, comp has C/A and one garage, updated exterior. In order to stay within a 20% GLA of the subject, closest in style, age and a short sale property I had to exceed distance guidelines.

List #2

Equal - Most comparable in sq ft, style, distance and a short sale property, no carport, no basement, updated exterior.

List #3

Superior - Superior, larger in sq ft, no basement, one-car garage, updated exterior, short sale property.

Superior - Superior, larger in sq ft, one-car garage, REO property.

Miscellaneous Comments

This home is average for the neighborhood and comparable to subject property.

Property does not appear to need any major repairs. Some cosmetic repairs may be needed. To get home sold in the shortest amount of time this property will need to be marketed "AS-IS".

Home will be marketed AS-IS. Pricing will be adjusted every 7-15 days until an offer is received from a qualified buyer. The adjustment in price should be between 7-10%, depending on the change in market conditions. Home will be marketed through the MLS and several internet sites.



Photo Specifications

Agents must not only become well-versed in digital camera features and use, but they must also be open to, and accommodate as much as possible, client requests and specs.

The following are standard requirements on most BPOs, but keep in mind that the specific requirements of the bank or entity ordering the BPO will supersede.

Photos

- Take multiple shots to ensure you have what you need.
- Before leaving the property ensure the photos are clear and usable.
- All photos must be labeled and dated.
- Ensure the date is accurate.
- No people, pets (live or in photos or portraits in the home) should be in any photos.
- Avoid photos that may indicate race, creed, religion, or national origin.
- Any photos containing inappropriate/graphic content should be excluded or edited prior to submission.

Exterior Photos

- At least one front view of the property
- At least one rear view of the property
- Street view from front of property - both directions and across the street
- Close-up of the street sign so name of street is legible
- Close-up of address either on the house or mailbox - again - must be legible
- Anything around the property that will influence the price and/or sale-ability of the property; be sure to photograph anything noted in your report

Interior Photos

- Submit photos of ALL main rooms. The floor and at least two walls must be visible.
- Submit multiple photos of the rooms if necessary to depict the appropriate condition.

Comparable Photos

- Front view photo of sold comps
- Front view photo of active listing comps

Useful Camera Features

Certain camera features facilitate assembling very professional valuation reports, such as the following:

For clearly capturing house numbers and homes located far off of the road, cameras with higher optical zoom capabilities provide better close-up photos.

Cameras with the easy flash turn-on and turn-off can compensate for different lighting situations.

Wide-angle capability is critical for photographing larger rooms and homes.

Photo Etiquette

Remember that taking interior pictures of a house without permission is a violation. That permission must come from the homeowner or the listing agent.

Summary of Module 3

Please write down the three key points you have learned from this module.

Key Points:

Module 4: Putting It All Together

At the conclusion of this module, you will be able to:

- List typical BPO elements.
- Outline significant market area and previous listing information.
- Complete a BPO.

BPO Elements

Typically, a BPO will consist of the following elements:

- Market area information
- Previous listing information
- Value & market recommendations
- Listing comparables
- Sales comparables
- Broker comments
- Photos

Market Area Information

Market	Values	Competition	Selling Time
<ul style="list-style-type: none"> ▪ Urban ▪ Suburban ▪ Rural 	<ul style="list-style-type: none"> ▪ Stable ▪ Appreciating ▪ Declining 	<ul style="list-style-type: none"> ▪ Shortage ▪ Balanced ▪ Oversupplied 	<ul style="list-style-type: none"> ▪ Under 90 days ▪ 90-180 days ▪ Over 180 days

Previous Listing Information

Was the property previously listed?

- First Listed Date _____
- Original List Price _____
- Last List Price _____

Exercise: Complete a BPO

Our concluding exercise will be to complete a sample BPO on the subject property outlined below.

Selecting Comps

1. In your work groups, look at the eight comparable properties (provided below) and decide which of them you will use. When choosing, you will want to use the criteria outlined in Module 3.
2. Be sure to note on the comps you are **not** using why you did not choose them. Remember, this goes in your file for future reference, if needed.
3. Using the BPO Worksheet, choose the most appropriate comps. We will use just three of them on the actual BPO. However, there is room for four in this preliminary selection process to help you determine the appropriate ones to use. Choose three or four, as you feel appropriate at this point.
4. The instructor will re-convene the class to determine which **three** comps are most appropriate before you proceed.

Adjusting the Comps

1. After you have chosen the three comps, adjust them to determine the market value of the subject. Adjust the comps as outlined in Module 3 using the BPO Analysis form and the Sample Evaluation Figures on the pages below.

Completing the BPO Form

Fill out the BPO form. Use the following *assumptions* since we do not have actual field knowledge of the properties.

- Property condition is good with no immediate repairs needed.
- The neighborhood is declining (have started to see some REOs and short sales in the area).
- Predominant occupancy is *owner* and marketing time is over six months.

Complete the *value estimate* section including *comments* describing your marketing strategy and conclusions.

Comps



Subject Property:

12202 23rd Place

Property Details

Beds	3 beds	Baths	2.5 baths
House Size	2199 sq ft	Lot Size	0.21 Acres
Grade School	Harrison	Year Built	2006
		Style	Ranch
		Garage	3
Property Features	<ul style="list-style-type: none"> • Subdivision: RIVER PLANTATION PH I • Approximately 0.2 acre(s) • Type: Single Family Home • Master Bedroom is 18X18 • Living room is 16X21 • Kitchen is 13X20 • Parking features: Door Opener • Inclusions: Dishwasher, Disposal, Microwave, Oven • Community features: Community Pool, Deed Restrictions, Playground, Tennis Courts • Community tennis court(s) • Approximate lot is 65.0X140.0 • Utilities present: BB/HS Internet Available, Cable Available, County Water, Electric, Fire Hydrant, Public Sewer, Sprinkler Well • Parcel Access: Street Dead-End, Street Paved • Cooling features: Cooling • Community swimming pool(s) 		
Fireplace Features	Yes		
Exterior Construction	Block, Stucco, Slab		
Roofing	Shingle		
Interior Features	Attic, Blinds/Shades, Smoke Alarm(S), Solid Surface Counters, Solid Wood Cabinets, Walk In Closet, Washer/Dryer Hookup, Open Plan, Dual Sinks, Tub with Separate Shower Stall, Inside Utility, Closet Pantry, Island, Carpet, Ceramic Tile, Security System Leased		
Exterior	Irrigation System, Oak Trees, Patio/Porch Open, Satellite Dish, Sliding Doors, In County, Sidewalk		



Use this comp? <input type="checkbox"/> yes <input type="checkbox"/> no
Why? _____

Comp #1: 456 22nd Court

Property Details **Sold \$189,900** **Date: 1 month ago** **DOM: 112**

Beds	3 beds	Baths	2 baths
House Size	1935 sq ft	Lot Size	0.17 Acres
Sold Info:	FHA Financing; seller concessions	Year Built	2005
Grade School	Harrison	Style	
		Garage	2

Property Features

- Subdivision: RIVER PLANTATION PH I
- Approximately 0.17 acre(s)
- Type: Single Family Home
- Master Bedroom is 14x17
- Living room is 16x22
- Dining room is 11x13
- Kitchen is 12x21
- Pool features: Gunite/Concrete, Heated Pool, In Ground, Screen Enclosure
- Parking features: Door Opener, Drive Space, No Street Parking
- Inclusions: Convection Oven, Dishwasher, Disposal, Hot Water Electric, Oven, Range, Refrigerator
- Community features: Association Recreat, Community Boat Ramp, Community Pool, Deed Restrictions, Fees Required, Park, Playground, PUD, Recreation Building, Tennis Courts
- Community tennis court(s)
- View: Park View
- Approximate lot is 58.0X130.0

Fireplace Features

Exterior Construction Block, Stucco, Slab

Roofing Shingle

Interior Features

Attic, Blinds/Shades, Cathedral/Vaulted Ceiling, Rods, Smoke Alarm(S), Solid Surface Counters, Solid Wood Cabinets, Tray Ceiling, Unfurnished, Walk In Closet, Washer/Dryer Hookup, Eating Space In Kitchen, Great Room, Kitchen/Family Room Combo, Open Plan, Split Bedroom, Dual Sinks, Shower No Tub, Breakfast Bar, Closet Pantry, Pantry, Carpet, Ceramic Tile

Exterior Features

Gutters / Downspouts, Irrigation System, Mature Landscaping, Patio/Porch Covered, Patio/Porch Screened, Sliding Doors, In County



Use this comp? ____yes ____no

Why? _____

Comp #2: 678 Red Leaf Road

Sold: \$155,000

Date: 2 months ago

DOM: 145

Beds	3 beds	Baths	1 baths
House Size	1400 sq ft	Lot Size	0.34 Acres
Sold Info:	Short Sale	Year Built	1971
Grade School	Adams	Style	Ranch
		Garage	

- Property Features**
- Subdivision: NOT IN SUBDIVISION
 - Approximately 0.33 acre(s)
 - 1 total full bath
 - Type: Single Family Home
 - Kitchen
 - Master Bedroom is 13X12
 - Living room is 21X16
 - Kitchen is 19X10
 - Parking features: Drive Space
 - Inclusions: Dishwasher, Hot Water Electric, Microwave, Range, Refrigerator
 - Lot size is less than 1/2 acre
 - Utilities present: Public Utilities, Septic
 - Elementary School: Williams Elementary
 - Middle School: Buffalo Creek Middle
 - High School: Palmetto High
 - Cooling features: Cooling
- Fireplace Features** Yes
- Exterior Construction** Block, Slab
- Roofing** Shingle
- Interior Features** Stone Counters, Eating Space In Kitchen, Living/Dining Room Combo, Tub With Shower, Inside Utility, Office / Den / Library, Carpet, Ceramic Tile
- Exterior Features** Fenced, In County



Use this comp? ___yes ___no
Why? _____

Comp #3: 135 Sandpiper

Sold: \$169,000

Date: 3 months ago

DOM: 92

Beds	3 beds	Baths	2 baths
House Size	1951 sq ft	Lot Size	5.06 Acres
Sale Info:	None	Year Built	2003
Grade School	Lincoln	Style	Ranch
		Garage	2

Property Features

- Subdivision: NOT IN SUBDIVISION
- Approximately 5.05 acre(s)
- 2 total full bath(s)
- Type: Single Family Home
- Master Bedroom is 12x14
- Living room is 12x12
- Dining room is 12X11
- Kitchen is 10x12
- Pool features: Above Ground
- Parking features: Door Opener, Drive Space
- RV/boat parking
- Inclusions: Dishwasher, Disposal, Dryer, Microwave, Range, Refrigerator, Water Aerator Owned, Water Filter Owned, Water Softener Owned
- Community features: No Deed Restriction, Playground
- Utilities present: Septic, Well
- 2 car garage(s)
- Cooling features: Cooling
- Energy Info: Ceiling Fan(S), Window Treatment

Fireplace Features

Heating Features Fuel - Electric, Yes

Exterior Construction Block, Stucco, Slab

Roofing Shingle

Interior Features Solid Wood Cabinets, Walk In Closet, Great Room, Open Plan, Split Bedroom, Volume Ceilings, Garden Bath, Foyer, Breakfast Bar, Ceramic Tile, Laminate, Great Room is 15X15

Exterior Features French Doors, Fruit Trees, Hurricane Shutters, Oak Trees, Utility Shed, In County



Use this comp? yes no

Why? _____

Comp #4: 654 30th Street

Sold: \$179,000

Date: 5 months ago

DOM: 160

Beds	3 beds	Baths	2.5 baths
House Size	2409 sq ft	Lot Size	0.23 Acres
Sold Info:	Short Sale	Year Built	2003
Grade School	Harrison	Style	
		Garage	3

Property Features

- Subdivision: KINGSFIELD LAKES PH 1
- Approximately 0.23 acre(s)
- 2 total full bath(s)
- 1 total half bath
- Type: Single Family Home
- Master Bedroom is 16x19
- Living room is 15x17
- Family room is 15x17
- Kitchen is 15x14
- Inclusions: Dishwasher, Disposal, Dryer, Microwave, Oven, Refrigerator, Washer
- Community features: Community Pool
- Lot features: Oversized Lot
- Lot size is less than 1/2 acre
- Utilities present: Cable Available, Canal/Lake For Irrigation, County Water, Electric, Public Sewer, Sprinkler Recycled
- Parcel Access: Street Paved
- Community swimming pool(s)
- Energy Info: Ceiling Fan(S)

Fireplace Features

Heating Features

Exterior Construction Block

Roofing Shingle

Interior Features Attic, Blinds/Shades, In Wall Pest System, Smoke Alarm(S), Walk In Closet, Garden Bath, Breakfast Bar, Closet Pantry, Carpet, Ceramic Tile, Security System Owned

Exterior Features Fenced, Gutters / Downspouts, Irrigation System, Patio/Porch Screened, Sliding Doors, Sidewalk, Water Frontage: Pond



Use this comp? ___yes ___no
 Why? _____

**Comp #5:
 357 Wilderness Blvd.**

Sold: \$188,500

Date: 4 months ago

DOM: 215

Beds 3 beds
House Size 2089 sq ft
Sold Info: None
Grade School Lincoln

Baths 2 baths
Lot Size 1.15 Acres
Year Built 2002
Style Traditional
Garage 2

Property Features

- Subdivision: FOXBROOK PH I
- Approximately 1.14 acre(s)
- 2 total full bath(s)
- Type: Single Family Home
- Master Bedroom is 14X17
- Living room is 17X18
- Dining room is 13x11
- Kitchen is 12X10
- Parking features: Door Opener
- Inclusions: Dishwasher, Disposal, Hot Water Electric, Microwave, Range, Refrigerator
- Horse(s) allowed
- Lot size is between 1 and 2 acres
- Utilities present: Public Municipal Water, Septic
- 2 car garage(s)
- Cooling features: Cooling
- Fireplace(s)
- Energy Info: Ceiling Fan(S)

Fireplace Features

Heating Features Fuel - Electric, Yes

Exterior Construction Block, Stucco, Slab

Roofing Shingle

Interior Features Attic, Smoke Alarm(S), Walk In Closet, Washer/Dryer Hookup, Wet Bar, Bath w Spa/Hydro Massage Tub, Inside Utility, Office / Den / Library, Pantry, Carpet, Ceramic Tile, Vinyl

Exterior Features Fenced, Fruit Trees, Outdoor Lights, Patio/Porch Open, Patio/Porch Screened



Use this comp? ____yes ____no

Why? _____

Comp #6: 278 Little Country Road

Sold: \$169,700

Date: 1 month ago

DOM: 78

Beds 4 beds
House Size 2201 sq ft
Sold Info: REO
Grade School Adams

Baths 3 baths
Lot Size 0.22 Acres
Year Built 2008
Style Ranch
Garage 3

Property Features

- County: Manatee County
- Subdivision: COPPERSTONE PH I
- Approximately 0.22 acre(s)
- 3 total full bath(s)
- Master Bedroom is 13x18
- Living room is 12x14
- Dining room is 13x10
- Family room is 17x17
- Kitchen is 10x14
- Pool features: Child Safety Fence, Gunite/Concrete, In Ground, Screen Enclosure, Tile
- Parking features: Door Opener, Drive Space, Side Rear Entry, Washer/Dryer Hookup
- Inclusions: Dishwasher, Disposal, Hot Water Electric, Microwave, Range, Refrigerator
- Community features: Community Pool, Deed Restrictions, Fees Required, Fishing Pier, Fitness, Gated Community, Playground, Recreation Building,
- Approximate lot is 55.0X120.0
- Lot size is less than 1/2 acre
- Utilities present: Cable Available, Cable Connected, County Water, Electric, Public Utilities, Sprinkler Recycled, Underground
- Energy Info: Thermal Windows

Fireplace Features Yes

Exterior Construction Block, Slab

Roofing Shingle

Interior Features Blinds/Shades, Smoke Alarm(S), Solid Wood Cabinets, Stone Counters, Unfurnished, Walk In Closet, Washer/Dryer Hookup, Breakfast Room Separate, Kitchen/Family Room Combo, Split Bedroom, Bath w Spa/Hydro Massage Tub, Dual Sinks, Garden Bath, Tub with Separate Shower Stall, Breakfast Bar, Closet Pantry, Island, Carpet, Ceramic Tile

Exterior Features Hurricane Shutters, Irrigation System, Oak Trees, Outdoor Lights, Patio/Porch Screened, Sliding Doors, In County, Sidewalk



Use this comp? yes no

Why? _____

Comp #7: 907 124th Street

Sold: \$186,700

Date: 2 months ago

DOM: 66

Beds	4 beds	Baths	2 baths
House Size	1900 sq ft	Lot Size	0.27 Acres
Sold Info	REO	Year Built	2010
Grade School	Harrison	Style	Florida
		Garage	2

Property Features

- Subdivision: CREEKSIDE PRESERVPH II
- Approximately 0.26 acre(s)
- 2 total full bath(s)
- Master Bedroom is 12x17
- Living room is 13x10
- Dining room is 09x10
- Family room is 13x17
- Kitchen is 12x14
- Inclusions: Dishwasher, Disposal, Hot Water Electric, Microwave, Range
- Community features: Deed Restrictions, Gated Community, Playground
- Lot features: Oversized Lot
- Corner lot
- Lot size is less than 1/2 acre
- Utilities present: Cable Available, County Water, Electric
- Call agent for details on association fee info.
- 2 car garage(s)
- Cooling features: Cooling, Zoned/Multiple

Fireplace Features

Exterior Construction

Stone, Stucco, Slab

Roofing

Shingle

Interior Features

In Wall Pest System, Smoke Alarm(S), Stone Counters, Unfurnished, Walk In Closet, Breakfast Room Separate, Living/Dining Room Combo, Dual Sinks, Garden Bath, Tub with Separate Shower Stall, Foyer, Inside Utility, Closet Pantry, Carpet, Ceramic Tile, Security System Owned

Exterior Features

Patio/Porch Covered, Trees/Landscaped, In County, Sidewalk



Use this comp? yes no

Why? _____

Comp #8: 159 Sand Dollar Drive

Sold: \$195,500

Date: 3 months ago

DOM: 106

Beds	4 beds	Baths	3 baths
House Size	2482 sq ft	Lot Size	0.19 Acres
Sold Info:	None	Year Built	2010
Grade School	Lincoln	Style	
		Garage	3

- Property Features**
- Subdivision: COPPERSTONE PH I
 - Approximately 0.19 acre(s)
 - 3 total full bath(s)
 - Master Bedroom is 13x17
 - Living room is 12x14
 - Family room is 16x17
 - Kitchen is 10x16
 - Inclusions: Dishwasher, Disposal, Hot Water Electric, Microwave, Range
 - Community features: Community Pool, Deed Restrictions, Fitness, Gated Community, Park, Playground, Recreation Building
 - Approximate lot is 62.0X120.0
 - Lot size is less than 1/2 acre
 - 3 car garage(s)
 - Cooling features: Cooling
 - Community swimming pool(s)
- Fireplace Features** Yes
- Heating Features** Fuel - Electric
- Exterior Construction** Block, Slab
- Roofing** Shingle
- Interior Features** Smoke Alarm(S), Solid Surface Counters, Dual Sinks, Garden Bath, Tub with Separate Shower Stall, Carpet, Ceramic Tile
- Exterior Features** Patio/Porch Covered, In County

Sample Print Out of Current Inventory/Competition

SS = Short Sale
Est. = Estate

RELO = Relocation
REO = Real Estate Owned

	Style	Sq.ft.	Rm Ct.	FPL	Gar/cpt	Comments	Price
1	Ranch	1920	6/3/1.5	No	2 car gar	SS	\$149,900
2	Ranch	1850	6/3/2	Yes	2 car		\$150,000
3	Ranch	2211	6/3/2	Yes	2 car	RELO	\$151,900
4	Split	1980	6/3/1.5	No	1 car	REO	\$151,900
5	Ranch	1930	6/3/2	Yes	2 car		\$155,900
6	Ranch	2200	6/3/2	No	1 carport	SS	\$155,000
7	2-Story	2100	7/3/1	Yes	2 car	SS	\$159,900
8	Ranch	2050	6/3/2.5	Yes	2 car		\$159,900
9	Ranch	2400	6/3/1	No	None		\$160,000
10	Ranch	1900	6/3/1.5	Yes	1 car		\$160,900
11	Ranch	1650	6/3/2.5	Yes	2 car	Estate	\$161,900
12	Ranch	1955	6/3/2	Yes	1 car	REO	\$161,900
13	2-Story	1950	6/4/2	Yes	2 car	SS	\$161,900
14	Ranch	2050	6/3/1.5	Yes	1 car		\$162,900
15	Ranch	2200	6/3/2	Yes	2 car	SS	\$162,900
16	Ranch	1880	6/3/1.5	No	1 car	Estate	\$165,900
17	Split	1950	6/3/1.5	No	1 car	REO	\$165,700
18	Ranch	2100	6/3/2	No	2 car	REO	\$155,700
19	Ranch	2090	6/3/1.5	Yes	1 car	SS	\$169,900
20	Split	1890	6/3/2	Yes	2 Car	Estate	\$173,900
21	Ranch	1900	6/3/1.5	No	1 car	REO	\$173,900
22	Ranch	1850	6/3/2	Yes	2 car	SS	\$175,900
23	2-Story	2100	6/3/2	No	2 car	SS	\$176,900
24	Ranch	2050	6/3/1.5	Yes	2 car		\$179,900
25	Ranch	2300	6/3/2.5	Yes	3 car		\$179,900
26	Split	1900	5/3/2	Yes	1 car		\$179,000
27	Ranch	2350	6/3/1	No	1 car	Estate	\$179,900
28	Ranch	1860	6/3/2	Yes	2 car	REO	\$179,800
29	2-Story	1780	6/3/2	Yes	2 car	SS	\$180,900
30	Ranch	1900	6/3/1.5	No	2 car	SS	\$180,900
31	Split	1875	6/3/2	No	None	SS	\$181,900
32	Split	2100	6/3/2	Yes	2 car	REO	\$183,500

33	Split	2000	6/3/2	Yes	2 car		\$184,900
34	Split	2650	6/3/2	Yes	2 car		\$185,500
35	Ranch	2890	6/3/2	No	2 car		\$199,900
36	Ranch	2950	6/3/2	Yes	2 car	SS	\$202,900
37	Ranch	2800	7/4/2	No	2 car	REO	\$213,900
38	Ranch	2960	7/4/2	Yes	3 car	SS	\$229,900
39	Ranch	2700	7/3/2	Yes	2 car		\$235,900
40	2-Story	2900	7/4/2	Yes	3 car	REO	\$245,900

Summary:

40 properties currently on the market that could be competition for this listing

MLS statistics show the following:

Going back 6 months: on average 3 homes per month have sold

Going back 3 months: on average 2.5 homes per month have sold

Last month: 2 homes from this category sold

Evaluation Figures

These figures are for classroom purposes only. They may or may not reflect the actual values in your marketplace. DO NOT automatically use them on your real BPOs and CMAs without verifying their accuracy for your marketplace.

Air Conditioning

Central v none	\$2,000 - \$6,000
Functional window unit	\$250
Whole house ceiling fan	\$1,000 - \$2,500

Appliances

Oven/range and dishwasher are expected to remain in the home.
 Make adjustment for appliances in very bad condition or if there are upscale (Viking, Sub-Zero) appliances in one but not the other

	\$0 - \$500 each
--	------------------

Age

No adjustment may be needed for less than 5 years25% - .5%/year
---	-----------------

Basement

Partial versus none	\$ 8,000 - \$15,000
Full versus none	\$15,000 - \$20,000
Walk out - add to above	\$ 5,000 - \$10,000

Basement (finished)

Below average finishing	\$0 - \$3,000
Average finishing	\$5,000 - \$10,000
Superior finishing	\$10,000 - \$20,000

Bathrooms

For each ½ bath difference	\$1,500 - \$3,000
For each full bath difference	\$2,500 - \$5,000

Bedrooms (only if functional and not in basement)

3 v 2	\$6,000 - \$8,000
4 v 3	\$6,000 - \$8,000
5 v 4	\$4,000 - \$6,000

Brick (All brick – not face brick)	\$4,000 - \$10,000
--	--------------------

Busy Street (deduction)

Backing to a busy street	\$2,000 - \$5,000
Fronting a busy street	\$5,000 - ???

Deck

14 x 14	\$2,000 - \$4,000
Multilevel and very large	\$8,000 - \$12,000

Dining Room

“L” or combination versus none	\$2,500 - \$5,000
Separate versus “L”	\$1,000 - \$4,000
Separate versus none	\$4,000 - \$8,000

Family Room (first floor)	\$8,000 - \$25,000
---------------------------------	--------------------

On main living level versus in the basement	\$2,000 - \$8,000
---	-------------------

Fireplace	
Prefab	\$2,000 - \$3,000
Masonry	\$4,000 - \$6,000
Fence	
	\$2,000 - \$4,000
Garage	
1 v none	\$4,000 - \$8,000
2 v none	\$6,000 - \$10,000
per stall additional	\$2,000 - \$7,000
Laundry Room (1st or 2nd Floor – not in basement)	
	\$2,000 - \$8,000
Lot Size	
If lot is significantly larger in same neighborhood (20% or more)	Up to \$10,000
Depth over 150' does not add value	
Corner lot may be a deduction of up to \$10,000 if no back yard	
Patio	
10 x 20 concrete	\$1,000
Very large free form aggregate stone	\$2,000 - \$5,000
Pool	
In-ground - depends on overall character of property and location – possibly	\$2,000 - \$6,000
Above-ground – no value – may have negative value	
Porch	
Screened v patio or deck	\$2,000 - \$5,000
Screened w/permanent roof and footings	\$5,000 - \$10,000
Permanent with windows	\$10,000 - \$20,000
Room Sizes	
No adjustment is required for differences of less than 100 square feet	
For each 100 square feet	\$1,000 - \$1,500
Roof	
A functional roof is expected and gets no value. A roof needing replacement requires a deduction of the cost of a roof (depends on size, style and if tear-off needed)	\$4,000 - \$8,000

BPO Worksheet

Comp #1 Address _____			Price \$ _____	
Differences	Comp better (-)	Sub better (+)	Adj.	_____
_____	_____	_____	Adj.	_____
_____	_____	_____	Adj.	_____
_____	_____	_____	Adj.	_____
_____	_____	_____	Adj.	_____
Market Value of Subject				\$ _____

Comp #2 Address _____			Price \$ _____	
Differences	Comp better (-)	Sub better (+)	Adj.	_____
_____	_____	_____	Adj.	_____
_____	_____	_____	Adj.	_____
_____	_____	_____	Adj.	_____
_____	_____	_____	Adj.	_____
Market Value of Subject				\$ _____

Comp #3 Address _____			Price \$ _____	
Differences	Comp better (-)	Sub better (+)	Adj.	_____
_____	_____	_____	Adj.	_____
_____	_____	_____	Adj.	_____
_____	_____	_____	Adj.	_____
_____	_____	_____	Adj.	_____
Market Value of Subject				\$ _____



BPO Form

**Freddie
Mac**

BROKER'S PRICE OPINION

Exterior /Curb Side
Interior
Interior Access Denied

Inspection Date

Freddie Mac Loan # 723449

Servicer Loan # 14449

Reason

BPO # 88667

BPO Firm Name		Broker		Phone	
SUBJECT PROPERTY DESCRIPTION					
Property Address 12202 23rd Street East					Unit #
City Parrish		County	State Florida	Zip 34219	
Is property currently listed for sale with a real estate firm? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Name of Listing Broker, Salesperson or Firm A-1 Real Estate			Phone
Property Type: <input type="checkbox"/> Townhouse <input checked="" type="checkbox"/> SFD <input type="checkbox"/> 2 Fam <input type="checkbox"/> 3 Fam <input type="checkbox"/> 4 Fam <input type="checkbox"/> Condo <input type="checkbox"/> Mfg Home					
Occupant: <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant					
Estimate of repairs needed for subject property					
Interior:			Exterior:		
Painting	\$	_____	Painting	\$	_____
Structural	\$	_____	Structural	\$	_____
Appliances	\$	_____	Landscaping	\$	_____
Utilities	\$	_____	Roof	\$	_____
Carpet/Floors	\$	_____	Windows	\$	_____
Other	\$	_____	Other	\$	_____
Cleaning/Trash Removal	\$	_____	Do you recommend repairs? <input type="checkbox"/> Yes <input type="checkbox"/> No		
Repairs Total: \$					

Overall Property Condition:	<input type="checkbox"/> Excellent	<input checked="" type="checkbox"/> Good	<input type="checkbox"/> Fair	<input type="checkbox"/> Poor
Are there any items that require IMMEDIATE attention/action?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No		
Title/Legal Issues?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No		
Do any environmental issues affect the value of the property?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No		
If yes to any of the above, please explain:				

NEIGHBORHOOD								
Property Values:	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input checked="" type="checkbox"/> Declining	Predominant Occupancy	<input checked="" type="checkbox"/> Owner	<input type="checkbox"/> Tenant		
Marketing Time:	<input type="checkbox"/> Under 3 Mos.	<input type="checkbox"/> 3-6 Mos.	<input checked="" type="checkbox"/> Over 6	Vacancy Rate	<input checked="" type="checkbox"/> 0-5%	<input type="checkbox"/> 5-10%	<input type="checkbox"/> 10-20%	<input type="checkbox"/> 20% + Mos.
No. of Active Listings in Neighborhood: 14			Price Range of Active Listings in Neighborhood: \$150,000 to \$246,000					
COMMENTS								

VALUE ESTIMATION			
Probable Sale Price	90-Day Marketing Time	120-Day Marketing Time	180-Day Marketing Time
As Is			
As Repaired			
Property should be listed: As Is: <input type="checkbox"/> As Repaired: <input type="checkbox"/>			
Anticipated Seller-Paid Financing Costs: \$			
COMMENTS: (Describe your marketing strategy and reasons for As Is/As Repaired recommendations)			
PREPARED BY: _____			
Signature		Date	

BPOs: The Agent's Role in the Valuation Process

COMPETITIVE LISTINGS							
ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3			
Address	12202 23rd St.	12208 E. 23rd	486 Sandpiper	754 31st Street			
Proximity to Subject		1 block	.5				
Current List Price	\$ 199,000	\$ 189,900	\$209,900	\$219,500			
Current List Date		DOM 78	DOM 115	DOM 93			
Original List Price	\$ 215,000	\$	\$	\$			
Original List Date							
VALUE ADJUSTMENTS (Use the following codes for the adjustments: S=Superior E=Equal I=Inferior U=Unknown)							
DESCRIPTION	DESCRIPTION	DESCRIPTION	ADJ	DESCRIPTION	ADJ	DESCRIPTION	ADJ
Above Grade	Total # of Rooms 6	Total # of Rooms 7		Total # of Rooms 6		Total # of Rooms 7	
Room Count	Bdrm 3 Baths 2.5	Bdrm 4 Baths 2		Bdrm 3 Baths 2		Bdrm 4 Baths 2.5	
Gross Living Area	Sq. Ft. 2199	Sq. Ft. 2100	Code	Sq. Ft. 1905	Code	Sq. Ft. 2209	Code
Location	River Plantation	River Plantation		No Subdivision		Kingsfield Lakes	
Site/Lot Size	.21 ac	.23 Ac	E	.20 Ac	E	.29	E
Design and Appeal	Typical for area	Typical	E	Typical	E	Typical	E
Age (number of yrs. since house was built)	4	3		3	E	2	E
Overall Condition	Good	Average	I	Good	E	Excellent	S
Garage/Carport	3 car garage	2 car garage	I	3 car garage	E	3 car garage	E
Porch, Patio Deck, Pool, Fence	Patio	Patio	E	Patio	E	Patio, pool	S
Overall Rating/Est.S Value of Adjustments							
Indicate Property Most Comparable to Subject (Check One)		<input checked="" type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>	
COMMENTS:							

CLOSED SALES							
ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3			
Address	12202 23rd St.						
Proximity to Subject							
Original List Price	\$	\$	\$	\$			
List Price When Sold	\$	\$	\$	\$			
Sales Price	\$	\$	\$	\$			
Sales Date							
Days on Market							
VALUE ADJUSTMENTS (Use the following codes for the adjustments: S=Superior E=Equal I=Inferior U=Unknown)							
DESCRIPTION	DESCRIPTION	DESCRIPTION	ADJ	DESCRIPTION	ADJ	DESCRIPTION	ADJ
Above Grade Room Count	Total # of Rooms 6 Bdrm 3 Baths 2.5	Total # of Rooms Bdrm Baths		Total # of Rooms Bdrm Baths		Total # of Rooms Bdrm Baths	
Gross Living Area	Sq. Ft. 2199	Sq. Ft.	Code	Sq. Ft.	Code	Sq. Ft.	Code
Sales or Financing Concessions							
Location	River Plantation						
Site/Lot Size	.21 ac						
Landscaping							
Design and Appeal	Typical for area						
Age (number of yrs. since house was built)	4						
Overall Condition	Good						
Garage/Carport	3 car garage						
Porch, Patio Deck, Pool, Fence	Patio						
Overall Rating/Est.\$ Value of Adjustments							
Indicate Property Most Comparable to Subject (Check One)		<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>	
COMMENTS:							

Addendum: Market Approach and Use Report

The Market Approach of this report as established by the customer is (Fair Market Price) and the Marketing Time as specified by the customer is (Typical).

Fair Market Price: A price at which the property would sell in a typical marketing time for the area.

Distressed Price: A price at which the property would sell as an REO in an abbreviated marketing time as specified by the customer.

Marketing Time: The Marketing Time is the time for which the customer has specified they would expect the property to be sold.

- Typical
- 1 Day
- 15 Day
- 30 Day
- 60 Day
- 90 Day
- 120 Day
- 180 Day
- As stated in the form

Broker Name:
License No: 12345TEST
Company/Brokerage: Test Brokerage
Electronic Signature:

Interior report:
For access please contact the interior access name and number listed above.

Purpose: Fair Market Valuation
Please determine a fair market value for this property at which it would sell in a typical marketing time for the area.

Comparable Requirements:

1. Please use fair market comps from the same neighborhood, block or subdivision whenever possible.
2. Please only use REO comparables if the market is driven by REOs and they are comparable in characteristics and condition.
3. Please use comps that have closed in the past 3 months to show the current market conditions or comment in the report if this is not possible. In rapidly changing markets, active listing comps should be given equal or greater weight than sold comps in your analysis.

Standard Instructions:

1. Please do not accept if you or your office has completed a report on this property in the last month, are currently listing this property, or have any vested interest in the subject property.
2. Please use the subject characteristics provided in the report Grid (if we preloaded them) to evaluate the property. This information is from a full interior appraisal and is assumed to be most accurate. If your inspection reveals obvious inaccuracies, please explain in the narrative of the report.

1. One current, original photo of the front of the subject
2. One current, original address verification photo
3. One current, original street scene photo looking down the street
4. Labeled MLS Listing and Sold Comp photos required. Please take original photos of the comps if MLS photos are thumbnail size or unavailable.
5. At least 8 current, original interior photos – one of each room, and any glaring items that affect the valuation of the property positively or negatively.

Addendum: Disclaimer

This document is not an appraisal as defined by USPAP (Uniform Standards of Professional Appraisal Practice). It is not to be construed as an appraisal and may not be used as such for any purpose.

The user of this report is hereby notified that this report should not be used as the sole or primary basis for a loan origination decision (except in limited circumstances where expressly permitted by applicable laws or regulations) and that the person performing this report may be doing so in anticipation of potentially securing a listing on the property.

Unless otherwise specifically agreed to in writing:

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4

Conclusion

Thank you for your active participation in this course. In summary, we have discussed the following topics:

- Multiple uses for BPOs and CMAs
- Key valuation terms
- Pricing concepts and types
- Code of Ethics
- Evaluation of significant valuation tools
- Applicable comps
- Adjustments
- Relevant characteristics and external influences

Key Learning Points

Write down one or two ideas, insights, or suggestions you will take from this course.

Questions & Answers

Take this time to raise questions about the material discussed during the course.

Appendices

Real Estate Standards Organization (RESO)

Real estate data sharing on multiple listing services is about to get easier, with the RESO approval of real estate property standard names. The standard names were introduced by the MLS Cooperative Venture (COVE) in March during RESO's General Assembly conference.

RESO oversees the NAR-supported Real Estate Transaction Standard (RETS), which defined an approach for exchanging listings with multiple listing services.

RETS 1.8

The upcoming release of version 1.8 of RETS will include the approved standard names, which will benefit agents and the clients they serve, MLS operators, and the vendors who supply MLS technology. Standard names simplify the installation and operation of data feeds, a crucial part of conducting business for both brokers and agents. MLS technology vendors will also now be able to use a common vocabulary with the addition of standard names.

RETS defines an approach for exchanging listings and provides a common language spoken by systems such as MLS's. RESO is an open-standards community of real estate practitioners and technology vendors who volunteer their time and expertise to enhance the real estate transaction process with data standards (New MLS Standards Will Help Realtors® Better, by Leanne Jernigan retrieved at:

http://www.realtor.org/press_room_secured/news_releases/2010/05/mls_standards).

Broker Price Opinion Guidance Document

The Real Estate Board is issuing this guidance document in order to assist its licensees in understanding the requirement of §54.1-2010.A.1 of the *Code of Virginia* as a means of providing information or guidance of general applicability to the public:

To ensure that the Real Estate Board's broker and salesperson licensees comply with §54.1-2010.A.1 of the *Code of Virginia*, the Board prohibits any licensee who provides a valuation or analysis of real estate (such as a Broker Price Opinion) for a fee in the ordinary course of business from holding himself out as a real estate appraiser. Such valuation or analysis shall not be referred to as an appraisal, and it shall not be used in lieu of an appraisal performed by a certified or licensed appraiser when an appraisal is required by federal or state law or regulation.

Further, in accordance with 18 VAC 135-20-300.8 of the Board's Regulations, any licensee who knowingly makes any false statement or report, or willfully misstates the value of any land, property or security for the purpose of influencing in any way the action of a lender may be in violation of the Board's regulation prohibiting misrepresentation or omission.

Further, 18 VAC 135-20-160 of the Board's Regulations, every principal broker or supervising broker or a place of business or branch office shall exercise reasonable and adequate supervision of the provision of real estate brokerage services (to include the valuation or analysis of real estate, e.g., Broker Price Opinions) by associate brokers and salespersons assigned to the place of business or branch office.

Further, in accordance with 18 VAC 135-20-280.2 of the Board's Regulations, it is improper to accept a commission or other valuable consideration (including fees for Broker Price Opinions), as a real estate salesperson or associate broker, from any person except the licensee's principal broker at the time of the transaction, for performance of any of the acts specified in Chapter 21 (§54.1-2010 et seq.) of the *Code of Virginia* or the regulations of the board or relate to any real estate transaction without the consent of the broker.

Further, in accordance with 18 VAC 135-20-330 of the Board's Regulations, principal and supervising brokers may be held responsible for failing to take reasonable action to remedy situations that lead to unlawful acts or regulatory violations by licensees and employees with their supervision.

BPO Companies

These are not the only BPO companies in the market. This list was accurate at the time of printing the manual. We have no guarantee it remains so. Additional information may be found at: www.BPO-Companies.com or www.BPOaccess.com.

24 Asset Management	www.24amn.com
Americas Infomart	www.aimyourway.com
Asset Valuation & Marketing	www.assetval.com
Atlas	www.atlasreo.com
Brighton Real Estate Services	www.brightonreo.com
Clear Capital	www.clearcapital.com
CoreLogic	www.farvv.com
Corporate Asset Management	www.camreo.com
Equity Pointe	www.equator.com
Fiserv Lending Solutions	www.fiservlendingsolutions.com
emortgage Logic	www.emortgagelogic.com
First Preston Management	www.FirstPreston.com
Goodman Dean	www.goodmandean.com
National Default Services	www.tngroups.com
Nationwide REO Brokers Inc.	www.nreob.com
Nationwide BPO's	www.nationwideBpoS.COM
Main Street Valuations	www.mainstreetval.com
Mark to Market	www.marktomarket.com
PMH	www.pmhfinancial.com
Proteck	www.protk.com
Single Source Property solutions	www.singlesourceproperty.com

One Opinion: Appraisal vs. BPO

Pricing of REO properties is critical if the bank is seriously trying to get it sold in 30 days. This statement may seem obvious to those of us in the business but it's not as easy as one might think. When a Lender assigns a property, one of the first tasks to perform is a Broker Price Opinion or BPO. This requires pulling comps in the area of both listed and sold properties and coming up with an opinion of value. This is a full BPO with interior and exterior photos. The agents need to take into account any repairs the property may need and come up with an "as is" price and an "after repairs" price. The lender also sends out an independent appraiser to evaluate the subject property. If the agent's BPO value and the appraiser's value show too large of a discrepancy the lender will hire another local agent to perform another BPO as a "second opinion". The lender will make the final decision as to what the listing price will be. We as agents have a great deal of influence as to the outcome of this price point, but the appraisal seems to hold equal weight. I've been told by an asset manager that if the appraisal is higher than the BPO, but not too different, they will sometimes split the difference, which might overprice the property. Overpricing problems seem to occur because of a difference between agents and appraisers of how the opinion of value is arrived at. Agents know the market. We look at the history of a property, how many days was it on the market before it sold, what is the mindset of the buyers in the local area, and what financing options are available. It seems emotion plays into it. Appraisers measure the exterior of the building, and count the number of rooms, (actually there's a lot more to it), but it seems more mechanical. Now I'm not blaming appraisers for the difference of opinion. Quite the contrary. For years we as agents have been pounding appraisers to come up with a higher number to satisfy lenders, especially in a rising market. I think appraisers have been conditioned to produce a "lending based" opinion of value. There are other types of opinions depending on the purpose of the appraisal. What about an appraisal for taxation value, for a divorce settlement, for a business opportunity that includes real property. How about a "REO based" appraisal in a down market, taking all factors into account, including the fact that the subject property may not be listed for two months after the appraisal is completed. I know appraisers aren't supposed to try and predict market trends, or assign a future value to a property, but I think if agents and appraisers were able to communicate we might see more aggressive pricing, quicker sales, and eventually a faster return to a "normal" market.

Rudy Detgen (<http://activerain.com/blogsvievw/590487/appraisal-vs-bpo>)

Fannie Mae October 15, 2010



SELLING GUIDE

Announcement SEL-2010-14

October 15, 2010

Appraiser Independence Requirements

Fannie Mae has been working with the Federal Housing Finance Agency, Freddie Mac, and key industry participants to develop Appraiser Independence Requirements to replace the Home Valuation Code of Conduct (HVCC). The Appraiser Independence Requirements maintain the spirit and intent of the HVCC and continue to provide important protections for mortgage investors, home buyers, and the housing market.

The revised requirements pose no significant changes to core principles of the HVCC and incorporate language to clarify questions that arose in the implementation of the HVCC. Fannie Mae has also removed certain provisions from the updated requirements as they already exist elsewhere in the *Selling Guide*, such as the need for lender quality control testing for appraisals.

Fannie Mae is committed to supporting strong appraiser independence requirements and will continue to review the appraiser independence requirements to address market developments and regulatory actions taken pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which may include rules relating to conflicts of interests and fee disclosure by appraisal management companies. Fannie Mae may issue additional guidance in the future with respect to these issues and other aspects of the requirements.

Lender Representation and Warranty

The lender represents and warrants that any appraisal conducted in connection with a single-family mortgage loan (other than government-insured and -guaranteed loans) delivered to Fannie Mae, with an application date on or after the date of this Announcement, conforms to the Appraiser Independence Requirements.

In addition, all conventional, single-family mortgage loans with application dates on or after May 1, 2009 must comply with the HVCC until the earlier of the release of the Interim Final Rules by the Federal Reserve as required by the Dodd-Frank Act or November 1, 2010.

Effective Date

This Announcement is effective immediately.

The [Appraiser Independence Requirements](#) are posted on eFannieMae.com. The *Selling Guide* will be updated to incorporate these policy changes at a future date.

Lenders who have questions about this Announcement should contact their Customer Account Team.

John S. Forlines
Vice President
Single-Family Chief Risk Officer

The interim final rules have been published by the Federal Reserve.

Glossary

References

These glossary terms have been gleaned from the sources below. Many terms are accompanied by their source in parentheses (e.g., [see NAR]), if known.

Uniform Standards of Professional Appraisal Practice, 2010-2011 (USPAP)

Fundamentals of Real Estate Appraisal. William Ventolo, Jr. and Martha Williams. 2005. Dearborn Real Estate Education, Chicago. (Ventolo and Williams)

Questions & Answers to Help You Pass the Real Estate Appraisal Exams. Jeffrey Fisher and Dennis Tosh. 2008. Dearborn Financial Publishing, Chicago. (Fisher and Tosh)

Basic Real Estate Appraisal: Principles & Procedures. Richard Betts and Silas Ely. 2008. Thomson Publishers, Mason, OH. (Betts and Ely)

Melanie J. McLane, ABR, CDEI, CRB, CRS, ePRO, GREEN, GRI, RAA, RSPS, SRES, SRS. Inducted into the REBAC Hall of Fame as a Trainer in 2008. Certified AQB USPAP Instructor. (See Melanie McLane)

A

ABR®

See **Accredited Buyer's Representative**.

Absorption analysis

A study of the number of units of residential or nonresidential property that can be sold or leased over a given period of time in a defined location.

Absorption rate

An estimate of the rate at which a particular classification of properties for sale or lease can be successfully marketed in a given area; it is often requested in a feasibility study or an appraisal in connection with a request for financing. An absorption rate must be developed to analyze supply and demand.

Accredited Buyer's Representative (ABR®)

This designation is awarded to REALTORS® who meet the specified educational and practical experience criteria, set up by the Real Estate Buyer's Agent Council (REBAC) of the National Association of REALTORS®. www.rebac.net

Adjustments

The dollar value or percentage amounts added to or subtracted from the sales price of a comparable property to arrive at an indicated value for the property being appraised (subject property). Real estate elements of comparison typically are adjusted in the following order: property rights, financing terms, conditions of sale, market conditions, location, and physical characteristics.

After-repair value (ARV)

When looking at the viability of a project, an investor must be able to estimate the value of a property after all repairs are completed.

Agency

Refers to the relationship between a principal and an agent whereby the principal, expressly or by implication, authorizes the agent to work under the principal's control and on the principal's behalf ([http://en.wikipedia.org/wiki/Agency_\(law\)](http://en.wikipedia.org/wiki/Agency_(law))).

Agency, Dual

Dual agency occurs when the same brokerage represents both the seller and the buyer. Individual state laws vary and interpret dual agency rather differently.

Agent

The licensed real estate salesperson or broker who represents buyers or sellers.

Anticipation

The principle that the current value of a property is affected by the expectation of future value.

Appraisal

The estimation of a home's value based on sales of comparable properties in the neighborhood is one method of doing an appraisal. Appraisals are conducted by a licensed appraiser and are used in the loan process to ensure that the value of the home is equal to or greater than the purchase price.

Appraisal management company (AMC)

AMCs serve as a go-between from the lender to the appraiser and are contracted by the lender. They are not regulated by USPAP (<http://activerain.com/blogsvieiw/340265/appraisal-management-companies>).

As of May 1, 2009, some loans may be subject to the Home Valuation Code of Conduct (HVCC) which is designed to restrict the interaction the appraiser has with the loan company through the use of a third-party management company. This may add time to the transaction, but is intended to protect the integrity of the appraisal process and make the estimated value of the home more reliable (http://www.bcsres.com/Glossary_of_terms.html).

Appraisal principles

Concepts that provide the rationale of market behavior, which affects value. Appraisal principles include anticipation, change, supply and demand, substitution, and balance.

Appraisal report

A report, written or oral, that contains the results of an appraisal. A standard written report usually contains the following pieces of information: the definition of value to be applied, the estimate and effective date of the valuation, certifications and limiting conditions, description of the property and rights being appraised, supporting data, justification to support the value estimate, consideration of each of the three approaches, and the reconciliation. Oral reports should also include the above information when appropriate.

Appraised value

An estimate by an appraiser of the amount of a particular value, such as assessed value, insurable value, or market value, based on the particular assignment.

Appraiser

A person who possesses the education, training, and experience necessary to accurately render an opinion as to the value of real estate.

Arm's-length transaction

A transaction in which both buyer and seller act willingly and under no pressure, with knowledge of the present conditions and future potential of the property, and in which the property has been offered on the open market for a reasonable length of time and there are no unusual circumstances. (See Ventolo and Williams)

ARV

See **after repair value**.

As-is price

The price of a house in its current condition.

As-is value

An estimate or opinion of property in its current state, which may be in disrepair or scheduled for improvement

(<http://www.allbusiness.com/glossaries/as-is-value/4962296-1.html>).

As-repaired price

The price of the property if put into marketable condition; repairs needed to make it acceptable in the marketplace.

Assignment

An agreement between an appraiser and a client to provide a valuation service; or, the valuation service that is provided as a consequence of such an agreement.

Assumption

That which is taken to be true.

AVM

See **automated valuation model**.

Automated valuation model (AVM)

Automated evaluation services were developed in response to a growing need for low-cost, quick-response property evaluations. While not a complete appraisal, these abbreviated reports provide much of the same information and can be completed in a matter of a few hours. They are used by lending institutions to estimate property values. However, they cannot take into account unique features or factor in the affect of changing neighborhoods

(<http://www.mrktusa.com/glossary.htm>).

B

Balance

The appraisal principle that states that the greatest value of a property will occur when the type and size of the improvement are proportional to each other as well as to the land. (See Melanie McLane)

BPO

See **broker price opinion**.

Broker

(1) A state-licensed individual who acts as the agent for the seller or buyer

(<http://www.realtor.org>).

(2) Real estate: Any person, partnership, association, or corporation that, for compensation or valuable consideration sells or offers for sale; buys or offers to buy; or negotiates the purchase, sale, or exchange of real estate; or that leases or offers to lease; or rents or offers for rent any real estate or the improvement thereon for others. Such a broker must secure a state license. For a license to be issued to a firm, it is usually required that all active partners or officers be licensed real estate brokers.

Broker of record

The person registered with his or her state licensing authority as the managing broker of a specific real estate sales office

(<http://www.realtor.org>).

Broker price opinion (BPO)

(1) The real estate broker's opinion of the expected final net sale price, determined prior to the acquisition of the property

(<http://www.realtor.org>).

(2) A BPO is similar to an appraisal, but is done by a real estate broker instead of a licensed appraiser. This option may be used by lenders and mortgage companies when they feel the expense and delay of an appraisal is not necessary

(http://www.bcsres.com/Glossary_of_terms.html).

C**Certificate of reasonable value (CRV)**

A certificate issued by the Department of Veterans Affairs (VA) that states an estimate of the value of the property being appraised; it is issued on any property in which VA financing is used.

Change

The appraisal principle that states that the cause and effect of economic and social forces are constantly causing property values to be in transition.

Client

The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

CMA

See **comparative market analysis**.

Code of ethics

Rules of ethical conduct, such as those that govern the actions of members of a professional group.

Comparables

Properties used to express estimate of value for the subject property. Normally, such properties have been recently sold or leased and are similar to the property being evaluated.

Comparables need not be identical to the subject, but should be similar or relatively easy to adjust for differences in comparison. (See Ventolo and Williams)

Comparative market analysis (CMA)

(1) Comparative market analyses are used to help establish a realistic price range for a home. A CMA usually includes a review of comparable properties in the immediate area currently on the market or that have recently sold

(<http://www.mrktusa.com/glossary.htm>).

(2) A CMA is an estimate of the home's value compared with others. This differs from an appraisal in that property currently for sale may be taken into consideration (competition for the subject property)

(http://www.ask.com/wiki/Real_estate_broker/agent).

Competency Rule

An appraiser must be competent to perform the assignment, acquire the necessary competency to perform the assignment, or decline or withdraw from the assignment.

Competition

The principle that success attracts success, meaning that one successful business will draw more businesses like it into the market, diluting profits. (See Melanie McLane)

Concessions

A service or discount given to prospective tenants to induce them to lease specific properties.

Confidential information

Information that is either identified by the client as confidential when providing it to an appraiser and that is not available from any other source, or classified as confidential or private by applicable law or regulation.

Conformity

An appraisal principle that states that value is created when components of a property are in harmony with its surroundings. (See Ventolo and Williams)

Contribution

(1) The appraisal principle that states that the worth of a particular component is measured by the amount it contributes to the value of the whole property, regardless of the actual cost of the component. The value of the component may be measured as the amount by which its absence would detract from the entire property value.

(2) The principle that any improvement to a property, whether to vacant land or a building, is worth only what it adds to the market value of the property, regardless of the actual cost of the improvement. (See Melanie McLane)

Cost

The total amount spent to acquire or build. May or may not reflect value. Cost is historic and does not vary.

CRV

See **certificate of reasonable value**.

D

Debt reduction

The process of reducing the amount of money owed on an unsecured loan or purchase.

Decreasing returns

The situation in which property improvement no longer brings a corresponding increase in property income or value.

Deed-in-Lieu of Foreclosure (DIL)

The voluntary surrender of property by an owner/borrower to a lien holder that eliminates the need to continue foreclosure action by the lien holder. The lien holder can refuse to accept the deed in lieu.

Depreciation

Loss in value due to any cause, including physical deterioration, functional obsolescence, and external obsolescence.

Distressed sales

Generally refers to foreclosures and short sales, selling at discounts of 15 to 20 percent from non-distressed market prices. This can exert a major negative impact on overall market prices (http://www.realtor.org/research_secured/reinsights/behindthenumbers).

E

Ethics Rule (USPAP)

An appraiser must promote and preserve the public trust inherent in appraisal practice by observing the highest standards of professional ethics.

An appraiser must comply with USPAP when obligated by law or regulation, or by agreement with the client or intended users. In addition to these requirements, an individual should comply any time that individual represents that he or she is performing the service as an appraiser.

This rule is divided into four sections: Conduct, Management, Confidentiality, and Record Keeping.

Escrow

Money, securities, or property held by a third party until the conditions of a contract are met.

Externality

Property is affected either positively or negatively by influences outside the property lines.

F**Fair market price**

The most probable price, as of the date of inspection or other specifically defined date, which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Fair market value

The most probable price real estate should bring in a sale occurring under normal market conditions.

Fannie Mae (FNMA)

The Federal National Mortgage Association (FNMA), which is a congressionally chartered, shareholder-owned company that is the nation's largest supplier of home mortgage funds
([http://www.realestateabc.com/glossary/glossary1.htm#Fannie Mae \(FNMA\)](http://www.realestateabc.com/glossary/glossary1.htm#Fannie%20Mae%20(FNMA))).

Federal Home Loan Banks (FHLB)

FHLBs provide stable, on-demand, low-cost funding to American financial institutions for home mortgage loans, small business, rural, agricultural, and economic development lending.

Federal Housing Administration (FHA)

The FHA is a U.S. government agency created as part of the National Housing Act of 1934. It insures loans made by banks and other private lenders for home building and home buying. The goals of this organization are to improve housing standards and conditions, to provide an adequate home financing system through insurance of mortgage loans, and to stabilize the mortgage market.

Federal Housing Finance Agency (FHFA)

The FHFA is an independent federal agency created as the successor regulatory agency resulting from the statutory merger of the Federal Housing Finance Board (FHFB), the Office of Federal Housing Enterprise Oversight (OFHEO), and the U.S. Department of Housing and Urban Development government-sponsored enterprise mission team, absorbing the powers and regulatory authority of both entities, with expanded legal and regulatory authority, including the ability to place government sponsored enterprises (GSEs) into receivership or conservatorship. The enabling law establishing the FHFA is the Federal Housing Finance Regulatory Reform Act of 2008.

FHLMC

See **Freddie Mac**.

Fiduciary

A person who holds an asset in trust for a beneficiary.

Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989

A federal law passed in 1989 to provide guidelines for the regulation of financial institutions. One part of the law requires a state license or certification for the performance of federally related real estate transaction appraisals (with de minimis exceptions). (See Betts and Ely)

FIRREA

See Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989.

FNMA

See Fannie Mae.

Forced sale liquidation

A court-ordered liquidation sale, as in bankruptcy.

Foreclosure

A legal process in which a default in payment or other terms of the mortgage note causes the property used as security for the mortgage to be sold to satisfy the debt. The title to the property in the mortgage is passed to either the holder of the mortgage or to a third party.

Foreclosure sale

Property sold to the highest bidder, typically at auction.

Freddie Mac (FHLMC)

A leading, government-sponsored enterprise and publicly-traded company that creates guidelines on suitable properties, down payment, income and credit requirements, and the maximum mortgage amount. The maximum loan limit is reset each year by Freddie Mac and Fannie Mae. Middle-income Americans have access to more affordable rentals and homeownership largely because of Freddie Mac's efforts to keep funds flowing to creditors. Freddie Mac buys, guarantees, and packages mortgages to create securities (http://www.personalhomeloanmortgages.com/mortgage_glossary.asp).

G

General data

Information not specific to a certain property (e.g., interest rates, employment rates, census information). (See Fisher and Tosh)

GLA

See gross living area.

Government-sponsored enterprise (GSE)

Government-sponsored enterprises, two of which are the housing enterprises of Fannie Mae (FNMA) and Freddie Mac (FHLMC), which account for nearly 70% of the residential loans in the U.S.

(http://en.wikipedia.org/wiki/Mortgage_GSE_controversy).

Graphic analysis

A method used in sensitivity analysis in which one variable is changed and the effect of this change on a second variable is plotted on a graph. By visually analyzing the graph, the appraiser may be able to better determine if assumptions used in the appraisal are realistic.

Gross living area (GLA)

Total finished, habitable, above-grade space, measured along the building's outside perimeter.

GSE

See government-sponsored enterprise.

H

HAFA

See Home Affordable Foreclosure Alternatives.

Highest and best use

The reasonable and probable use of a property that will support the highest present value of the land. (See Betts and Ely)

Home Affordable Foreclosure Alternatives (HAFA)

In 2009, the Treasury Department introduced the HAFA program to provide a viable option for homeowners who are unable to keep their homes through the existing Home Affordable Modification Program (HAMP). The HAFA program took effect on April 5, 2010, although some servicers may have implemented it sooner if they met certain requirements. It sunsets on December 31, 2012.

HAFA provides incentives in connection with a short sale or a deed-in-lieu of foreclosure (DIL), used to avoid foreclosure on a loan eligible for modification under the HAMP program (http://www.realtor.org/government_affairs/short_sales_hafa).

Home Affordable Modification Program (HAMP)

HAMP is a federal program set up to help eligible home owners with loan modifications on their home mortgage debt. It is set up in the context of the ongoing subprime mortgage crisis in the debt markets, continuing from 2008.

I**Increasing returns**

Refers to the situation in which improvements to a property increase its income or value. (See Melanie McLane)

Inflation

An increase in the pricing environment due to a rise in the volume and availability of money and credit and a reduction in the availability of goods.

Intended use

The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.

K**L****License**

A formal agreement from a constituted authority that allows an activity to be conducted. (See Fisher and Tosh)

License law

Refers to individual states' real estate laws, regulations, and the licensing requirements for real estate agents in a specific jurisdiction.

Lien

A right given by law to certain creditors to have their debts paid out of the property of a defaulting debtor, usually by means of a court sale.

Limiting conditions

Specifications in an appraisal report that restrict the assumptions in the report to certain situations (e.g., date and use of the appraisal, definition of value, definition of surveys used or not used, etc.). (See Fisher and Tosh)

Liquidation value

The estimated price of an asset when there is insufficient time to sell that asset on the open market, thereby reducing its exposure to potential buyers. Liquidation value is typically

lower than fair market value
(http://en.wikipedia.org/wiki/Liquidation_value).

Liquidity

- (1) The ability to convert assets or investments into cash without significant loss.
- (2) The ease of selling an asset for cash.

Loan to value (LTV)

The amount of money borrowed as compared to the total value of a property. It is determined by dividing the amount of the loan by the property value.

LTV

See **loan to value**.

M

Market value

The most probable price real estate should bring in a sale occurring under normal market conditions. (See NAR)

MLS

See **multiple listing service**.

Mortgage

A legal document in which real estate is named as the security or collateral for the repayment of the loan. (See Fisher and Tosh)

Multiple listing service (MLS)

The primary purpose of the multiple listing service is to provide a facility to publish a unilateral offer of cooperation and compensation by a listing broker to other broker participants in that MLS.

N

National Association of REALTORS® (NAR)

NAR is comprised of real estate professionals from almost 60 countries involved in every

aspect of the real estate industry, from residential brokers to property managers. NAR has over one million members, including residential and commercial real estate agents, brokers, property managers, and appraisers.

NAR

See **National Association of REALTORS®**.

Neighborhood life cycle

The period during which most of the properties in a neighborhood undergo the stages of development, equilibrium, decline, and revitalization.

Development (growth): Improvements are made, and properties experience a rising demand.

Equilibrium: Properties undergo little change; also called stability.

Decline: Properties require an increasing amount of upkeep to retain their original utility and become less desirable.

Revitalization: Property renovations occur in response to demand; all called rehabilitation. (See Ventolo and Williams)

Net income ratio

The ratio of net operating income to effective gross income. (See Ventolo and Williams)

O

OER

See **operating expense ratio**.

Operating expense ratio (OER)

The ratio of total operating expenses to effective gross income.

Outlier

Outliers are properties that, for reasons that are usually undetermined, sold for a price that is extremely high or low based on all other comparables.

P

Passive income

Income from rental activity or other business in which the investor does not actively participate.

Personal property

Identifiable tangible objects that are considered by the general public as being “personal” (e.g., furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment). All tangible property that is not classified as real estate.

Potential gross income

A property’s total potential income from all sources during a specified period of time.

Pre-Foreclosure

Begins at mortgage default and ends when property is sold. Length varies. It is during this period when a borrower may attempt a short sale.

Price

The amount asked, offered, or paid for a property.

Progression

The principle that the value of an inferior property is enhanced if surrounded by properties of greater value.

Prospective price

The price as estimated for a future date after the date of the report

Public records

A public record is any document or record required to be made or kept by law. It is a record made by a public officer or a government agency in the course of the performance of a duty. Public records are

subject to inspection, examination, and copying by any member of the public (Merriam-Webster's Dictionary of Law ©2001).

Q

Qualitative

Pertaining to, or concerned with, quality or qualities.

Quantitative

Pertaining to, or concerned with, measuring quantity.

Quick sale

A quick sale involves buying a property for a price lower than its normal value. This normally happens when the mortgage loan could not be paid by the borrower or home owner. After a couple of months that the debtor failed to pay for the loan, the lender decides to sell the property for a lower price, rather than putting too much pressure on the borrower (<http://ezinearticles.com/?What-is-a-Quick-Sale-in-Real-Estate?&id=3703139>).

Quick-sale liquidation value

R

Real estate

An identified parcel or tract of land, including improvements, if any.

Real Estate Buyer’s Agent Council, Inc. (REBAC)

Real Estate Buyer’s Agent Council, Inc. of the National Association of REALTORS® Center for Specialized REALTOR® Education.

Real Estate Investment Trust (REIT)

A company that securitizes and manages a portfolio of real estate for shareholders.

Real Estate Owned (REO)

If a foreclosure sale is unsuccessful, ownership of the property is transferred involuntarily to the lender.

Real property

The interests, benefits, and rights inherent in the ownership of real estate.

REALTORS® Valuation Model (RVM)

The RVM is a creation of the Realtors Property Resource (RPR). The online real estate library will catalog every property in the United States. This initiative will provide access to a national database of real property information and will give real estate professionals the best access to real property information needed to serve their clients and customers.

REALTORS® Property Resource (RPR)

NAR's library/archive that will include in-depth information on every parcel of real property, including public record information, details of prior transactions, MLS-provided information, zoning information, transfer tax information, and other relevant information (http://www.realtor.org/about_nar/realtors_property_resource).

REBAC

See **Real Estate Buyer's Agent Council, Inc.**

Regression

The principle that a higher-priced property is worth less if located amid lower-priced properties. (See Melanie McLane)

REIT

See **Real Estate Investment Trust.**

REO

See **Real Estate Owned.**

Retrospective price

The value as estimated at a past date sometime earlier than the report date.

RPR

See **REALTORS® Property Resource (RPR).**

RVM

See **REALTORS® Valuation Model.**

S

Sales comparison approach

One of three approaches to value in appraisal theory. In this approach, value is estimated by comparing similar properties that have sold recently to the subject property.

Sales person

Any person who, for compensation or valuable consideration, is employed either directly or indirectly by a real estate broker to work with a client to sell or offer to sell; or to buy or offer to buy; or to negotiate the purchase, sale, or exchange of real estate; or to lease, rent, or offer for rent any real estate; or to negotiate leases thereof or improvements thereon. Such a salesperson or agent must secure a state license.

Scope of work

The type and extent of research and analyses in an assignment. An appraiser must identify the problem to be solved, determine and perform the scope of work necessary to develop credible assignment results, and disclose the scope of work in the report.

Securitization

The process of financing a pooling of financial assets and selling shares to generate capital.

Selling price

The actual price that a buyer pays for a property.

SFR

See **Short Sales and Foreclosure Resource**.

Short sale

As used in MLS rules (Section 7.23, Note 3), a short sale is defined as a transaction where title transfers, where the sales price is insufficient to pay the total of all liens and costs of sale, and where the seller does not bring sufficient liquid assets to the closing to cure all deficiencies.

Short Sales and Foreclosure Resource (SFR)

This certification is awarded to REALTORS® who meet the specified educational criteria set up by the Real Estate Buyer's Agent Council (REBAC) of the National Association of REALTORS® (www.RealtorSFR.org).

Signature

Personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for the content, analyses, and conclusions in the report.

Specific data

Data related to the subject property and comparable properties in the market.

Stages of neighborhoods

See **neighborhood life cycle**.

Strata Title

A system for registering ownership of space within a multilevel building.

Subject property

The building being appraised.

Substitution

The appraisal principle that states a buyer will pay no more for a property than the cost of obtaining an equally desirable substitute. (See Fisher and Tosh)

Supply and demand

The principle that the value of any good or service will rise as demand increases and supply decreases, and fall as demand decreases and supply increases. (See Melanie McLane)

T**Title**

The evidence of a person's right to the ownership and possession of land.

U**Uniform Standards of Professional Appraisal Practice (USPAP)**

Minimal criteria for appraisal competency promulgated by The Appraisal Foundation at the direction of Congress, to be applied to appraisals that require the services of a state-licensed or certified appraiser. (See Ventolo and Williams)

USPAP

See **Uniform Standards of Professional Appraisal Practice**.

V**Valuation**

The act of assessing the value or price of a property or investment.

Valuation principles

Factors that affect market value, such as the principles of substitution, highest and best use, supply and demand, conformity, contribution, increasing and decreasing returns, competition, change, state of life cycle, anticipation, externalities, balance, surplus productivity, opportunity cost, and agent of production.

Value

The subjective judgment on the relative worth of something.

W

X

Y

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