



Foundations On-Demand

Valuations Essentials
Answer Key

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Overview and Introduction

You would have captured these notes while watching the *Introduction to Valuations Essentials* video.

Q: Determining the value of real estate is necessary for:

A: Determining the value of real estate is necessary for financing when purchasing or refinancing, when selling a property, for property insurance, and in investment analysis.

Q: Property Valuations can be useful to the following groups:

A: Property Valuations are useful to many types of parties including lenders, investors, insurers, real estate agents, brokers, buyers/borrowers, sellers and government agencies.

Automated and Interactive Property Valuations

You would have captured these notes while watching the *Automated & Interactive Property Valuations* video.

Q: What is a confidence score?

A: A score AVMs provide that indicates how close the estimate is likely to be to the final sale price.

Q: What are some common uses of AVMs?

A: Common uses of AVMs are by professionals such as real estate agents and brokers, mortgage lenders, many appraisers, and major financial institutions – all of whom can obtain an AVM report within seconds. AVMs are also used to support underwriting for mortgages and home equity loans, refinancing decisions, and aiding in management activities of investment portfolios.

Q: What does an Interactive Valuation Service allow users to do?

A: As the name suggests, this service allows users to ‘interact’ with it while also being automated.

Q: Describe how Rental Analyses are commonly used:

A: Rental Analyses are commonly used when underwriting a loan on an investment property to help check the rental yield.



Manual Property Valuations and Hybrid Price Estimates

You would have captured these notes while watching the *Manual Property Valuations & Hybrid Price Estimates* video.

Q: What type of appraisals are included in manual valuations?

A: Manual valuations include: Full/Traditional Appraisals, Desktop Appraisals, and Exterior-Only appraisals.

Q: What is an appraiser?

A: A neutral 3rd party who conduct unbiased valuations on real property.

Q: What data can the appraiser use to estimate the property value?

A: The appraiser may use property tax records, Multiple Listing Services information, or other public record data to estimate the property value.

Q: Do desktop appraisals require an inspection?

A: No

Q: What are extraordinary assumptions?

A: Extraordinary assumptions are when appraisers take unknown information about a property and presume it is known information.

Q: Can BPOs include an interior walk through?

A: Yes: BPOs are typically done as an exterior drive-by but can occasionally include an interior walk through.

Q: True or False: A hybrid appraisal is less accurate than a desktop appraisal?

A: False. Compared to a desktop appraisal, a hybrid appraisal offers a more accurate opinion of value since it encompasses the condition of the property.



Uses of Property Valuations

You would have captured these notes while watching the *Uses of Property Valuation* video.

Fill in the possible use cases along the property valuation journey mentioned as you watch the video:

Q: Customer Engagement

A: Loan officers can obtain an initial assessment of value through an Automated Valuation Service, an AVM. If additional assessment is needed an Interactive Valuation Service may be used in the valuation waterfall.

Q: Lead Qualification

A: AVMs and Interactive Valuation Services help identify potential candidates for refinances or HELOCs. AVMs provide the most cost-effective measure of current LTV or equity in a property.

Q: Pre-Approval/Application

A: Lenders can run an AVM quickly to get an independent sense of the price of the property when a consumer reaches out to get a quote.

Q: Underwriting

A: Interactive Valuation Tools, AVMs, Hybrids, and appraisals can be requested and reviewed by underwriters or loan officers as an additional check to help ensure estimated property prices and values are aligned with loan amounts.

Q: Quality Control

A: Interactive Valuation Tools and hybrids (such a VRR) can be utilized to verify property details during an appraisal during pre and post close.

Q: Sale of Loans

A: Originators may utilize AVMs to value loans that they wish to sell, such as Fix & Flip or non-conforming loans.

Q: Loan Servicing

A: If the value of a sold loan has dropped, servicing teams may request an AVM to assess current valuations or a BPO to check real estate price estimates.

Q: Securitization

A: Originators and risk managers utilize AVMs, Hybrids, and Appraisals to help set a value on their portfolios. BPOs are more commonly used for Single Family Rental (SFR) portfolios.

Q: Defaulted Loan Servicing/Loss Mitigation

A: When loans go into default or foreclosure, lenders may utilize AVMs and BPOs – if they feel a traditional appraisal is too expensive. Also, as part of the REO process, realtors can provide a BPO at low or no cost to asset managers.

Q: Trading & Investment Management

A: AVMs can be used by sellers to confirm change in price since origination, by buyers to validate prices, and by portfolio managers to adjust market property value after a loan is closed and traded by an investment manager.