
The Truth About AVM Compliance with Interagency Guidelines

April 19, 2011

Understanding the New Interagency Guidelines

Conference Web Page

- Today's PowerPoint
- Audio
- Questions

Questions

- education@fncinc.com
- Chat box submission

b1

The screenshot displays a Cisco WebEx Meeting Center interface. The main window shows a presentation slide with the following text:

The Truth About AVM Compliance with Interagency Guidelines

April 18th, 2011

Understanding the New Interagency Guidelines

At the bottom of the slide, the FNC logo is visible on the left, and the text "© 2011 FNC, Inc." and "WWW.FNCINC.COM" are on the right. A red arrow points to the text "Marketing Ev..." in the bottom right corner of the slide.

On the right side of the interface, there is a chat box with a "Send to:" dropdown menu set to "Everyone" and a "Send" button. The chat box contains the text: "Select a participant in the Send to menu first, type chat message, and send...".

The bottom of the screenshot shows the Windows taskbar with the Start button, Google search, and several open applications including "AVM_JAG in Personal...", "InterCall, Inc. WebEx...", and "Cisco WebEx Meeting...". The system tray shows the time as 5:09 PM and the date as 5/18/2011.

Slide 3

b1

Change to reflect new cover page.

bdabney; 4/19/2011

Program Overview

- Overview of the Interagency Guidelines
- Selecting, evaluating, deploying and monitoring automated valuation models (AVMs) and setting policies
- Using AVM's alone and as part of evaluations while meeting compliance with the Interagency Appraisal and Evaluation Guidelines
- Questions

Speakers

- **Jacqueline Doty**
 - **Vice President, Collateral Strategy CoreLogic**

- **Bryan Horn**
 - **Product Manager, Automated Valuation Products, LPS Applied Analytics**

- **Lee Kennedy**
 - **CEO/Managing Director, AVMetrics, LLC**

- **Neil Olson**
 - **Chief Legal Officer, FNC, Inc.**

Neil Olson
Chief Legal Officer, FNC, Inc.



Quick Facts on Interagency Guidelines

- **Interagency Appraisal and Evaluation Guidelines**
 - Published in the Federal Register on Dec. 10, 2010, 75 FR 77450
 - Effective on publication
 - Rescinds
 - 1994 Interagency Appraisal and Evaluation Guidelines
 - 2003 Interagency Statement on Independent Appraisal and Evaluation Functions
 - Interagency Statement on the 2006 Revisions to USPAP
 - **Still Effective**
 - 2005 Interagency FAQs on Residential Tract Development
 - 2005 FAQs on the Appraisal Regulations and the Interagency Statement on Independent Appraisal and Evaluation Functions

Quick Facts on Interagency Guidelines

- Interagency Guidelines are issued jointly by
 - Office of the Comptroller of the Currency, Treasury (OCC);
 - Board of Governors of the Federal Reserve System (FRB);
 - Federal Deposit Insurance Corporation (FDIC);
 - Office of Thrift Supervision, Treasury (OTS); and
 - National Credit Union Administration (NCUA)
- IAG applies to all institutions regulated by these entities.

Interagency Guidelines v. Interim Final Regulations

- How are the Interagency Guidelines different from the Interim Final Regulations?
 - **Interim Final Regulations**, issued by the Federal Reserve Board on Oct. 18, 2010 arise from the Appraisal Independence requirements in Title XIV, Subtitle F of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank)
 - **Interim Final Regulations apply to Consumer Credit Transactions**, that is “consumer credit transaction secured by the principal dwelling of the consumer,” not all real estate related transactions

Interagency Guidelines v. Interim Final Regulations

- Interagency Guidelines arise from the appraisal regulations written under Title XI of the Financial Institutions Recovery, Reform, and Enforcement Act of 1989 (FIRREA)
- Title XI, the appraisal regulations and the Interagency Guidelines apply to all “federally related transactions” which is much broader than consumer credit transactions (“consumer credit transaction secured by the principal dwelling of the consumer”)

What is a Federally Related Transaction?

- Federally related transaction — any real estate-related financial transaction which:
 - (A) a federal financial institution's regulatory agency or the Resolution Trust Corporation engages in, contracts for, or regulates; and
 - (B) requires the services of an appraiser.
- Real estate related financial transaction means any transaction involving:
 - (A) the sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof;
 - (B) the refinancing of real property or interests in real property; and
 - (C) the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

XI. Transactions that Require Evaluations

- The Agencies' appraisal regulations permit an institution to obtain an appropriate evaluation of real property collateral in lieu of an appraisal for transactions that qualify for certain exemptions. These exemptions include a transaction that:
 - Has a transaction value equal to or less than the appraisal threshold of \$250,000.
 - Other transactions (e.g. business loans under \$1 million)

XII. Evaluation Development

- An evaluation must be consistent with safe and sound banking practices and should support the institution's decision to engage in the transaction.
 - “An evaluation
 - whether prepared by an individual or supported by an analytical method or a technological tool,
 - provides a reliable estimate of the collateral's market value as of a stated effective date”
 - BPO would not qualify if it only produces a likely sales price—needs to estimate market value

XII. Evaluation Development

- “A valuation method should address the property’s **actual physical condition and characteristics** as well as **the economic and market conditions** that affect the estimate of the collateral’s market value.”
- “It would not be acceptable for an institution to base an evaluation **on unsupported assumptions**, such as a property is in “average” condition, the zoning will change, or the property is not affected by adverse market conditions.”

XII. Evaluation Development

- Actual Conditions. “An institution should establish criteria for determining the level and extent of research or inspection necessary to ascertain the property’s actual physical condition, and the economic and market factors that should be considered in developing an evaluation.”
 - “An institution **should consider performing an inspection** to ascertain the actual physical condition of the property and market factors that affect its market value.”
 - “**When an inspection is not performed**, an institution should be able to demonstrate how these property and market factors were determined.”

XIII. Evaluation Content

- “An evaluation should contain sufficient information detailing the analysis, assumptions, and conclusions to support the credit decision. An evaluation’s content should be documented in the credit file or reproducible.”
 - There are eight minimum requirements, some of which are new since the 1994 Interagency Guidelines, including one related to the use of analytical methods.
 - This is the basic checklist you must always follow—but it can start with an AVM.

XV. (B) Depth of Review

- Automated Tools. “**With prior approval from its primary Federal regulator**, an institution may employ various techniques, **such as automated tools or sampling methods**, for performing pre-funding reviews of appraisals or evaluations supporting lower risk residential mortgages.”
 - “When using such techniques, an institution should maintain sufficient data and employ appropriate screening parameters to provide adequate quality assurance and should ensure that the work of all appraisers and persons performing evaluations is periodically reviewed.”
 - “In addition, an institution should establish criteria for when to expand the depth of the review.”

XVII. (B) Portfolio Collateral Risk

- “Consistent with sound collateral valuation monitoring practices, an institution can use a variety of techniques for monitoring the effect of collateral valuation trends on portfolio risk.”
 - “Sources of relevant information may include external market data, internal data, or reviews of recently obtained appraisals and evaluations.”
 - “An institution should be able to demonstrate that it has sufficient, reliable, and timely information on market trends to understand the risk associated with its lending activity.”

XVII. (C) Modifications and Workouts of Existing Credits

- *(Since it is not a new transaction)* “an institution would not be required to obtain either a new appraisal or evaluation to comply with the Agencies’ appraisal regulations, but should have an understanding of its collateral risk.
- For example, institutions can use automated valuation models or other valuation techniques when considering a modification to a residential mortgage loan.”

Appendix B: Evaluations Based on Analytical Methods or Technological Tools

- Since the 1994 Guidelines, the emergence of analytical methods (such as AVMs) has profoundly altered the valuation of collateral. Appendix B is a thorough discussion of the Agencies' views on how institutions may use analytical methods and technological tools. Here are highlights, but read this Appendix carefully.
- “The Agencies’ appraisal regulations permit an institution to use an evaluation in lieu of an appraisal for certain transactions. An institution may use a variety of analytical methods and technological tools for developing an evaluation, provided the institution can demonstrate that the valuation method is consistent with safe and sound banking practices and these Guidelines (*see sections on Evaluation Development and Evaluation Content*).”
- An institution should establish policies and procedures that provide a sound process for using various methods or tools.

Appendix B: Evaluations Based on Analytical Methods or Technological Tools

- An institution should establish policies and procedures that provide a sound process for using various methods or tools. Such policies and procedures should:
 - Ensure staff has the requisite expertise and training to manage the selection, use, and validation of an analytical method or technological tool. If an institution does not have the in-house expertise relative to a particular method or tool, then an institution should employ additional personnel or engage a third party.
 - Address the selection, use, and validation of the valuation method or tool.
 - Establish criteria for determining whether a particular valuation method or tool is appropriate for a given transaction or lending activity, considering associated risks. These risks include, but are not limited to, transaction size and purpose, credit quality, and leverage tolerance (loan-to-value).
 - Specify criteria when a market event or risk factor would preclude the use of a particular method or tool.

Quick Summary on AVMs

- Professional driver on a closed course!
Do not attempt on your own.
- Federal regulators recognize that AVMs can be a valuable tool, but:
 - You need to have some knowledge and expertise in testing, evaluating, selecting, setting policies around how you will deploy and when.
 - If you do not have expertise, you need to seek it from outside third parties

Quick Summary on AVMs

- Federally Related Transactions
 - A transaction requires an appraisal or evaluation.
 - Not everything is a transaction, which means an AVM can be used where appropriate when not supporting a specific transaction, such as:
 - Modification, reviews, portfolio review, likely equity in property, marketing, and so on.
 - AVM can also be used as foundation for an evaluation.

Quick Summary on AVMs

- Evaluations using AVMs
 - An AVM by itself is not an evaluation, but can serve as the foundation for an evaluation
 - Evaluation has eight elements set out in the Interagency Guidelines
 - An evaluation needs some reflection of “actual physical condition” (assuming average condition is no longer sufficient)
 - But you do not need to perform an inspection to establish the physical condition

Quick Summary on AVMs

- Now, let's hear from our panelists about how to:
 - Develop expertise on the use of models (selecting, evaluating, deploying and monitoring) and setting policies.
 - How you can use AVMs across your institution (both by themselves and as part of evaluations) and still comply with the Interagency Appraisal and Evaluation Guidelines

Lee Kennedy
CEO/Managing Director
AVMetrics, LLC



Appendix B-(Interagency Guidelines)

- An institution should establish policies and procedures that provide a sound process for using various methods or tools. Such policies and procedures should:
 - Ensure staff has the requisite expertise and training to manage the selection, use, and validation of an analytical method or technological tool. If an institution does not have the in-house expertise relative to a particular method or tool, then an institution should employ additional personnel or engage a third party.
 - Address the selection, use, and validation of the valuation method or tool.

Appendix B-(Interagency Guidelines)

- Professional driver on a closed course!
Do not attempt on your own.
- Federal regulators recognize that AVMs can be a valuable tool, but:
 - You need to have some knowledge and expertise in testing, evaluating, selecting, setting policies around how you will deploy and when.
 - If you do not have expertise, you need to seek it from outside third parties

AVM Use (When and Where)

- You can still use AVMs or BPOs as a (1) supplement to an appraisal or (2) in situations in which the Guidelines recognize an appraisal to be impractical or (3) where an appraisal is not required (i.e. portfolio monitoring).
 - AVMs are given substantial discussion in the Interagency Guidelines - VALIDATING their use
 - Basic AVM guidelines did not change; AVMs can be used for some originations when used in conjunction with additional tools.
 - An AVM by itself is not solely sufficient if it does not *address* property condition.
 - AVMs must comply with “safe & sound” banking practices.
 - AVMs are often recommended as a best practice (e.g. Freddie Mac Bulletin 2009-18).

AVM Use (The Box)

- Let's talk for a minute about AVM's in the origination space and why they **should** not present any additional collateral risk over the traditional appraisal process.... I call this prudent use of AVM's the "Best Practices" BOX.... This box is designed by the guidelines (and best practices). This box defines the area in which AVM's are allowed to operate and it is fairly small in comparison to the traditional appraisal products. Let's go through the basic qualification criteria that makes up the walls of our AVM box...

AVM Use (The Box)

- **The main qualifier is *the deminimus level*** (Currently set at \$250,000 or below)
- ***Higher qualifying credit score*** (Than would be required for “valuations)
- ***Loan programs restrictions*** (lower LTV, portfolio, GSE PIW Programs)
- ***Market condition restrictions*** (No adverse conditions, flood, hurricane, fraud, etc....)
- ***Property type restrictions*** (No manufactured housing, 2-4 units, high rise Condo’s, etc..)

AVM Use (The Box)

- ***AVM acceptance thresholds***

- Confidence Score (or FSD)
- Valuation Floor (below which and AVM will not be accurate enough)
- Valuation Ceiling (above which and AVM will not be accurate enough)
- Acceptable Value Variance Range (from a stated value)

With a combination of these parameters your custom AVM BOX will contain *properties that are very conforming and with negative property physical / market condition factors that are substantially minimized.*

New rules to use AVMs?

- When do I need to verify actual (current) physical condition?
 - No set circumstances
- How do I verify condition?
 - Appraisal
 - Home Inspection
 - BPO
 - Condition Report
- What are acceptable proxies (i.e. “research”) for condition inspections?
 - Recent appraisal or BPO report?
 - How far back in time are on-site valuations considered “current”?
 - “Recent” record of property on MLS with subject property photos?

Lender Responsibilities for AVM Use

- **Lenders are ultimately responsible for all third-party arrangements and should maintain the expertise and resources for proper oversight.**
- Valuation providers who are stepping up compliance and/or maintaining high standards of QC should serve to *enhance* the valuation process for a lender partner – not replace it.
- Interagency Guidelines are very clear that lenders are responsible for any valuation outsourcing – this includes AMCs, BPOs, AVMs, consultants, third-party reviewers and others.
- The lender still holds ultimate responsibility with the regulator to make sure proper controls and independence are in place.

- Section V Model Validation:
 - “rigor and sophistication of validation should be commensurate with the bank’s overall use of models”
 - “generally, validation should be done by people who are not responsible for development or use and do not have a stake in whether a model is determined to be valid”
 - Individuals doing validation should have a significant degree of familiarity with the line of business using the model and the model’s intended use.

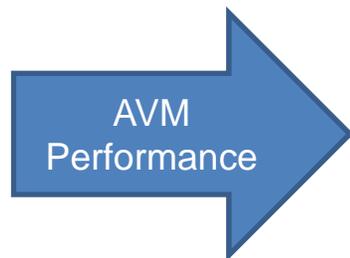
- Key Elements of Comprehensive Validation:
 1. Evaluation of conceptual soundness, including developmental evidence
 2. Ongoing monitoring, including process verification and benchmarking
 3. Outcomes Analysis, including back-testing

Jacqueline Doty
Vice President, Collateral Strategy
CoreLogic

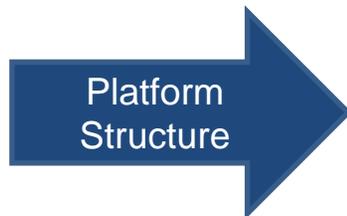


Establishing Policies to Determine the Proper Valuation Product

Various factors must be considered in determining whether an AVM is an appropriate choice, including:



- Overall AVM Performance (including “tail risk”)
- Minimum internal confidence score for when an AVM may be used
- Where the AVM’s tolerance is outside a specified range



- Ability to preclude value shopping when more than one AVM is used for the same property



- Prevalence of mortgage fraud in the vicinity of the subject property
- Occurrence of natural disasters or major economic events
- An atypical property relative to the neighborhood

AVM Performance

- CoreLogic makes AVM performance information available on our AVM cascades and our four lender-quality AVMs (PASS, ValuePoint4, PowerBase6, HPA).
- We also encourage lender validation testing using the lender's pipeline.

Guideline	CoreLogic's Response
Overall AVM Performance (including "tail risk")	Reports show overall performance metrics such as median error, and tail risk metrics such as >20%.
Minimum internal confidence score for when an AVM may be used	CoreLogic has established a minimum confidence score cutoff of FSD = 25 (FSD = forecast standard deviation; we have documentation on this too).
Where the AVM's tolerance is outside a specified range	We produce reports by state and for the largest counties.

Platform Structure

Precluding value shopping:

- Lenders must have both policies and systems to ensure that the highest value is not automatically chosen.

Guidelines	CoreLogic Response
No value shopping	None of the CoreLogic platforms automatically pull multiple values and return the highest value.

Exclusionary Criteria

Lenders must have policies to determine the circumstances under which they should NOT use an AVM.

Guidelines	CoreLogic Response
Prevalence of mortgage fraud in the vicinity of the subject property	LoanSafe Collateral Manager is our most sophisticated tool for detecting collateral-based risk. HistoryPro is also an option.
Occurrence of natural disasters or major economic events	Some CoreLogic AVMs are returned with natural disaster indicators. Lenders may use Vector to pre-screen for natural disasters.
An atypical property relative to the neighborhood	A property condition report can identify atypical properties.

Testing and Monitoring

- *“An institution should establish standards and procedures for independent and ongoing monitoring and model validation, including the testing of multiple AVMs, to ensure that results are credible.”*
- CoreLogic does produce significant reports on our AVM performance, but...
- *“An institution should not rely solely on validation representations provided by an AVM vendor.”*
- Institutions must do their own validation testing based on their pipeline, or contract with a third party for validation services.

Documentation from AVM Providers

- You should ask for:
 - Technical details on models and data, including use of MLS data in the model;
 - Details on internal testing approach and results;
 - Quarterly updates on model performance; and
 - If using a cascade, technical details on testing, cascade build and cascade performance.

CoreLogic provides all of the above documentation to clients using our AVMs and AVM cascades.

Property Inspections with AVMs

- We are developing a Property Condition Report specifically tailored to the new Guidelines. This new product is targeted for rollout in the second quarter.
- Our current product line includes ValueView, an AVM plus inspection.

ValueView Sample

ValueView Inspection

ORDER INFORMATION			
INSPECTION DATE 12/8/2010	ORDERED FOR	LOAN NO N/A	SOURCE ONE ORDER NO 6242305
PROPERTY ADDRESS 2597 HORIZON DR		CITY EAGLE MOUNTAIN	ST ZIP UT 84005
BROKER NAME/PHONE			
DISCLOSURE			
SUMMARY INFORMATION			
LOCATION <input type="checkbox"/> Urban <input type="checkbox"/> Suburban <input checked="" type="checkbox"/> Rural	PROPERTY TYPE SFD Ranch	VIEWED PROPERTY <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<input checked="" type="checkbox"/> CONFORMS TO NEIGHBORHOOD <input type="checkbox"/> Yes <input type="checkbox"/> No	PROPERTIES FOR SALE ON SUBJECT STREET <input checked="" type="checkbox"/> None <input type="checkbox"/> 1 to 3 <input type="checkbox"/> 4 or more	<input checked="" type="checkbox"/> EXTERIOR CONDITION IS AVERAGE OR ABOVE AVERAGE <input type="checkbox"/> Yes <input type="checkbox"/> No	
SUBJECT INSPECTION			
BROKEN DOORS/WINDOWS <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	CONSTRUCTION IN PROGRESS <input checked="" type="checkbox"/> No <input type="checkbox"/> < 50% <input type="checkbox"/> > 50%	ROOF MISSING SHINGLES <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
STRUCTURAL DAMAGE <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	SIDING MISSING OR DAMAGED <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	EVIDENCE OF FIRE DAMAGE <input checked="" type="checkbox"/> No <input type="checkbox"/> < 50% <input type="checkbox"/> > 50%	
EVIDENCE OF FLOOD/WATER DAMAGE <input checked="" type="checkbox"/> No <input type="checkbox"/> < 50% <input type="checkbox"/> > 50%	GARAGE <input checked="" type="checkbox"/> None <input type="checkbox"/> 1 to 3 <input type="checkbox"/> 4 or more	GARAGE CONDITION IS AVERAGE OR ABOVE AVERAGE <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not Applicable	
PROPERTY MAINTENANCE Good overall			
NEIGHBORHOOD INFORMATION			
OVERHEAD POWERLINES <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	COMMERCIAL USES <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	BOARDED HOMES <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
RAILROAD TRACKS <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	FREEWAY/HIGHWAY <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	AIRPORT/FLIGHTPATH <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
WASTE MANAGEMENT FACILITIES <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			

ValueView Sample

Addendum

6242305

Good overall

Subject Front



Subject House Number



Street View



Review Processes

- Institutions are expected to adopt a *risk-focused* approach for reviewing appraisals and evaluations prior to the final credit decision
- CoreLogic's LoanSafe Collateral Manager is ideally suited to stratify appraisals by risk to the organization. Other options for risk-based reviews:
 - HistoryPro
 - Checking appraisals against AVMs

Portfolio Monitoring

- *“Prudent portfolio monitoring practices include criteria for determining when to obtain a new appraisal or evaluation... The **criteria should address... changes in market conditions.**” “An institution should be able to demonstrate that it has sufficient, reliable, and timely **information on market trends** to understand the risk associated with its lending activity.”*
- CoreLogic product options to help address portfolio monitoring requirements:
 - **Market Trends**
 - **Monthly zip-level market trends** based on home sales, home prices, foreclosure filings, and mortgage performance.
 - **Portfolio updates using our AVMs or index values**

Additional Resources

- To learn more about our industry-leading AVM performance and modeling standards, download our AVM white papers at:
www.corelogic.com/Products/GeoAVM-Cascade-Suite.aspx
- For more information, contact Jacquie Doty at jdoty@corelogic.com or by phone at 703-610-5415

Bryan Horn

Product Manager

Automated Valuation Products

LPS Applied Analytics



XII. Evaluation Content

- A valuation method should address the property's actual physical condition and characteristics as well as the economic and market conditions that affect the estimate of the collateral's market value...average condition assumption no longer sufficient
- A valuation method that does not provide a property's market value or sufficient information and analysis to support value conclusion is not acceptable as an evaluation...no sales or list price such as BPO

XIII. Evaluation Content

- Provide an estimate of the property's market value in its actual physical condition, use and zoning designation as of the effective date of the evaluation...with any limiting condition
- Describe the method(s) the institution used to confirm the property's actual physical condition and the extent to which an inspection was performed.
- Describe the analysis that was performed and the supporting information that was used in valuing the property

Obvious Solution; Bundle Inspection Report with AVM

 **Property Condition Report**

Client: LPS Valuation Solutions

Order #: 11240043	Order Date: 3/1/2011
Loan #: 1119126774	Inspection Date: 03/02/2011
Subject Location: Suburban	
Property Type: Single Family	
Subject Address: 10304 S BLACKWELDER AVE OKLAHOMA CITY, OK 73139	

THIS INSPECTION REPORT IS INTENDED FOR USE IN A MORTGAGE FINANCE RELATED TRANSACTION ONLY. THIS REPORT IS NOT AN ESTIMATE OF VALUE AND IS ONLY MEANT TO DETERMINE THE EXISTENCE AND OR EXTERIOR CONDITION OF THE SUBJECT PROPERTY ON THE DATE AND THE TIME OF THE INSPECTION. AS NO INTERIOR INSPECTION WAS PERFORMED, IT IS ASSUMED THAT THE INTERIOR CONDITION IS SIMILAR TO THE EXTERIOR CONDITION OF THE SUBJECT PROPERTY.

Able to View Property:	Yes
Gated Community:	No
Conforms to Neighborhood:	Yes
# of Properties for Sale on Street:	1
Exterior Condition:	Good
How does the subject's condition compare to the neighborhood:	Equal
Obvious Damage:	No
Deferred Maintenance:	No
Garbage on the property:	No

Subject Inspection	
Broken Doors or Windows:	No
Construction In Progress:	No
Roof Damage:	No
Structural Damage:	No
Siding Damaged or Missing:	No
Evidence of Fire Damage:	No
Evidence of Flood/Water Damage:	No
Garage:	Attached
Garage Cond. Average or Above:	Yes
Safety Concerns:	No
Property Maintenance:	Good
Does the Subject Appear to be Occupied:	Yes
Does the Subject Appear to be Habitable:	Yes
Is There a "For Sale" Sign:	No
If Yes, Is There an Indication It is Bank Owned:	

Neighborhood Influences within 300'	
Overhead Powerlines:	No
Commercial Uses:	No
Boarded Up Homes:	No
Railroad Tracks:	No
Freeway / Highway:	No
Airport / Flight Path:	No
Waste Management Facility:	No

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- Property Condition Report
 - Inspection performed by licensed real estate agent
 - Condition observations of subject property
 - Neighborhood influences
 - Photos
- When inspection indicates inferior condition or damage, will you reduce value?

Shortfalls of Inspection + AVM Solutions

- Recycled Solution
 - Simply bundles AVMs with a separate property condition report
 - Falls short by failing to factor the property condition information into the property value
 - Requires manual review of the property condition report and manual update to the AVM-produced value
 - Increases potential for judgment errors, requiring additional supervision and review
 - Manual process negatively impacts both cost and time

Condition Adjusted Models

- Property condition observations from the PCR are fed into the valuation engine and influence the value conclusion.
- Condition Adjusted Model provides all the information in one report; not two separate products bundled together (AVM + Inspection).
- No manual review of condition report with possible value adjustment to AVM, opening the door for judgment errors, requiring additional supervision and review.

Condition Adjusted: A Better Solution...



ValueSure™ Condition Adjusted

Powered by LPS Applied Analytics

A Home Evaluation Report

Client Input

Client: ZAMEENA CORP.
Branch: TUSTIN, CA
Fax/Email: emailaddress@yahoo.com
Attention: STROTHER, GREG
Loan #: LOAN1238
Owner: NEUSTADT KARUNA

Property Address
As entered: 483 E 53RD AVE
EUGENE, OR 97405
Inspected: 483 E 53RD AVE
EUGENE, OR 97405

ValueSure Condition Adjusted Results

Market Value: \$370,866	Low: \$330,071	High: \$411,661	As of 03/17/2011
FSD: 11	Confidence Score: 89	Confidence Level: Medium	

This report was based upon, and derived subsequently to, an assessment of relative property condition (exterior only) by a licensed real estate agent. Condition assessment of the subject property was taken into consideration in the value conclusion.

Subject Inspection

- Broken Doors or Windows
- Construction in progress
- Roof Damage
- Structural Damage
- Siding Damage or Missing
- Evidence of Fire Damage
- Evidence of Flood/Water Damage
- Safety Concerns
- Appears to be occupied
- Appear to be habitable
- Is there a For Sale sign
- If indicated for sale, it is banked owned
- Garage Condition Average or Above
- Property Maintenance: Average
- Garage: Attached

Subject and Neighborhood

- Gated community
- Conforms to neighborhood norms
- Obvious exterior damage to the home
- Exterior deferred maintenance
- Garbage on the property
- Property condition compare to neighborhood: Equal

Neighborhood Condition Influences

- Overhead Power lines
- Commercial Uses
- Boarded Up Homes
- Railroad Tracks
- Freeway/Highway
- Airport / Flight Path
- Waste Management Facility



Subject Property Details

APN: 18-03-17-33-01600-000
Year Built: 1979
Living Area: 1998
Total Rooms: 0
Bedrooms: 3
Baths: 2

Sale Date: 07/02/2004
Sale Price: \$275,000
Lender: NA
Loan Amount: \$50,000
Lot Size (SF): 7520
Pool: No

Assessed Year: 2009
Total Assessed Value: \$232,743
Assd Land Value: NA
Assd Improvement: NA
Land Use: SFR
Census Tract: 5400

Powered by LPS

Inspected by: _____
A licensed real estate agent

Date: **03/18/2011**

OrderID: 11561220

1 | Page

Why Condition Adjusted Models are Better

- ValueSure Condition Adjusted models offer mortgage lenders a single report that meets the minimum criteria of an Evaluation as defined by Interagency Guidelines.
 - AVM that provides a condition adjusted value conclusion
 - Inspection of subject property condition
 - Market and neighborhood trend information
- Truly satisfies the spirit and intent of the Interagency guidance, provide a value that takes condition of property into account.

-
- For more information call 866-964-8343
 - Bryan Horn, Product Manager

Questions

- Today's Questions
 - Chat function
 - education@fncinc.com

Neil Olson, Chief Legal Officer

nolson@fncinc.com

866-910-6475

www.fncinc.com

Thank You

- Questionnaire

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