

21st Annual GIS/CAMA Technologies Conference Chattanooga Convention Center

GIS/CAMA • Chattanooga, TN



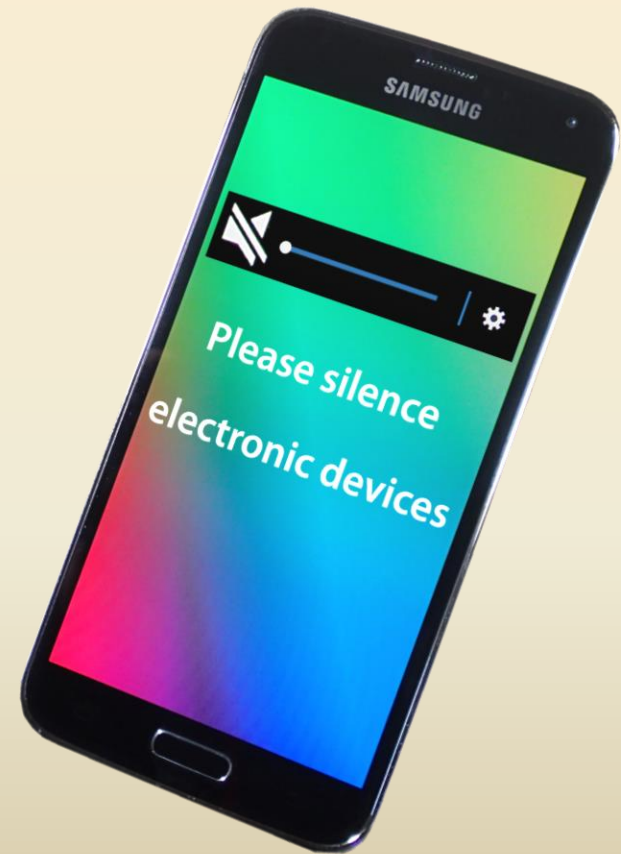
March 6-9, 2017

Continuing Education (CE) Credit

Recertification Credit forms for CE credit can be collected from the Registration Desk on Thursday.

Housekeeping

The conference proceedings will be available approximately 8 weeks after the conference.



Traditional vs. Modern Appraisal Philosophies

AVMs, BPOs, Evaluations and Appraisals: A Comparison

**Jim Amorin, MAI, SRA, AI-GRS
President, Appraisal Institute**

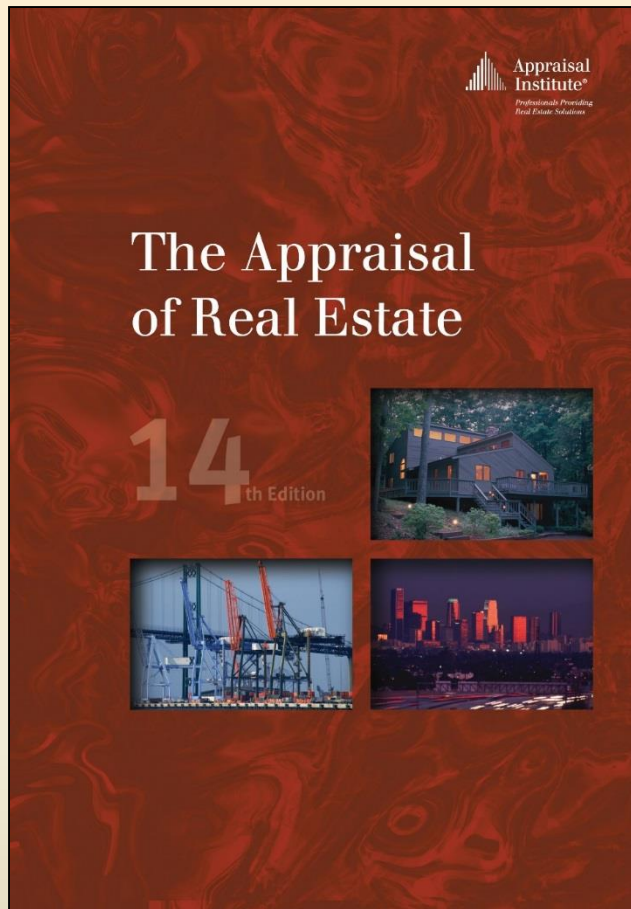
March 7, 2017



Automated Valuation Models



What is an AVM?



automated valuation model (AVM)

Computer software that queries property and market data, analyzes comparable property and market information to assign a value or range of values to a particular property, or generates metrics applicable to assessing the credibility of valuation-related statements or conclusions.

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What is an AVM?

Automated

- No human judgment involved

Valuation

- Estimates a property value

Model

- A small representation or copy

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Advantages of AVMs

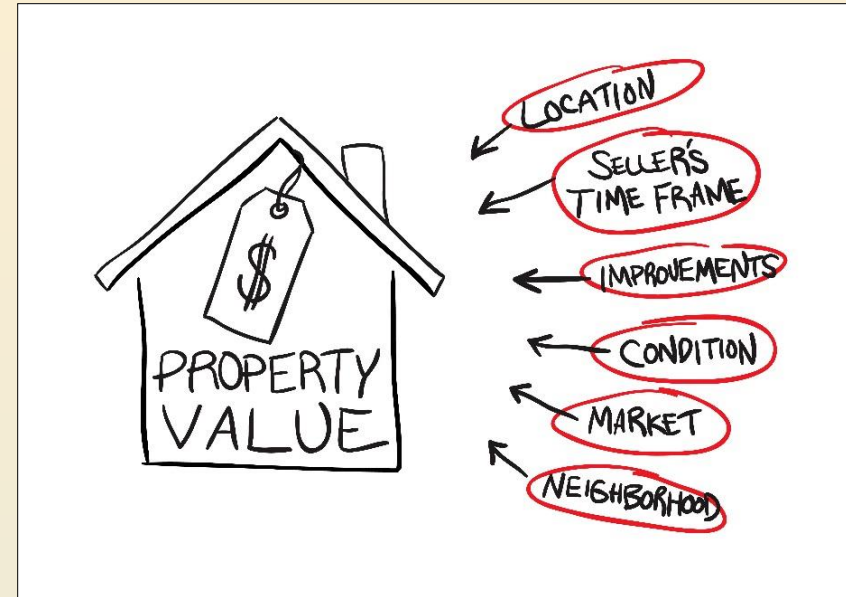
- Quick
- Inexpensive
- Widely accessible
- No special training required



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Disadvantages of AVM

- Data may be inaccurate
- Cannot factor in property's physical attributes
- Appraisal still required



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Technology, Data and the Valuer

“A key element is the interface with machines, and optimizing the human brain’s ability to identify patterns with the computer’s ability to run and reuse algorithms. (The analyst needs to understand the throughput, but not the details of the mathematics or programming).”

- George Dell, MAI, SRA

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AVMs vs. Appraisals



AVM vs. Appraisals

- AVMs are NOT appraisals
- Clear difference in quality



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Advantages of Appraisals

- More credible
- Rely on physical inspection
- Requires trained experts
 - valuation professional organizations' designations



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Use of an AVM

Professional Standards and the Use of an AVM

According to Advisory Opinion 18 of the Uniform Standards of Professional Appraisal Practice: Use of an Automated Valuation Model (AVM), an appraiser should be able to answer affirmatively to the following questions before deciding to use an AVM in an appraisal or appraisal review assignment:

1. Does the appraiser have a basic understanding of how the AVM works?
2. Can the appraiser use the AVM properly?
3. Are the AVM and the data it uses appropriate given the intended use of assignment results?
4. Is the AVM output credible?
5. Is the AVM output sufficiently reliable for use in the assignment?

Source: The Appraisal of Real Estate, 14th Edition

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Data> Information> Knowledge> Decision

- The ultimate solution includes the best of AVMs and appraiser elements

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What is the Valuation Process?

Data >

Information >

Knowledge >

Decision ✓

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Quality Results

Right data >

Right analytical model >

Good interpretation >

Appropriate communication

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Broker Price Opinions



What is a BPO?

- A price opinion developed by a real estate agent or broker

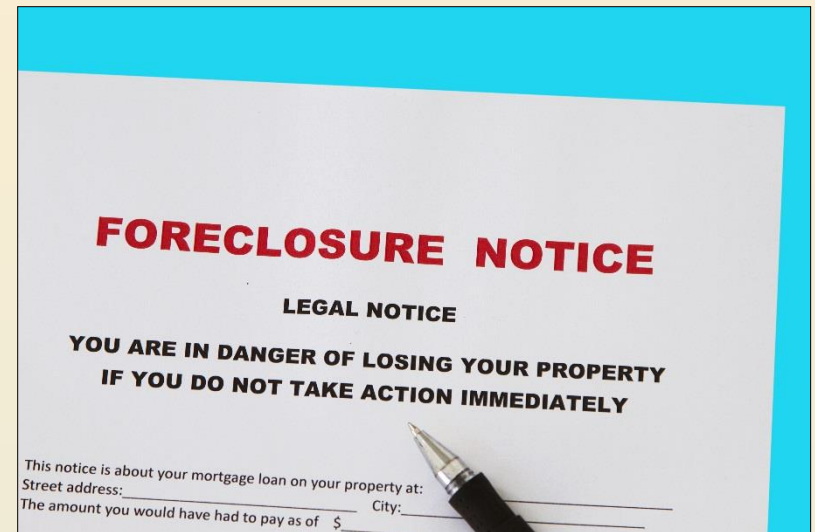


Source: The Dictionary of Real Estate Appraisal, 6th Edition

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When Could a BPO Be Used?

- Potential foreclosures
- Real estate-owned assets



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BPOs Should Not Be Used in Lending Decisions

- Inherent conflict of interest
- Largely unregulated
- Undermines banking system
- Increasing risk



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The Role of AVMs and BPOs

- Supplements, not replacements
- Cannot replace appraisals
- Appraisals are “gold standard”



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Appraisal Use

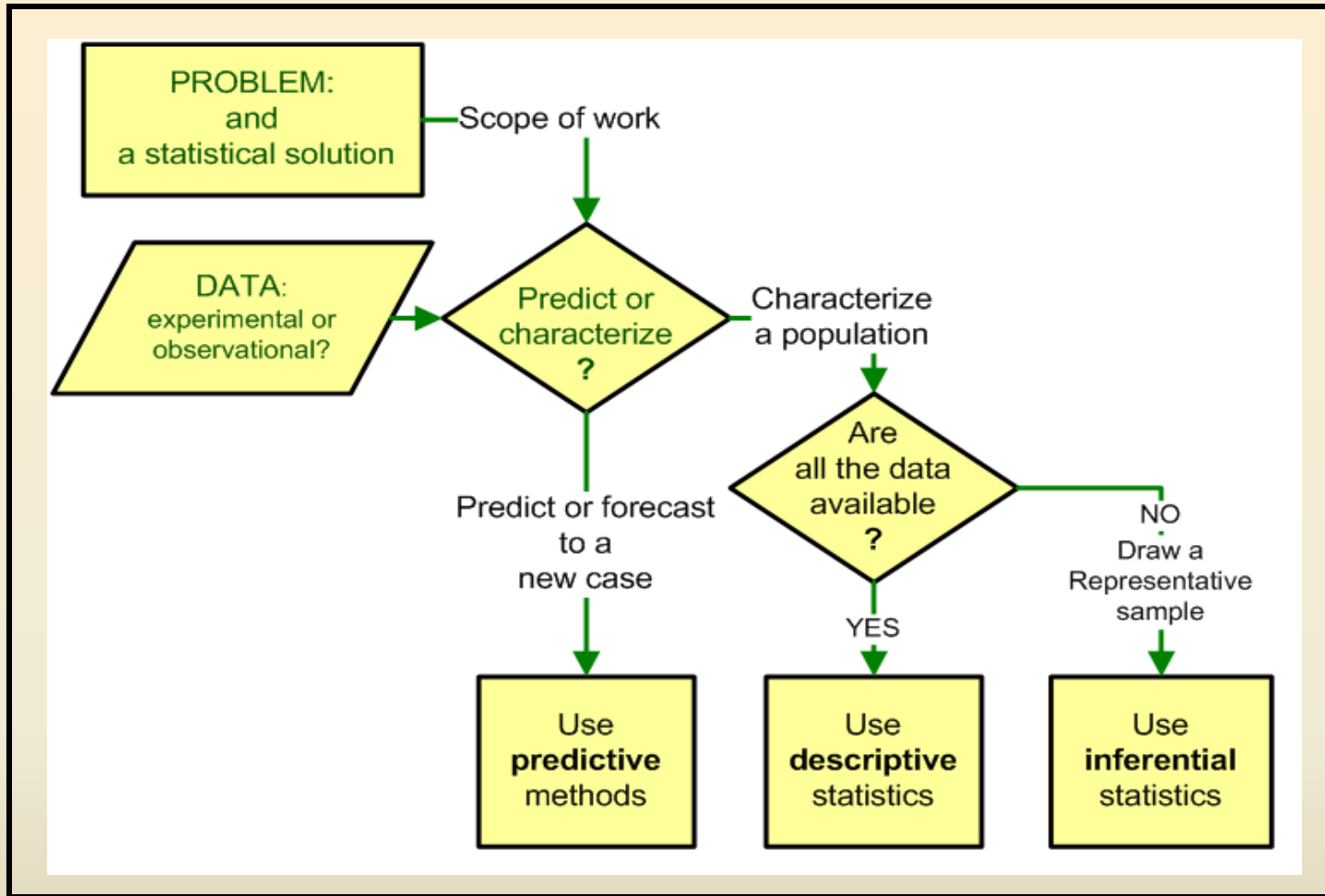
- Appraisals are required for real estate financial transactions
- 12 exceptions



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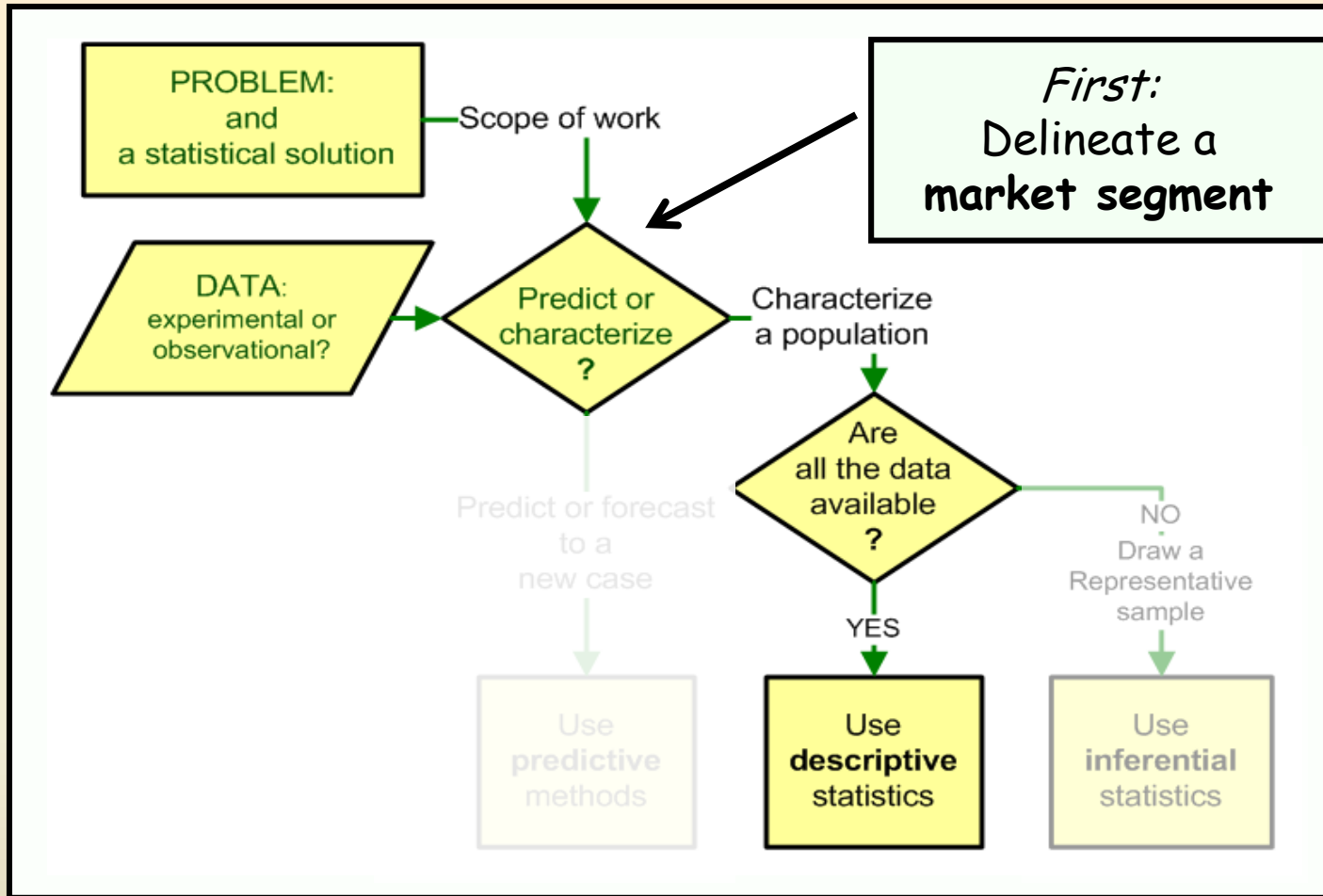
What Answer Do We Seek?



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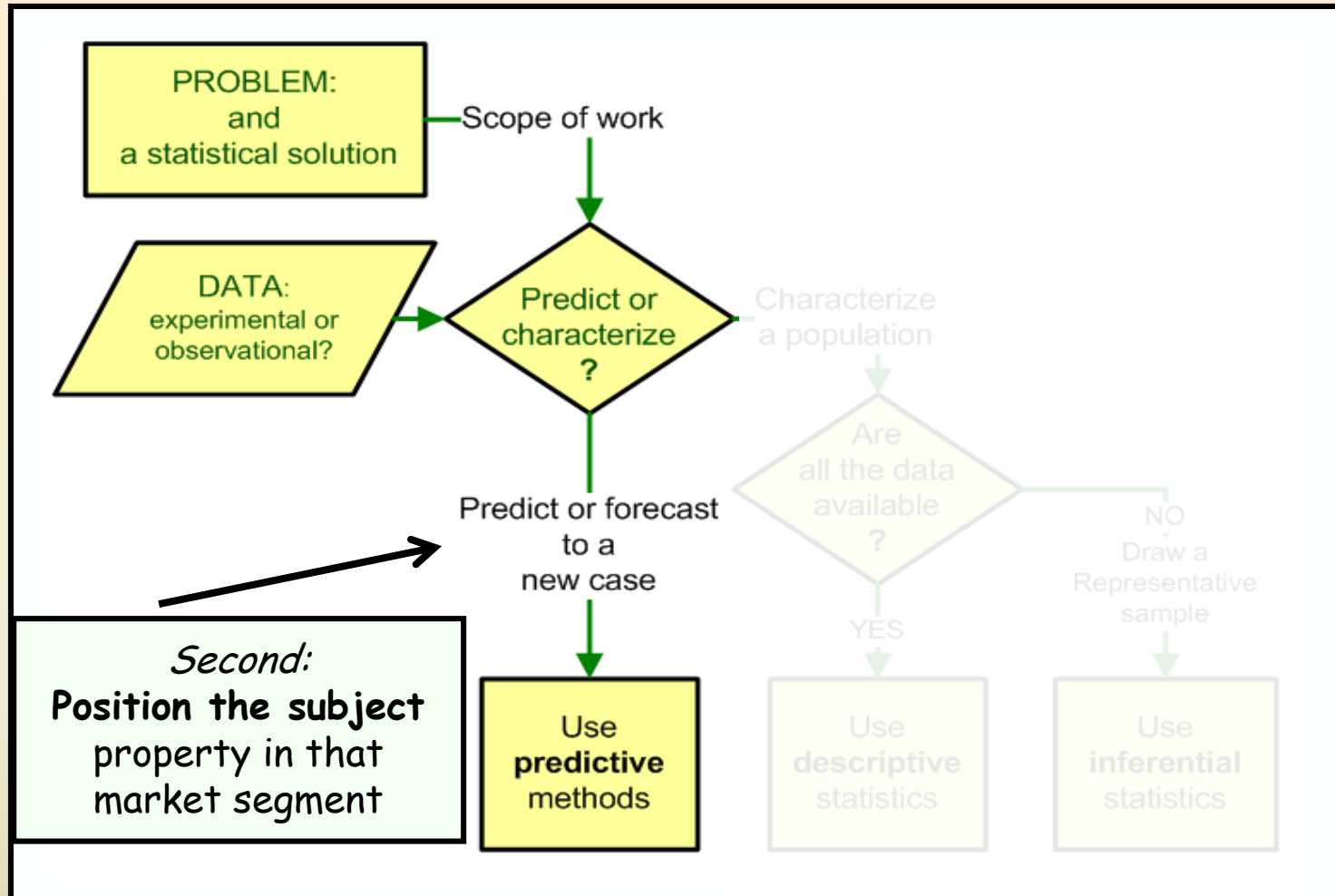
What Answer Do We Seek?



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What Answer Do We Seek?



Second:
Position the subject property in that market segment

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Evaluations

When appraisals are exempted, evaluations are required

- May be prepared by appraisers
- AVMS and BPOs don't meet definition
- Scope of work exceeds AVMs and BPOs



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Evaluations

- Frequently used in the market
- Estimated four evaluations per appraisal
- Used in loan renewal, refinancing
- USPAP obligations
- Creates complications for appraisers
- Double standards



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Advantages of Appraisals

- Trained and licensed appraisal professions
- Physical inspection of property
- Uses recent data and statistics
- Well-regulated industry



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In Conclusion

There's a place for AVMs and BPOs/Evaluations, but ...

- Appraisals more credible
 - Unbiased and impartial
 - Based on physical examination and current information
- Provide lender confidence



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Jim Amorin, MAI, SRA, AI-GRS
President, Appraisal Institute

March 7, 2017





GIS-Pro 2017
October 23-26, 2017
Jacksonville, Florida

The logo for GIS-Pro 2017 is a square graphic with a blue and purple gradient background. It features a stylized globe with a grid of latitude and longitude lines, overlaid with several white, curved lines that suggest motion or data flow. The globe is positioned in the upper left quadrant. To the right of the globe, a city skyline with several skyscrapers is visible. The text 'GIS-Pro 2017' is written in a large, bold, teal-colored font across the middle of the graphic. Below the main title, the dates 'October 23-26, 2017' and the location 'Jacksonville, Florida' are written in a smaller, white, sans-serif font.





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