



Foundations On-Demand

Valuations Essentials
Workbook

radian
national training

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Overview

Through a series of short videos and activities, our Real Estate Property Valuations Essentials training provides lenders and professionals in the mortgage and real estate industry an overview of Property Valuations. This training will also provide answers to many of your valuations-related questions.

Specifically, you will learn:

- Basic concepts around property valuations
- Various methods available to determine a property value
- Key uses of property valuations

The goal is to answer the questions as you watch the videos. Once you've completed all the questions, be sure to check your answers in the pages at the end of this workbook.

Let's begin.

- ? Determining the value of real estate is necessary for:

- ? Property Valuations can be useful to the following groups:



Learning Tip!

During this course you will READ, WATCH and ANSWER... complete all the activities for best learning results.



Read Me!



Answer Me!

Notes:

Introduction

The goal of a Real Estate **Property Valuation** is to determine an opinion of value or price estimate which is an analysis that helps provide a suitable listing price, or market value, for residential property.

Market Value is an opinion of the value of a property that one expects a home may sell for on the open market. It's important to note that the market value of real estate will not always represent the cost, or market price, of the property.

The **Market Price** is what someone actually pays for a piece of real estate.

The four main methods used to produce a property valuation or price estimate:

- Automated Property Valuations
- Interactive Property Valuations
- Manual Property Valuations and Price Estimates
- Hybrid Property Valuations

We will review each of the four categories in more detail.



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Watch Me!

Introduction to Valuations
Essentials

Notes:

Automated Property Valuations

Automated Property Valuations are also known as **Automated Valuation Models or AVMs**. An AVM provides a price estimate rather than an opinion of value. AVMs use mathematical modelling and databases of existing properties and past sales to calculate real estate values.

Benefits of AVMs

- Entirely technology driven
- Fastest and most cost-effective way to get a cost estimate
- No fieldwork or analysis by an appraiser or real estate agent
- Reduced cost and time
- Eliminates human bias and fraud risk
- Comes with a “confidence score”

? What is a confidence score?

Drawbacks of AVMs

Since an AVM does not include an inspection of the subject property, it does not account for property condition—including any damages or recent improvements—in the price estimate.

? What are some common uses of AVMs?



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Watch Me!

Automated & Interactive Property Valuations



Answer Me!

Notes:

Interactive Property Valuations

Interactive Property Valuations, also referred to as an **Interactive Valuation Service**, incorporates relevant data in an interactive format, giving users the ability to generate a price estimate much faster than a fully manual valuation.

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

Common uses of Interactive Property Valuations

- Appraisal quality control for pre-funding or post-closing
- Provide additional data to insight to high collateral underwriter (CU) scores

Rental Analyses are automated estimates of the monthly rent for a residential rental property. These estimates utilize similar rental comparables, within reasonable proximity, using current data.

? Describe how Rental Analyses are commonly used:



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Automated & Interactive Property Valuations



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geniuspricePro+



Answer Me!

Notes:

Manual Property Valuations

Manual Property Valuations are human-generated in the sense that a licensed or certified real estate appraiser is performing the research for the valuation and filling out all necessary paperwork.

? What type of appraisals are included in manual valuations?

Full/Traditional Appraisals

These appraisals are also known as 'full,' 'manual,' 'traditional,' or '1004' appraisals and are an opinion of value used for real property financial transactions.

Full appraisals entail the appraiser inspecting the interior and exterior of the property, taking pictures, providing commentary, and comparing the home to other comparable homes in the area.

? What is an **appraiser**?

An appraiser's report will typically include the type of property inspection, approaches to value utilized by the appraiser, and any lender-specific requirements.

Common Uses:

- Primary tool for lenders when assessing the sufficiency of collateral
- Whenever a mortgage is involved in the buying, refinancing, or selling of a property
- Obtaining a value to remove mortgage insurance
- Servicing for foreclosures



Read Me!



Watch Me!

Manual Property Valuations &
Hybrid Price Estimates



Answer Me!

Notes:

Manual Property Valuations

Desktop Appraisals

A **Desktop Appraisal** is generated from the appraiser's desk by using property records and online information in lieu of a physical property inspection. Desktop Appraisals typically can be obtained more quickly and cost-effectively than traditional appraisals.

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

Common Uses:

- Used by investors looking for a quick valuation
- Best used for properties that are not unique - without significant updates or known damages

Exterior-Only Appraisals

Exterior-Only Appraisals are performed by a licensed appraiser driving by the property and taking pictures, but not entering the home. An Exterior-Only Appraisal considers the neighborhood and the visible condition of a home's exterior to get a quick idea of a property's street value.

These appraisers also base the property value on data such as recent real estate sales and listings near the site.

? What are Exterior-Only Appraisals also known as?

Common Uses:

- One-unit properties
- Residential and commercial units
- Detached condominiums



Read Me!



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Manual Property Valuations &
Hybrid Price Estimates



Answer Me!

Notes:

Manual Property Valuations

Broker Price Opinion (BPO)

The most notable distinction between a **Broker Price Opinion (BPO)** and Manual Property valuations is that it is performed by a real estate broker or agent, based on their knowledge and experience, rather than by a licensed appraiser, and that it is a price estimate, not a valuation.

The broker or agent examines the property at a high level and uses sales comparables and basic neighborhood information to develop an estimated price.

 Can BPOs include an interior walk through?

Common Uses:

- Single family rental investors in place of an appraisal
- Asset of portfolio valuation
- Other mortgage loan situations that do not involve a credit decision
- Typically used in all default decisions
- Mortgage insurance cancellation on an existing home loan
- When getting a stand-alone second lien mortgage



Read Me!



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Manual Property Valuations &
Hybrid Price Estimates



Watch Me!

Broker Price Opinion



Answer Me!

Notes:

Hybrid Price Estimates

In a **hybrid appraisal** (also known as a **bifurcated appraisal**), a 3rd party (such as a real estate agent, home inspector, or another appraiser) completes an interior or exterior inspection of the property. Then, a certified or licensed appraiser provides an opinion of value based on the work done by the 3rd party's finding, and their own desktop valuation.

Hybrid vs. Desktop

Hybrids are often faster and more cost-efficient than a traditional appraisal.

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

Common Uses:

-  Updating a valuation
-  Assess how a loan is performing
-  Pre-foreclosure or foreclosure situations
-  Home equity lines of credit
-  Portfolio lending
-  Lower value assets
-  Lower LTV loans
-  Re-purchase disputes
-  Supplemental values for originations or REOs
-  Securitizations
-  Fix and flip lending
-  Hard money lending



Read Me!



Watch Me!

Manual Property Valuations & Hybrid
Price Estimates



Answer Me!

Notes:

Uses of Property Valuations

Great job so far! Let's review detailed uses of the valuations we've covered, specifically along the property valuation journey.



Fill in the possible use cases mentioned as you watch the video:

Customer Engagement

Lead Qualification

Pre-Approval/Application

Underwriting

Quality Control



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Uses of Property Valuations



Answer Me!

Notes:

Uses of Property Valuations (cont.)

Sale of Loans

Loan Servicing

Securitization

Defaulted Loan Servicing/Loss Mitigation

Trading & Investment Management

Note: The examples above do not cover ALL possible use cases.

Thank you for participating in this course, we hope you found it helpful! Please take a look at our [on-demand video library](#) for additional topics.



Read Me!



Watch Me!

Uses of Property Valuations



Answer Me!

Notes: