



THE APPRAISAL FOUNDATION

Authorized by Congress as the Source of Appraisal Standards & Appraiser Qualifications

Effective January 2014, rules adopted by the Consumer Financial Protection Bureau (CFPB) allow borrowers to receive copies of all valuation products ordered with their loan (even if the lender did not rely on them) three days prior to closing. Various valuation products (appraisals, AVMs, BPOs) may produce different values and cause confusion for borrowers.

Understanding Valuation Products

A Quick Guide for Borrowers

As a borrower, it is important to understand the differences between the valuation products you may receive before closing on your loan and the relative reliability and applicability of each product. When reviewing valuation products, keep in mind that:

- An **Appraisal** is an opinion of value performed by a professional state-licensed or -certified appraiser. It complies with the *Uniform Standards of Professional Appraisal Practice* (USPAP), which requires appraisers to be independent, objective, and impartial. An appraiser must remain unbiased and produce an opinion of value that is credible, or worthy of belief. An appraisal by a competent professional appraiser is the most reliable of all valuation products.
- An **Automated Valuation Model** (AVM) is a computer-generated estimate of a property's value that a lender might use in some circumstances to assist in evaluating the collateral for a mortgage. The output of an AVM is heavily dependent on the quantity and quality of the data input. With proper use, an AVM can help support the findings of an appraisal, but when used alone its output may not be credible.
- A **Broker Price Opinion** (BPO) is typically prepared by a real estate broker and is another tool a lender might use to evaluate the collateral for a loan. A BPO, as originally intended, does not comply with USPAP, and real estate brokers are not obligated to comply with USPAP and its corresponding appraiser independence requirements. BPOs were designed for brokers to assist home buyers and sellers in arriving at a list or purchase price.
- A **Comparative Market Analysis** (CMA) is similar to a BPO and is commonly prepared by a real estate agent to help decide on an asking or offering price. Like a BPO, a CMA does not comply with USPAP and real estate agents are not required to comply with USPAP.

The Appraisal Foundation, the nation's foremost authority on the valuation profession, has additional resources for consumers. For more information, including *A Guide to Understanding a Residential Appraisal*, please visit www.appraisalfoundation.org.