

AVM FAQs

- 1) *What is an AVM?*
- 2) *Why do lenders use AVMs?*
- 3) *How do AVMs estimate the value of a property?*
- 4) *Where does the information used in AVMs come from?*
- 5) *What information is contained in an AVM report?*
- 6) *How are AVMs rated for accuracy, reliability and coverage?*
- 7) *How does the amount of data affect AVM accuracy?*
- 8) *Why does the AVM value provided seem to be inaccurate?*

1) What is an AVM?

Automated valuation models (AVMs) are statistically based computer programs that use real estate information such as comparable sales, property characteristics, and price trends to provide a current estimate of market value for a specific property. An AVM report provides a written summary of the results.

2) Why are AVM's used?

AVMs provide fast and easy access to property valuations, benefitting both lenders and consumers by reducing the costs and time delays typically associated with traditional property appraisals. AVMs also provide consistency and objectivity in the property valuation process. While banking institutions cannot substitute AVMs for appraisals in all real estate-related financial transactions, many lenders utilize AVMs in the loan process. How and when lenders use AVMs is specific to each financial institution.

3) How do AVMs estimate the value of a property?

At CoreLogic, economists, scientists, and statisticians develop the mathematical formulas our AVMs employ to estimate market values. When developing AVMs, our analytical team researches how properties in various geographic areas are similar (in terms of living area, number of bedrooms and baths, and many other details) and examine the relationships between those property details and actual sale prices. These relationships form a pattern our analytical designers use to develop a statistical model to estimate a property's market value.

AVM development requires an ongoing process of refinement. When an AVM produces a value estimate, we feed information on many local properties, as well as the subject property, into the AVM's formula, assigning different weights to information based on its influence in a given market over a specific period of time. Because property details and markets are always changing, we collect new data nightly and regularly update value estimates to capture new sales in a neighborhood. This ensures that our AVMs estimate the value of a property based on the most recent data available in an area. However, data availability depends on the county recorder's office, so delays from days to months can occur between when the county recorder of deeds receives notification of a sales transaction and when that data is made publicly available.



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4) Where does the information used in AVMs come from?

For more than 40 years, CoreLogic has been collecting vast amounts of property data from many sources, which we use in our property value estimates. Most of the information comes from public record data collected from county clerks, assessors, treasurers, registers and recorders of deeds, and other government officials. And, just as an appraiser would, AVMs can sometimes access data about properties currently for sale, including the subject property, collected from a number of home-listing data suppliers. The data available may include property characteristics and current asking price, which may be incorporated into an AVM data source.

5) What information is contained in an AVM report?

An AVM report provides a great deal of information related to the AVM's value estimate for a property, including:

- ▶ **Address:** Usually referred to as Property Address. The address used to request as the subject property for the AVM report.
- ▶ **Owner:** The property owner returned with the subject property, as stated in the public records or deed.
- ▶ **County:** County in which the property resides, as stated in the public records.
- ▶ **Land Use:** Codified description of the type of property structure
- ▶ **Location of Property on a Street Map View:** Approximate location of the subject property based on a satellite map of the property address and surrounding location.
- ▶ **Estimated Value:** Estimate of the property's market value at a specific point in time, based on the available data on the property and local market.
- ▶ **Estimated Value Range:** In addition to the estimated value, the AVM also calculates the most likely highest and lowest property value. A narrow range means we have more data to help compute the AVM value estimate and the value range. A broad range indicates we have less data or there is inconsistency in the data.

- ▶ **Confidence Score:** An AVM's estimated values can be higher or lower than the actual market value due to limitations of the mathematical formula, data availability, and other factors. To reflect those variables, AVMs produce scores that tell you the AVM provider's confidence in the estimated values. Confidence scores for CoreLogic AVMs indicate the probable accuracy of the AVM result and estimated value range. Higher confidence scores indicate greater probable accuracy, while lower confidence scores indicate less probable accuracy. Different AVMs calculate confidence scores differently, so a score of 67 on one AVM report may mean something different than a 67 on another AVM report.
- ▶ **Forecast Standard Deviation (FSD):** FSD represents the probability that a particular AVM estimate falls within a statistical range of actual market value for the specific property. The FSD is based on the consistency of the information available to the AVM at the time of estimation. The lower the FSD, the smaller the error in predicting actual market value and the higher the level of confidence in the value (i.e., a lower FSD means the AVM value can be expected to be closer to the actual market value). FSD calculations are a standard measure of accuracy and their calculation does not vary from AVM to AVM.
- ▶ **Comparable Sales:** AVMs select and use recently sold properties located near the subject property that have similar characteristics (e.g., square footage, number of bedrooms, etc.) to estimate a property's market value. Some AVM reports include all comparable sales used in the value calculations, while others do not.

6) How are AVMs rated for accuracy, reliability and coverage?

All AVMs rely on the accuracy, comprehensiveness, and timeliness of the data they use. Valuation accuracy will vary, depending on a wide range of factors. The most significant factor is the number of recent home sales in the area and how similar the property is to surrounding area properties. Generally, all AVMs tend to be less accurate in rural areas where sales are fewer. However, even in rural areas, AVMs will often provide accurate value estimates. AVMs are also less accurate when valuing properties that are unusual, much larger than average, or have particular distinctive features.

7) How does the amount of data affect AVM accuracy?

The number of property sales in the local market area can affect how much the AVM provider knows about current property values in that market. Generally, the more property sales, data, and information available about properties in an area, the more accurate the AVM estimate is likely to be.

8) Why does the AVM value provided seem to be inaccurate?

There are a number of reasons an AVM might contain an unexpected valuation, including:

- ▶ The AVM may have been run on an erroneous subject property address. Check the address listed on the AVM report to make sure it's correct.
- ▶ AVMs rely on public data, so inaccurate public record data generates incorrect AVM valuations. Additionally, major property renovations, modifications, or upgrades may not be included in the public records and, therefore, will be reflected inaccurately in the AVM value estimate.
- ▶ AVMs cannot determine the physical condition or relative marketability of a property.

AVMs tend to work best where there is an abundance of current data, properties in a given area are similar, and a property's condition and marketability are typical for the area. If your property's AVM value doesn't seem right, it may be that there is not enough current local data, the neighborhood contains dissimilar properties, or your property differs significantly from the neighborhood average.

