Broker Price Opinion Manual

Curriculum Developed by
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Section 1: Introduction
Welcome -

Welcome to the First American Residential Value View BPO Training. During this training we will be taking you on a journey to view neighborhoods, homes and properties as we help you understand how to appropriately tell the story of properties and dwellings you are valuating. At this point you should have received an email with a description of the training process including an introduction to this BPO Manual. This manual contains terms and definition that will assist you in completing the BPOs online and can be utilized at your leisure. The guide also contains exercises used during this training experience.

BPO (Broker Price Opinion) Synopsis -

BPOs are property valuations conducted by Real Estate Agents and Brokers (Field Associates) in areas where they know the real estate market. As a Field Associate you become the eyes on a property for our clients and provide an opinion about the property’s value after making a physical inspection. The inspection may be an exterior inspection, also known as a drive by, or an interior inspection. During the inspection you will take pictures of the property, including any damages. In most cases you will arrive at a value based on the review of 3 sold comparables and 3 currently listed comparables. Each comp should be as similar to the subject size & condition as you can find. Successful BPOs will include specific comments relating to the condition of the subject property, local real estate market and neighborhood, as well as to the comp’s, especially when the comp varies from the subject property. The outcome is a Broker Price Opinion of the property’s value.
Why Training and Certification?

1. Our clients make significant business decisions based on property value opinions provided by real estate agents and brokers. If these property values are set too low our clients will lose money by disposing of the asset at a lower price. If the property value is set too high our clients will lose money by keeping a property too long. In this training we will focus on details that will help avoid the losses associated with valuation discrepancies.

2. You have requested it - We have heard requests from many of you, and want to provide you with the tools and knowledge to successfully perform BPOs. This training will address the challenges of performing BPOs and give you guidelines and useful tips about what to look for when setting a value.
Section 2: Market Segments
In working with our clients we have identified four categories for which they order BPOs. We refer to these categories as Market Segments. The four Market Segments are:

- Servicing
- Origination
- REO
- Capital Markets

Understanding why our clients order BPOs will help you to become their eyes on a property. The following sections address each of the market segments in detail.
Servicing Segment –

Mortgage servicing includes processing mortgage payments on real property. Mortgage Servicers will order BPO valuations for many reasons.

1. **Private Mortgage Insurance deletion:** Private Mortgage Insurance (PMI) is paid by a borrower to protect the lender in case of default. PMI is typically charged to the borrower when the Loan-to-Value Ratio is greater than 80%. Some investors will allow the monthly PMI charge to be removed if the Loan-to-Value Ratio is less than 80% based upon a BPO value.

2. **Default:** If a borrower defaults on a mortgage loan, the servicer might order a BPO to compare a current market value against the unpaid principal balance of a loan. This is done to protect the investor’s interest in the asset –

   The typical Mortgage or Deed of Trust states:

   “In the event that Borrower fails to carry out the covenants and agreements set forth herein, the Lender may do and pay for whatever is necessary to protect the value of and the Lender’s rights in the mortgaged property and any amounts so paid shall be added to the Principal Sum due the Lender hereunder.”

   These values are typically associated with risk reduction.

3. **Pre-Foreclosure:** Based upon state regulations an investor will initiate foreclosure proceedings by ordering a BPO. The value given to the property will assist in making a ‘foreclose/no foreclose’ decision. Other possible alternatives to foreclosure are:

   - **Deed in Lieu** – A Deed in lieu of foreclosure is an instrument by which a borrower conveys all interest in real property to the lender in order to satisfy a loan that is in default, thereby avoiding foreclosure proceedings against them.

   - **Bankruptcy** – Either and individual or organization may file bankruptcy if they are wholly or partially unable to meet certain financial obligations. The purpose of filing bankruptcy is to allow a court-appointed receiver to distribute the debtor’s assets equitably among creditors. In most cases, Bankruptcy discharges the debtor from further liability on these debts, although not from future debts that might be accrued.

   - **Loss Mitigation** – Loss mitigation is the process used by lenders to avoid foreclosure by working with a borrower who has been unable to make loan payments and is in danger of losing his or her home. The following are a few of options:

     a. **Forbearance Plan** - A lender's postponement of foreclosure in order to give the borrower time and opportunity to make up for overdue payments. Occasionally, a lender will agree to modify the terms of your mortgage without requiring a refinance. If any changes are made, it is called a modification.

     b. **Short sale** – In the mortgage banking industries, lenders sell property where the proceeds of the sale fall short of what is owed by the borrower. This is considered a short sale. Lenders can avoid the lengthy and expensive foreclosure process.
c. **Charge offs** - Charge-offs are a subset of the “Short Sale” and occur when the collection efforts fail and the creditor declares a debt as a "bad debt" for IRS purposes. The mortgage company writes off the debt because pursuing legal matters will not be worth the cost. Although the debt is charged off, the debt is not forgiven as some people like to think. It is still owed but merely dispensed for accounting purposes.

d. **Jr. Lien protection** – Ordinarily, if an individual defaults on a property that has more than one mortgage, any assets revert to the primary lien holder. Lenders that hold the second lien on a property, also known as a Jr. Lien, may purchase the primary lien from another lender. This allows them to hold first position of that property in case of default or bankruptcy.

4. **Foreclosure:** Once a decision has been made to proceed with foreclosure, BPO values will be utilized to set an asking price for a foreclosure sale.

**Inaccurate Values:**
- The borrower might make an incorrect decision that will have a negative effect on both the investor and the borrower.
Origination Segment –

Lenders will order BPO values in some instances to obtain a current market value on a home to arrive at a loan-to-value ratio. The lender will use the results of the BPO to support an appraisal in order to make a ‘lend/no lend’ decision. These orders are typically associated with Home Equity Lines of Credit (HELOC) loans.

Inaccurate Values:
- Values set too high might put a lender at risk due to inaccurate loan-to-value ratios.
- Values set too low will affect the borrower’s ability to obtain financing on a loan.

Real Estate Owned (REO) Segment –

The REO process starts after the foreclosure process ends. Once the property is vacant, the pre-marketing phase of the REO process begins. In the REO Segment mortgage servicers must determine an asking price for the property. This is accomplished most of the time by comparing two BPOs. The servicer obtains a BPO from the listing agent for the property as well as a ‘supplemental’ BPO from another broker (typically FARVV will supply the supplemental value). These two values are compared and an initial listing price is set in an effort to dispose of the asset within the timeframe required by the servicer.

Inaccurate Values
- REO values set too high might result in longer marketing times for the REO servicer, which in turn causes higher ‘holding’ costs for the asset.
- REO values set too low might result in shorter marketing times which will causes lower ‘holding’ costs, but might also cause the servicer to ‘leave money on the table’ by selling an asset at far less than its true market value.

‘Capital Markets’ Market Segment –

Capital Markets refers to the acquisition of bundled loans by investors. Wall Street Firms utilize BPOs as a guide for bidding when buying or selling loan portfolios.

Inaccurate Values
- Acquisition values set too high can contribute to an investor bidding too high on a pool of loans causing the investor to lose money.
- Acquisition values set too low can contribute to an investor losing a bid on a pool of loans, due to being outbid by a competitor.
Market Segment Review

1. Which of the following is not a Market Segment?
   A. Default
   B. Capital Markets
   C. Servicing
   D. REO

2. Pre-foreclosure activity is a part of the ________________ market segment.

3. For which market segment might a lender or investor order a BPO in order to determine the asking price of an asset to be sold?
Section 3: Subject Information
Now that we have discussed the Market Segments and why our clients order BPOs, let’s take a look at the aspects of the subject information. As was mentioned in the introduction, in most cases you will arrive at a value based on the review of 3 sold comparables and 3 currently listed comparables.

Before selecting the appropriate comps, understanding the subject property is vital, from the lot size to the number of bedrooms and bathrooms. Let’s take a look at some of the details you will want to compare between the comps and the subject property.

1. Property Type & Style
   It’s important that the subject property and the comp property type and style match in order to arrive at an accurate value. The following examples show the different types of properties and the styles associated with that type.

- **Single Family Attached** dwellings consist of one building with a separate parcel number for each unit. Each unit might be owned by a separate individual or by the same person. The key is that each unit has its own Assessor’s Parcel Number (APN).

   Styles include:
   - **Townhouse** – A dwelling unit, generally having two or more floors, that is attached to other similar units. Within a townhouse each unit will have at least one common wall. If the unit only has one common wall it will commonly be referred to as a **Row House End**. If the unit has 2 or more common walls it is commonly know as a **Row House Mid**. Because of the common walls, the mid unit will normally be less desirable than an end unit. Therefore, the end units will typically be worth more.
   - **Twin Home** – A twin home is similar to town homes with only two units. Twin homes often have two or three stories and are connected to each other by an adjoining wall.
   - **Condo** – A structure of one or more units, where the interior space is individually owned. The remainder of the property is owned in common by the owners of the individual units.
• **2-4 Family Dwelling** homes consist of one building with multiple units and only one parcel number.

![Image of a 2-4 Family Dwelling](image_url)

Styles include:

- **Duplex** – A building that houses 2 separate dwelling units.
- **Triplex** – A building that houses 3 separate dwelling units.
- **4-plex** – A building that houses 4 separate dwelling units.
• **Single family Detached** homes are residential properties designed for occupancy by one family, and situated on land zoned specifically for that purpose. They normally contain one parcel number.

Styles include:

- 2 Story conventional
- Colonial
- Tudor
- 2 Story modern
- Mansion
- Victorian
- Bungalow/Cottage
- Mobile home
- Modular/Manufactured
- Cabin
- Ranch
- Contemporary
- Cape Cod
- Split entry

Section 3 – Subject Information
A 2 story conventional home has 2 full levels above ground where the second level sits directly above the first. The two levels are approximately the same size. The garage can either be attached or detached.

A 2 story modern home has 2 full levels above ground and the size of the upper level will differ from the lower level. Frequently a part of the upper level will be built above an attached garage. This style commonly has areas of vaulted ceiling or open areas on the lower level.

Bungalow or Cottage is a small dwelling that typically has one story, few rooms, and a maximum of cross drafts, with high ceilings, unusually large window and door openings, and might have verandas on one or multiple sides to shade the rooms from the intense light and heat.
A Cabin is a small, roughly built house, usually with a wood exterior and typically found in rural areas.

A Cape Cod home is traditionally characterized by a low, broad frame building, generally a story and a half high, with a steeply pitched roof with end gables or dormers.

Colonial homes are square, symmetrical shape, with a central door, and straight lines of windows on the first and second floor. There is usually a decorative crown above the door and flattened columns to either side of it. These are sometimes called “Salt Box.”
Contemporary home styles vary in their look and design but the most common characteristic is the artistic expression. Appraisers commonly use this style when none of the other styles fit the home.

A Mansion is a large, stately house.

Mobile Homes are housing units built in factories, rather than onsite, then transported to the site and usually not placed on a foundation. The axels are typically not removed and have skirting hiding the underside of the home.
Modular or Manufactured are houses that are manufactured in a remote facility, then delivered to their intended site of use. They sit on a cement pad, and/or occasionally have footings.

A Ranch or Rambler house has long, low proportions an extended rectangular plan, sometimes with L- or T-shaped extensions at one or both ends. Rooms are clustered with family living spaces at one end and bedrooms at the other end, often with an integral carport or garage and low gabled or hipped roof.

A Split Entry home has an entry area between 2 levels. From the entry, a short flight of stairs leads up to the top floor and another short flight of stairs lead to the bottom floor. Usually the upper level is cantilevered. This is sometimes called a “Split Level.”
In modern structures, usually on estates or private houses, the Tudor style has a half timbered appearance. Typically a combination of boards and stucco is applied to obtain the desired appearance. Items such as steeply pitched roofs, high chimneys, tall windows, and dormers are often included.

Victorian homes are characterized by massive construction and elaborate ornamentation.
• **Mixed Use** properties house both residential and commercial properties. They are generally owned by the same person and have a single parcel number.

Property Styles:
- 2-Unit
- 3-Unit
- 4-Unit

2. Conformity to Neighborhood

In general—particularly in residential areas of single-family houses—buildings should follow the principle of conformity: that is, they should be similar in design, construction, age, condition and market appeal to the other buildings in the neighborhood.

Nonconformity might work to the advantage or disadvantage of the owner of the nonconforming property. A house that has not been well maintained in a neighborhood of well-kept homes will benefit from the overall good impression created by the neighborhood. A house that has been meticulously maintained but is in a neighborhood of homes that have not received regular repair will suffer from the generally unfavorable impression of the neighborhood.

3. Property Location

Urban – According to the US census urban areas are comprised of 2 types, **Urbanized Areas** and **Urban Cluster** or what we call **Suburban** — identical in the criteria used to delineate them but different in size.

**Urbanized Area** - as defined by the appraisal institute—are described as mature neighborhoods with a concentration of population typically found within city limits or a neighborhood commonly identified with a city. The official U.S. Census Bureau defines an urbanized area wherever it finds an urban nucleus of 50,000 or more people. Urban areas comprise larger places and densely settled areas around them. In general, they must have a core with a population density of 1,000 persons per square mile and may contain adjoining territory with at least 500 persons per square mile.

**Urbanized Cluster/Suburban** – The same computerized procedures and population density criteria are used to identify urban clusters/suburban. However, the population is at least 2,500 but less than 50,000 persons. Suburban properties are defined as neighborhoods that contain complementary properties with less concentrated population that is typically found in an urban neighborhood.
Rural – According to the US census rural areas are defined as open country and settlements with fewer than 2,500 residents the areas pertain to the country as opposed to urban or suburban areas. Land under agricultural use includes areas that exhibit relatively slow growth with less than 25% development.

4. Gross Living Area (GLA)
   The GLA is the total number of finished square feet above ground, measured along the building’s outside perimeter. Generally, attics, basements (even if finished) and crawl spaces are not included in the measurement. Check your local guidelines.

5. Lot size
   The lot size can be measured in square feet or in acres. There are 43,560 square feet in an acre. Therefore divide the listed square feet by 43,560 to come up with the acreage. For example, 10,000/43,560 = .23 acres.

6. Room Count
   The room count is the total number of above grade rooms. The room count includes the following rooms – kitchen, bedrooms, living room, office, and craft room. The following are not included in the room count; bathrooms, laundry room (unless combined with a craft room), sun rooms, lofts, closets, storage rooms and entries.

7. Car Storage
   The car storage can either be attached or detached. The car storage size will make a difference on the value of the property. If the subject property and the comp property do not match in the car storage, you will have to make an adjustment in the value to compensate for the difference.

8. View from the home
   There are many factors to consider in determining the view of a home. For example: The position of the home as it relates to the sun. In cooler climates it might be more desirable to have a south facing home to take advantage of the direct sunlight during winter days. If a home has an interesting long view of the east or west, in spite of the sun, it might be more desirable. Adjustments can be made as a result of the view if it is not typical for the neighborhood.

9. Upgrades
   Upgrades are aspects of properties that increase the value of a property and are not typical of other homes in the neighborhood. Exterior upgrades might include a pool, automatic sprinkling system, vinyl or wrought iron fence, a guest house, new siding, new windows, or fresh paint. Interior upgrades might include stainless steel appliances, built-in microwaves ceiling fans, jetted tubs, newly updated kitchen or bath, finished basement, air conditioning, new high efficient radiant floor heating or heated driveway.
Subject Information Review

1. Which of these is not a property type?
   A. 2-4 Family Dwelling
   B. Mixed Use
   C. Single Family Attached
   D. 2-Story Modern

2. Which of the following homes is a Tudor?
   A.  
   B.  
   C.  
   D.  

3. Select the best definition of GLA:
   A. The total number of square feet of the home.
   B. The total number of square feet above ground.
   C. The total number of square feet above ground, excluding attics & utility rooms.
   D. The total number of finished square feet above ground, excluding the attics & utility rooms.

4. How many square feet are in an acre?

5. Which of the following is described as “Land under agricultural use includes areas that exhibit relatively slow growth with less than 25% development?”
   A. Urban
   B. Suburban
   C. Rural
Section 4:
Property Condition & Repairs
The **property condition** will have a significant bearing on the property’s value. The property condition will be listed as excellent, good, average, fair, or poor. An adjustment will need to be made if the comparable properties are in better or worse condition than the subject.

Because these terms are very subjective, the following is an attempt to standardize their definitions.

**POOR**
Properties in poor condition normally have very significant issues making the home uninhabitable. Total cost to repair the home will exceed 5% of the as-is value. The following have a major effect on the subject value:

- Major violations of current building codes
- Structural damage
- Broken and missing exterior doors and/or windows
- Damaged roof (more than just new shingles)
- Missing or unusable plumbing fixtures (particularly in the bathroom)
- Serious damaged to or missing siding (more than 25% of surface)
- Major interior ceiling/wall damage (gutted)
- Damaged sub-flooring/joists (not floor coverings)

**DAMAGED**
Some clients have “Damaged” as a condition choice. This condition falls within the poor area and affects the structure specifically but signifies a uninhabitable condition worse than just neglect.

- Fire
- Flood
- Wind, Hurricane, Tornado
- Rain, Snow, Ice, Mud Slide
- Earthquake
- Volcano
**FAIR**
Evidence of curable physical deterioration defines properties in fair condition. Total repair costs are greater than 2% of subject as-is value, but less than 5%. Properties in fair condition will show evidence of long term neglect. These issues cannot easily be fixed by mowing the lawn or cleaning the carpet.

- Damaged, but functional doors and windows
- Siding needs paint or has some missing/damaged areas
- Missing or worn shingles (needs new roofing)
- Needs new floor covering due to wear or staining
- Damaged sheet rock
- Interior paint needed
- Handyman-type repairs needed

**AVERAGE**
Average means average for the neighborhood. Thus, a 70-year-old area will not have average conditions as high as a 10-year-old neighborhood.

- Total repair costs are less than 2% of subject as-is value
- Some minor maintenance required
- No apparent recent updates, but no signs of significant neglect
GOOD
Good means above average for the neighborhood.

- Recent improvements observed (siding, replacement windows, roof, new paint)
- Younger subjects (< 10 years)

EXCELLENT
Reserve excellent condition for the exceptional properties; be careful, often being in excellent condition will not add more value than does “good.” The neighborhood will still control the upper price limits.

- Older homes have been totally remodeled/updated/restored recently
- Superior workmanship and materials
- Nearly new (5 years or less) and completed professional landscaping

Remember, condition does not have anything to do with amenities or features. A pool or spa may or may not add value and may be in poor, fair, average, good or excellent condition. Take personal preferences out of the condition decision. Purple interior paint may not be the best when marketing the home, but is the paint’s condition—poor, fair, average, good or excellent, that is the question.
**Exterior Property Conditions** – A major issue—such as the property being boarded, or roof, siding or foundation damages—are usually easily seen. However, subtle defects might not be as visible. When inspecting the exterior of the property, look for evidence of dry rot, fire, or other environmental issues that would affect the property’s value.

Environmental Issues –

Many federal regulations are in place covering water, toxic fumes, endangered species, wetlands, and other topics that can have a profound impact on the property conditions. State regulations pick up where federal regulations leave off, usually with more stringent requirements. Both the state and federal governments have their own agencies governing & controlling environmental requirements. Although we don’t expect you to be an expert in environmental issues, please conduct a conscientious inspection of the subject property and note any suspicious conditions. These environmental issues (also referred to as external obsolescence) include, but are not limited to:

- Ponds, lakes, creeks and other bodies of water
- Standing water or wetlands
- High-powered electrical lines
- Evidence of past commercial or agricultural lands use
- Underground or above-ground storage tanks or oil drums
- Deteriorating paint
- Insulation around water pipes or ducts
- Smoke, haze or other airborne particulate
- Excessive noise
- Old building foundation or other evidence of a previous structure
- A dump site
- Tires
- Abandoned, rusty cars on property
**Interior Property Conditions** – Just like the exterior conditions, larger issues can easily be found, such as damaged sheetrock, flooring and cabinetry. Again other subtle defects may not be so visible. For example, you might observe a crack in the sheetrock, which might appear inconsequential but might be evidence of a much larger issue. Upon further inspection you might discover that the foundation is cracking and the home has settled. Please note this condition, as it will help tell the story of the dwelling.

Other interior issues might include:
- Floor is buckling, weak or soft due to moisture or flood
- Mold, mildew, or dampness
- Water marks on the ceiling as a result of a leaky roof or pipe
- Water seeping through the foundation
- Plumbing issues, such as faucets not working or cracked toilets.
- Paint chipping
- Termites
- Odors
- Doors don’t fit in frames
- Bullet holes
- Broken windows

**Repairs** – When selecting *average, fair or poor* as the property condition please provide details and estimated costs of the repairs that would bring the property condition to a standard that matches the rest of the neighborhood. For example, if the neighborhood standard is *good* what would it take to get the subject property into *good* condition? In most cases, fixing damages, whether interior or exterior, can make significant increases to the value of the home. However, some repairs might not be worth the initial investment. For example, if a repair to the home costs $5000.00 but the final value only increases the home’s value by $4000.00 it would not be worth the investment. As you calculate the cost of repairs make sure that the anticipated return is greater than the initial investment. Please see Final (Value for more details.)

Because repair costs vary from state to state and even from city to city there isn’t a magical calculation that will work in all areas. We rely on your good judgment, your experience and your expertise to determine the repair costs for the property in your area.
## Pricing Worksheet

The following is a list of items to consider for repairs. An average cost of repairs will differ from area to area. Use this list to determine the average cost of repairs in your area and use them for the repair costs on a BPO.

### Exterior repair costs –

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debris Removal</td>
<td>$</td>
</tr>
<tr>
<td>Landscape</td>
<td>$</td>
</tr>
<tr>
<td>Outbuilding</td>
<td>$</td>
</tr>
<tr>
<td>Roofing</td>
<td></td>
</tr>
<tr>
<td>Sheathing</td>
<td>$_______ X _______ sq. ft. = $_______</td>
</tr>
<tr>
<td>Shingles</td>
<td>$_______ X _______ sq. ft. = $_______</td>
</tr>
<tr>
<td>Siding</td>
<td>$_______ X _______ sq. ft. = $_______</td>
</tr>
<tr>
<td>Structural</td>
<td></td>
</tr>
<tr>
<td>Window</td>
<td></td>
</tr>
</tbody>
</table>

### Interior repair costs –

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bathroom</td>
<td>$</td>
</tr>
<tr>
<td>Carpet &amp; Flooring</td>
<td></td>
</tr>
<tr>
<td>Tile</td>
<td>$_______ X _______ sq. ft. = $_______</td>
</tr>
<tr>
<td>Carpet</td>
<td>$_______ X _______ sq. ft. = $_______</td>
</tr>
<tr>
<td>Vinyl</td>
<td>$_______ X _______ sq. ft. = $_______</td>
</tr>
<tr>
<td>Cleaning</td>
<td></td>
</tr>
<tr>
<td>Paint</td>
<td>$_______ X _______ sq. ft. = $_______</td>
</tr>
<tr>
<td>Kitchen &amp; Appliances</td>
<td>$</td>
</tr>
<tr>
<td>Structural</td>
<td>$</td>
</tr>
<tr>
<td>Utilities</td>
<td>$</td>
</tr>
</tbody>
</table>
Exterior Repair Costs

Debris Removal – You might see debris strewn about the premises. Depending upon the materials, the cost will change drastically. For example: if the debris is an environmental issue, such as tires, oil drums, etc., disposal costs will increase when hazardous materials are involved. Check your local county requirements.

Landscape – Use your best judgment when determining the landscaping needs. Again, pricing will vary based on location.

Outbuilding – Outbuilding refers to a structure separate from, but accessory to, a main building. For example: a storage shed or chicken coop. Determine the repair needs for the outbuilding if necessary. (Does not refer to a detached garage or guest house.)

Roofing – There are essentially two parts to roofing, the sheathing and the shingles. Over time the sheathing can become soft due to exposure to moisture as a result of damaged shingles. If possible, determine whether both will need to be replaced. See the pricing worksheet for the price per square foot.

Siding/Paint – Depending upon the type of siding, replacing it might not be the best option. Determine whether painting would be a better option. Use the pricing worksheet to determine the best option.

Structural – The cost to repair structural damage is very difficult to determine without a professional inspection and an estimate from a contractor. When you notice structural damage, please recommend an inspection and give us your best estimate of how much the repair would cost. The following are a few techniques to determine structural damage. Some of these can only be done during an interior inspection.

- Roof – The roof is a good indicator of the presence of structural damage. Look at the ridge of the roof and assess whether it is straight. This can be viewed from a distance better than close up. If the ridge sags either on an end or in the middle, the load-bearing walls have shifted.

- Walls – Check the walls to verify that they are vertical and straight. This normally can be done by eye or with a carpenter’s level.

- Structure meets Foundation – you might observe structures that have shifted off their foundation due to earthquakes or other natural disasters or you might also observe cracks due to normal settling. On occasion, a foundation will sink, and gaps will develop where the foundation meets the structure. Determine whether this is normal settling or a more serious problem by using the other listed techniques in observing the home. If there isn’t any other damage the quick and easy fix would be to fill the gap to support that area. Also, flooded wooden floors—if they do not buckle—will sometimes push walls outward at the base, moving the structure off the foundation.
• Exterior Surface – Check for cracks in masonry exteriors of the building. Look near the corners of the structures and under and around doors and windows of the facility for masonry cracks. Evidence might appear as cracks in the mortar between bricks and rock. Also look for evidence of repairs to the exterior as a cover-up for problems.

Windows – The cost of window repairs depends upon the size and type of replacement. Just replacing the glass will cost significantly less than replacing the entire window, frame and all. If windows are broken, determine the best repair process. Also, windows might be single pane, double pane or storm windows. Adjustments will need to be made if the windows are superior or inferior to those of the comps used.

Interior Repair Costs

Bathrooms, Kitchens & Appliances – As we look at bathrooms, kitchens and appliances there are differences between repairing, modernizing and Functional Obsolescence.

Repairs are made to items in the home that no longer function in their intended purpose. Modernizing is updating the home to the current fashion. If a cook-top stove is old and worn but is still functioning, outside of “modernizing,” there in no need to replace it. Although, replacing a non-functioning cook-top might seem like a modernization, it is considered a repair.

Functional Obsolescence

– Decline in value due to poor design, changing tastes, or technical innovation. For example, if a home had two bedrooms next to each and the only way to access the second bedroom is through the first. Also, a home may have a fully functioning coal burning furnace, but newer technology has replaced the older. And finally, if the home’s décor contains colors specific to decades past, the home’s value will decrease due to changing tastes. Homes containing these items will narrow the prospective buyer’s pool and make it difficult to sell.

Adjustments might be necessary if the home has aspects of functional obsolescence.
**Flooring** – Flooring costs will also vary from area to area. It will also vary considerably based on quality and style. We want you to consider an average carpet:

- **CARPET** – An average carpet will range from $10.00-$15.00 a square yard installed with pad.
- **TILE** – An average tile can range from $1.00-$3.00 a square foot plus $5.00-$7.00 a square foot for installation.
- **VINYL** – An average vinyl floor will cost from $4.00-$5.00 a square foot.

**Cleaning** – Cleaning can range from disposing of old food from a refrigerator to a deep carpet cleaning and removal of old furniture. Using your good judgment, determine what the cost of the cleaning would be.

**Paint** – Again, paint & labor costs will vary from area to area. However, a good rule of thumb is to calculate the area and multiply it by $1.00 per square foot.

Example: A small bedroom 12’ x 10’ would be approximately 350 square feet x $1.00 = $350.

**Structural** – There are a few additional clues that you might find in the interior to determine structural condition of the home.

- Walls & Ceiling – Similar to the exterior you can check to see if the ceiling & walls are vertical, level and straight. As a reminder, the roof on a flat-roof home might slant for water drainage. Therefore, the ceiling might also follow this slant.
- Floor – A floor that is not level is one of the best ways to determine the structural issues of a home. In most cases this can be determined simply by walking on the floor.
- Basement – Check for cracks in the foundation and look for water stains on the cement, framing, sheetrock or plaster.
- Windows & doors – Check windows and doors to make sure they open and close properly. Settling foundation will cause doors and windows to stick.
- Bearing walls – Check to see if bearing walls have been removed. Sagging ceiling are one sign.
Property Condition and Repairs Review

1. All three of these homes are in the same neighborhood. If the property represented in ‘C’ was the same as most homes in the neighborhood, what property condition would you give A and B properties?
2. Which of the following is not an environmental issue?

   A. Oil drums on property
   B. High powered electrical lines
   C. Firewood pile on property
   D. Standing water

3. Functional Obsolescence is:

   A. When an appliance or an HVAC system ceases to function in a home.
   B. When a property contains features that decrease the home’s value due to poor
design, changing tastes, or technical innovations.
   C. When a comparable property contains superior characteristics to the subject.
   D. None of the above.

4. When observing the interior condition of a home, which of the following would not be a
   sign of a settling foundation?

   A. Un-level floors
   B. Windows and doors sticking
   C. Cracks in foundation walls
   D. Pictures on wall are crooked
Section 5: Neighborhood & Market Conditions
In addition to reviewing the subject property when doing a BPO, you should be keenly aware of the **Neighborhood and Market Conditions**.

**Neighborhood Condition**: There are 2 aspects of the neighborhood condition; the crime rate and the condition of the surrounding homes and properties. As you drive to the subject property, take mental notes of the surrounding properties. The conditions of these homes and properties can affect the value of the subject, either positively or negatively. Our clients rely on an accurate portrayal of the surrounding area as well as of the subject property. Let’s assume you have this subject property:

![House with boarded windows and overgrown vegetation]

How would the following neighborhood conditions affect the value of this subject property?

![Home with damaged foundation and brick repair]

![Abandoned and overgrown yard]

Even though the property itself is in wonderful condition, the surrounding homes represented in these photos will decrease the value of the subject property.
Now suppose that you have the same subject in this neighborhood. What conclusions would you draw?

In this case the neighborhood condition would increase the property value of the subject.

**Crime Rate** is another aspect of the neighborhood’s condition that affects the value. Crime rates can be Low, Moderate or High compared to the crime rates of neighboring communities. For example: Two neighboring cities, Hazzard and Pleasantville, have entirely different crime rates. The crime rate in Hazzard is extremely high compared to Pleasantville. But if you compare Hazzard to Gotham, which is 1000 miles and 4 states away, the crime rate in Hazard might be tame. Therefore, compare the crime rates to the neighboring communities.
**Market Condition:** Market Condition addresses neighborhood values trends, competitive listings, predominant occupancy, and vacancy rate.

The **neighborhood values trend** is the direction that local real estate values are going. Homes within a neighborhood usually share similar physical characteristics. The proximity to schools, shopping and employment centers will also be similar. Neighborhood values can either be stable or volatile.

A **volatile market** can either be increasing or decreasing. In recent years the auto industry has made major cutbacks, affecting communities all over the world. When mass layoffs occur, especially in the auto industry, families are forced to leave their homes to search for employment elsewhere. In some instances these layoffs have left communities vacant. Hundreds—even thousands—of homes might be listed for sale, forcing the price of homes down because the number of sellers in the area outnumber the number of buyers. This is considered a **declining market**.

The reverse of this, an **increasing market**, is when home prices rise because buyers in an area outnumber sellers. This will happen when new businesses open and increase the critical workforce.

In a **stable market**, variations between property prices are driven by differences in the quality, size or condition of the individual properties, not by how many similar properties are on the market.

**Predominant Occupancy** - Whether or not the majority of the properties in a neighborhood are occupied by owners, by renter or are vacant will also affect the value and marketability of the home. If most homes are occupied by renters, the neighborhood will be less appealing to a prospective homeowner who will occupy the home. However, it might be more appealing to an investor who is looking for investment properties.

Knowing the **vacancy rate** of a neighborhood will help our clients determine the action plan for any particular property. The lower the vacancy rate the better options our clients will have.
Neighborhood & Market Condition Review

1. What are the two aspects of the neighborhood condition?

2. Should crime rates be compared to neighboring communities or to the national average?

3. If a small community loses a major employer and many residents are forced to move, this would be considered a ___________ Market.

4. Which of the following will drive down the price of homes? (Select all that apply.)
   
   A. Too many competitive listings  
   B. Too few competitive listings  
   C. High crime rate  
   D. High vacancy rate
Section 6: Choosing the Right Comparables
The key to a successful BPO will be the comp selection. Recently sold and currently listed comps help tell the story of a specific property and neighborhood. The type of BPO product selected by the client will determine the number of sold and listed comps you will be required to obtain. For example, if the BPO is a 3S3L (Three sold, 3 Listed) you will need to provide data from three sold and three listed comps.

**Apples to Apples?** Although a comp might be similar in style, size and year built to that of the subject property, each property is considered unique. As homeowners decorate and remodel, homes will take on a different appearance and function. In these circumstances the best thing you can do is to learn as much as possible about the subject property so that the aspects and proximity of the comparables selected are as close as possible to the subject property. Very rarely will you be able to find an exact match. The following are the criteria required for the comp:

**Comp Property Type:**
- The Comp Property Type must match that of the subject property. Use another comp if the “Property Type” doesn’t match.

**Comp Property Style:**
- When the Property Type of the comp matches the subject you can select the style. The comp property style should match the subject. However, if the comp property style is different from the subject property, you will need to add a message explaining why the property style of the comp differs from the property style of the subject.

**Comp Proximity to Subject:**
- Whenever possible pull comps from the same neighborhood as the subject property. The comp location, Urban, Suburban or Rural, should be the same as the subject.
- However, there are different guidelines for proximity, depending on the location:
  - Urban – comps should be within ½ mile.
  - Suburban – comps should be within 1 mile.
  - Rural – comps should be within 5 miles.

If comps must be used outside of these guidelines you will need to explain the reason.

**Utility:**
- Utility refers to the number of bedrooms and bathrooms. Whenever possible the bedroom and bathroom count should match. A 2 bedroom 1 bathroom home should never be compared to a 3 bedroom 2 bathroom home.

**Sold Comp Time**
- Whenever possible, use sold comps that are no more than 6 months old to avoid making adjustments based on an older sale.

**NOTE:** Because both the ‘Comp Proximity to Subject’ and ‘Sold Comp Time’ can be expanded, use the following guidelines based on a volatile and stable market:
  - If the market is **stable**, expand the search by sold time in 3 month intervals.
  - If the market is **volatile**, expand the search by proximity in ½ mile intervals.
Comp Age Requirement:
The age of the comp property should be as close as possible to the age of the subject property. The required age difference between the comps and subject property is based on the following sliding scale:

- If the subject property is 0-25 years, the comp property’s should be within 5 years
- If the subject property is between 26-50 years, the comp property’s should be within 15 years
- If the subject property is between 51-75 years, the comp property’s should be within 20 years
- If the subject property is older than 76 years, the comp property’s should be within 25 years

If comps must be used outside of these guidelines you will need to explain the reason.

Gross Living Area:
The GLA of the comps should also be as close as possible to the GLA of the subject property. The following is allowable differences based on the square footage of the subject property:

<table>
<thead>
<tr>
<th>Property GLA</th>
<th>Allowable % difference</th>
<th>Sq/ft variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1500 sq/ft</td>
<td>10%</td>
<td>0-150 sq/ft</td>
</tr>
<tr>
<td>1501-2500 sq/ft</td>
<td>15%</td>
<td>225-375 sq/ft</td>
</tr>
<tr>
<td>2501-3500 sq/ft</td>
<td>20%</td>
<td>500-700 sq/ft</td>
</tr>
<tr>
<td>3501-5000 sq/ft</td>
<td>25%</td>
<td>875-1250 sq/ft</td>
</tr>
<tr>
<td>5001+ sq/ft</td>
<td>30%</td>
<td>1500 sq/ft</td>
</tr>
</tbody>
</table>

Lot Size:
Depending on the lot size of the subject property the following comp lot size parameters apply:

- If the subject is < 1 acre, the comp should be < 1 acre (But no more than twice the property size)
- Subject is 1-5 acres the comp should be within ±1.5 acres
- Subject is 6-10 acres the comp should be within ±2.5 acres
- Subject is >10 acres the comp should be within ±30%

For the exception properties with extremely large acreage contact First American Residential Value View for guidance.

Days on Market (DOM)
In relation to the sold comps, the days on market will play a significant part in the final value. The days on market is essentially the number of days the home was listed before it sold.

Real Estate Owned Comps
If the subject property is Real Estate owned then at least one comp property should be REO. Using REO comps in this situation will assist in giving a true value to the REO subject property.
Comp Comments
Please add any observation or notes that help us understand why this comp was used. If there are important comments on the MLS, please add them in the comments area as well.

In an appraisal, adjustments are made to the final value based on inferior and/or superior aspects of either the comp or the subject property. However, in a BPO these adjustments are not made due to the difficulty involved. When completing a BPO you will select whether the comp property is inferior, superior or equal to the subject property based on several possible conditions. For example:

<table>
<thead>
<tr>
<th>Exterior</th>
<th>Interior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pool</td>
<td>Stainless steel appliances</td>
</tr>
<tr>
<td>Guest house</td>
<td>Built-in microwave</td>
</tr>
<tr>
<td>Newly remodeled (siding, paint, roofing)</td>
<td>Ceiling fans</td>
</tr>
<tr>
<td>Sprinkling system</td>
<td>Jetted tubs</td>
</tr>
<tr>
<td>Fenced yard (vinyl, wrought iron)</td>
<td>Remodeled kitchen &amp; baths</td>
</tr>
<tr>
<td></td>
<td>Finished basement</td>
</tr>
<tr>
<td></td>
<td>Central air</td>
</tr>
<tr>
<td></td>
<td>Radiant floor heating</td>
</tr>
<tr>
<td></td>
<td>Heated driveway</td>
</tr>
</tbody>
</table>

If the subject or the comp contains superior qualities please make note of them in the comments section. Adjustments can be made based on these qualities. However, the final subject value should still be bracketed. (See Bracketing.)
**Comparable Review**

1. T or F: Comp property type & style must match that of the subject?

2. If the subject property is 8 acres, the comparable properties must be ± __________ acres.

3. If your property is in an urban area, and you use a comp 2 miles away, what must you always do?

4. If a comp—in a volatile market—cannot be found that meets the standard requirements, then the search should be expanded by:
   - A. Proximity
   - B. By time in 3 month intervals

5. Which three of the following four comps would you use if the following property shown below was the subject?

Address:  
15657 Lincoln St.  
Lexington KY 40502

Order Date: 5/30/07  
Occupancy Status: Owner  
Property Type: Single Family Detached  
Property Style: Two Story Modern  
Property Location: Urban  
Year Built: 1998

Lot Size: .30  
Gross Living Area: 3000 Sq. Ft.  
Room Count: 8  
Bedroom: 5  
Bath: 3

Number of Listings: 8  
Low Price: $284,000  
High Price: $455,000
Comparable – Sold 1
This comp is a half-mile from the subject.

15632 Washington Ave.
Lexington, KY 40502

<table>
<thead>
<tr>
<th>MLS# 12345678</th>
<th>Owner: Black</th>
<th>Herb Tarlick Realty 888-888-8888</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approx Year Built: 2000</td>
<td>New Const: N</td>
<td></td>
</tr>
<tr>
<td>Garage: 2</td>
<td>Driveway: Pvt</td>
<td></td>
</tr>
<tr>
<td>Basement: Y</td>
<td>Finished: Y</td>
<td></td>
</tr>
<tr>
<td># Kitchens: 1</td>
<td>Eat In Kitchen: Y</td>
<td></td>
</tr>
<tr>
<td>Dining Room: None</td>
<td>Den/Family Room: 1</td>
<td></td>
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<tr>
<td>Office: N</td>
<td>Attic: N</td>
<td></td>
</tr>
<tr>
<td>Construction: Rock &amp; Stucco</td>
<td>Appearance:</td>
<td></td>
</tr>
<tr>
<td>Porch: Y</td>
<td>Patio: Y</td>
<td></td>
</tr>
<tr>
<td>Deck: N</td>
<td>Pool: N</td>
<td></td>
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<tr>
<td>Tennis Court:</td>
<td>Tennis court Desc:</td>
<td></td>
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<tr>
<td>In ground Sprinklers: Y</td>
<td>Also for Rent: N</td>
<td>Price: N</td>
</tr>
<tr>
<td>W/W Carpet: Y</td>
<td>Stove: Y</td>
<td></td>
</tr>
<tr>
<td>Refrigerator: Y</td>
<td>Washer: Y</td>
<td></td>
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<tr>
<td>Dryer: Y</td>
<td>Dishwasher: Y</td>
<td></td>
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<tr>
<td>A/C: Central</td>
<td># Fireplaces: 0</td>
<td></td>
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<tr>
<td>Skylight:</td>
<td>Water:</td>
<td></td>
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<tr>
<td>Sewer:</td>
<td>Fuel: Natural Gas</td>
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<tr>
<td>Heat: Forced air</td>
<td># Heating Zones: 2</td>
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<tr>
<td>Sep HW Heater:</td>
<td>Gross Living Area: 2950</td>
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<tr>
<td>Rent Income:</td>
<td>Adult Community: N</td>
<td></td>
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<tr>
<td>School District: Cleveland</td>
<td>Taxes: $5,425</td>
<td></td>
</tr>
<tr>
<td>Additional Taxes:</td>
<td>Lot Size: .20</td>
<td></td>
</tr>
<tr>
<td>Lot Square Footage: 8820</td>
<td>Building Size:</td>
<td></td>
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<tr>
<td>Waterfront: N</td>
<td>Water View: N</td>
<td></td>
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<tr>
<td>Waterfront: N</td>
<td>Water Frontage:</td>
<td></td>
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<tr>
<td>Docking Rights:</td>
<td>Beach Rights:</td>
<td></td>
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<tr>
<td>Bulkhead:</td>
<td>Section: 00051</td>
<td></td>
</tr>
<tr>
<td>Lot: 0001770</td>
<td>Block: 0004500</td>
<td></td>
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<tr>
<td>District: 0000</td>
<td>Zoning: R</td>
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</tbody>
</table>

Bsmt/Subfl: 3 Rooms
1st Floor: 4 Rooms. 2 Bedroom, 1 Bath
2nd Floor: 3 Rooms, 3 Bedroom, 1 Bath
3rd Floor:  |

Remarks: 5 Bedroom 2-story home in a very nice area of Lexington. Very spacious Living Room and Kitchen, great for entertaining, Large Backyard with Water Feature. Please Call Steve at (888)888-9888 to show.

Directions: Please see Mapquest

Property Description: 5 Bedroom 2-story home in a very nice area of Lexington. Very spacious Living Room and Kitchen, great for entertaining, Large Backyard with Water Feature. Priced to sell.
Comparable – Sold 2
This comp is 2 miles from the subject property.

<table>
<thead>
<tr>
<th>MLS# 452123122</th>
<th>Owner: Green</th>
<th>Nicole Miller Realty 888-888-8888</th>
</tr>
</thead>
<tbody>
<tr>
<td>12542 Hoover Way</td>
<td>Lexington, KY 40502</td>
<td>Listing Price $415,000</td>
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<tr>
<td></td>
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<td>Contract Price $395,000</td>
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<tr>
<td></td>
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<td>Sold Price $395,000</td>
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<td></td>
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<td>% Difference 6.1</td>
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<tr>
<td></td>
<td></td>
<td>Days on Market: 46</td>
</tr>
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<td></td>
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<td>Last Status Change: CL</td>
</tr>
</tbody>
</table>

| 2 Story Modern | Lexington | Cross St: Everett |
| 1 Family Detached | Listed by Nicole Miller Realty 888-888-8888 |

<table>
<thead>
<tr>
<th>Rooms: 7</th>
<th>Bedrooms: 4</th>
<th>Baths – Full: 2</th>
<th>Half: 0</th>
<th>Total: 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Garage: 2</td>
<td>Driveway: Pvt</td>
<td>Basement: Y</td>
<td>Finished: Y</td>
<td># Kitchens: 1</td>
</tr>
<tr>
<td>Eat In Kitchen: Y</td>
<td>Dining Room: None</td>
<td>Office: N</td>
<td>Attic: N</td>
<td>Construction: Rock &amp; Stucco</td>
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<tr>
<td>Den/Family Room: 1</td>
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<table>
<thead>
<tr>
<th>Bsmt/Subfl: 3 Rooms</th>
<th>1st Floor: 3 Rooms. 2 Bedroom, 1 Bath</th>
<th>2nd Floor: 2 Rooms, 2 Bedroom, 1 Bath</th>
<th>3rd Floor:</th>
</tr>
</thead>
</table>

**Remarks:** This 4 Bedroom 2-story home is priced to sell. Close to shopping, school and transportation. Very nice area of Lexington. Vaulted ceilings on the second floor. Spacious kitchen with stainless steel appliances. Call Erica at (888)888-2888 to show.

**Directions:**

**Property Description:** 4 Bedroom 2-story home on .25 acre. Spacious kitchen with new stainless steel appliances, close to everything.

| Listing Date: 3/16/07 | Listing Agent: Burns, Frank (888)888-4377 | Final Mortgage: Mortgage Type: Conv. |
| Exp Date: 9/16/07 | Co-List Agent: | Original Price: $415,000 |
| Contract Date: 4/21/07 | Listing Broker: Nicole Miller Realty | Prior Listing Price: |
| Prop Title Date: | Selling Agent: Helen Keller | |
| Title Date: 5/26/07 | Co-sell Agent: | |
| W/R Date: | Selling Broker: Century 52 | |
| Comm Oblig Date: | Owner Phone: (888) 888-4321 | |
| Relist Oblig Date: | Purchaser: Sam Flagg | |
| W/R Condition: | Moved From: | |

Section 6 – Comparables 45 BPO Manual
Comparable – Sold 3
This comp is .4 miles from the subject property.

17542 Lincoln St.
Lexington, KY 40502

<table>
<thead>
<tr>
<th>Listing Price $439,000</th>
<th>Listing Agent: Pierce, Ben (888)888-3377</th>
<th>Final Mortgage:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Price $430,000</td>
<td>Co-List Agent: Calledwell Banker</td>
<td>Mortgage Type: Conv.</td>
</tr>
<tr>
<td>Sold Price $430,000</td>
<td>Selling Agent: Ginger Grant</td>
<td>Original Price: $439,000</td>
</tr>
<tr>
<td>% Difference 7.2</td>
<td>Co-sell Agent: ReamX</td>
<td>Prior Listing Price:</td>
</tr>
<tr>
<td>Days on Market: 72</td>
<td>Selling Broker: ReamX</td>
<td>Sub Agency Comp: 3</td>
</tr>
<tr>
<td>Last Status Change: CL</td>
<td>Owner: Brown</td>
<td>Buyer Agency Comp: 0</td>
</tr>
</tbody>
</table>

Approx Year Built: 1997  New Const: N
Garage: 2  Driveway: Pvt
Basement: Y  Finished: Y
# Kitchens: 1

eat In Kitchen: Y
Dining Room: Y
Den/Family Room: 1
Office: N
Attic: N

Construction: Brick
Appearance:
Porch: Y

Patio: Y
Deck: 
Pool: N
Tennis Court: N
Tennis court Desc: 
In ground Sprinklers: Y
Also for Rent: N  Price: N

WW Carpet: Y
Stove: Y
Refrigerator: Y
Washer: Y
Dryer: Y
Dishwasher: Y
A/C: Central

# Fireplaces: 0
Skylight: 
Water: 
Sewer: 
Fuel: Natural Gas
Heat: Forced air

# Heating Zones: 2
Sep HW Heater: 
Gross Living Area: 3140
Rent Income: 
Adult Community: N

School District: Cleveland
Taxes: $5,830
Additional Taxes: 
Lot Size: .30
Lot Square Footage: 14040
Building Size: 
Cul-de-sac: 
Waterfront: N
Water View: N
Water Frontage: 
Docking Rights: 
Beach Rights: 
Bulkhead: 
Section: 00021
Lot: 0006220
Block: 0000200
District: 0000
Zoning: R

Bsmt/Subfl: 3 Rooms
1st Floor: 5 Rooms, 2 Bedroom, 1 ½ Bath
2nd Floor: 3 Rooms, 3 Bedroom, 1 Bath
3rd Floor: 


Directions: Use Mapquest

Property Description: 5 Bedroom, 2 ½ bath, 2-story home on nearly a third acre. Large Kitchen with marble countertops! Alarm system! Great landscape!

Listed Date: 1/8/07  Exp Date: 7/8/07
Contract Date: 3/14/07
Prop Title Date: 4/2/07
Title Date: 
W/R Date: 
Comm Oblig Date: 
Relist Oblig Date: 
W/R Condition: Moved From: 
Owner Phone: (888) 888-2365
Purchaser: George Clooney

Section 6 – Comparables 46  BPO Manual
Comparable – Sold 4
This comp is .7 miles from the subject property.

<table>
<thead>
<tr>
<th>MLS# 7890812 Owner: Brown</th>
<th>Century 52 888-888-8872</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>13961 Addison Ct.</strong></td>
<td><strong>Lexington, KY 40502</strong></td>
</tr>
<tr>
<td>2 Story Modern</td>
<td>Listing Price $462,000</td>
</tr>
<tr>
<td>Lexington</td>
<td>Contract Price $452,000</td>
</tr>
<tr>
<td>Cross St: Georgia</td>
<td>Sold Price $452,000</td>
</tr>
<tr>
<td>1 Family Detached</td>
<td>% Difference 4.5</td>
</tr>
<tr>
<td>Rooms: 10</td>
<td>Days on Market: 153</td>
</tr>
<tr>
<td>Bedrooms: 5</td>
<td>Last Status Change: CL</td>
</tr>
<tr>
<td>Baths – Full: 2 Halves: 1 Total: 3</td>
<td></td>
</tr>
</tbody>
</table>

**Comparable Details:**
- **Address:** 13961 Addison Ct., Lexington, KY 40502
- **Listing Date:** 12/2/07
- **Listing Agent:** Potter, Sherm (888)888-2577
- **Exp Date:** 6/2/07
- **Contract Date:** 4/24/07
- **Closing Date:** 5/2/07
- **Prop Title Date:** 5/24/07
- **Selling Agent:** Luther Rizzo
- **Co-Agent:** Signature Group
- **Owner Address:** 13961 Addison Ct., Lexington, KY 40502
- **Paramount:** Century 52
- **Name:** Brown
- **Owner Phone:** (888)888-2345
- **Buying Agent:** Donald Penopscot
- **Buying Agency Comp:** 0
- **BPO Manual:** 47
- **Final Mortgage:** Mortgage Type: Conv.
- **Original Price:** $452,000
- **Prior Listing Price:** $452,000
- **Sub Agency Comp:** 2
- **Renting Broker Comp:** 0

**Comparable Property Description:**
- **Address:** 13961 Addison Ct., Lexington, KY 40502
- **Type:** 2 Story Modern
- **Location:** Lexington, KY 40502
- **Price:**上市价格：$462,000
- **Contract Price:** $452,000
- **Sold Price:** $452,000
- **Dist Difference:** 4.5%
- **Days on Market:** 153
- **Last Status Change:** CL
- **MLS#:** 7890812
- **Owner:** Brown
- **Century 52 888-888-8872

**Comparable Details:**
- **Address:** 13961 Addison Ct., Lexington, KY 40502
- **Listing Date:** 12/2/07
- **Listing Agent:** Potter, Sherm (888)888-2577
- **Exp Date:** 6/2/07
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- **Owner Phone:** (888)888-2345
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- **Buying Agency Comp:** 0
- **BPO Manual:** 47
- **Final Mortgage:** Mortgage Type: Conv.
- **Original Price:** $452,000
- **Prior Listing Price:** $452,000
- **Sub Agency Comp:** 2
- **Renting Broker Comp:** 0

**Remarks:** Absolutely gorgeous! This 5 Bedroom, 3 Bath home has it all. Spacious Kitchen designed for entertaining. Wonderful entry with glorious staircase. Open floor plan on main level with 3 bedrooms upstairs including the Master. Master bath has jetted tub, adjacent to 2 walk in closets. Guest suite on main. A must see.

**Directions:** Use Mapquest

**Property Description:** 5 Bedroom, 2 ½ bath, third acre. Open floor plan with a spacious kitchen. Large Master Suite with 2 walk in closets. Finished Basement! Alarm System!
Section 7: Determining the Value
The final value will be determined by the comparables. That is why comp selection is so vital. These comparable properties must be described in detail to illustrate the points of comparison. Once the final comps have been selected based on their similarities to the subject, there are a few conditions to consider when determining the final value, **Bracketing** and **Normal Marketing Time**.

**Bracketing:**
The comparable property values must bracket the final subject property value. Bracketing means that one of the comp values should be lower and one should be higher than the final subject value.

**Normal Marketing Time:**
The normal marketing time is determined using the sold comps. It is an average of the sold comps’ ‘days on market.’ For example: If the 3 sold comps were on the market for 118, 92, and 90 days, the average days on market would be 100 days. The Normal Marketing Time must be within ±15% of this average. In this case the Normal Marketing time would range from 85-115 days.

**Calculating the Normal Marketing Time:**
For the sake of simplicity in this manual we will use an easy example for the calculation knowing that each market will vary dramatically.

1. Add the number of days on market from each of the sold comps.
   - Comp 1 118
   - Comp 2 92
   - Comp 3 90
   - 300

2. Divide that total by the number of comps to come up with the average “Days on Market.”
   - 300 ÷ 3 = 100

3. Multiply the average ‘Days on Market’ by 15% to determine the variance in days.
   - 100
   - X15%
   - 15 days

4. Finally, add and subtract the number of days from the average days on market to come up with the range.
   - 100 ± 15 = 85-115

5. Therefore, the normal marketing time range would be between 85 and 115.
In addition to the comps, there are other conditions shaping the value. As mentioned previously, unlike appraisals, adjustments are not usually done on BPOs, due to the difficulty involved. However, the following can be considered when determining the final values, and might necessitate an adjustment:

a. Declining, increasing, or stable markets
b. Environmental issues
c. Local government regulations and property taxes
d. Local economic conditions
e. Proximity to transportation and major thoroughfares
f. Unemployment in the area
g. Proximity to industrial areas
h. Functional obsolescence
i. Superior or Inferior views from the home
j. Waterfront properties

**Calculating the Final Values**

<table>
<thead>
<tr>
<th>Repair Amount</th>
<th>$0</th>
<th>$0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Only</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>0 - 30 Days</th>
<th>0 - 90 Days</th>
<th>90 - 120 Days</th>
<th>120+ Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>As Is</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>As Repaired</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

As we look at the final values we need to look at the following types of values:

**Market Value:** The ‘Market Value’ is the most probable price at which a property would be sold. This takes into consideration listing time and price negotiation.

**Suggested List:** The ‘Suggested List’ price is the value at which a negotiation would start. The Suggested List Value should be low enough to attract probable buyers but high enough that the price could be lowered during negotiations.

**As Is:** The ‘As Is’ section reflects the value of the property without any repairs or updates. The ‘As Is’ value is established after taking into consideration the comp values, and deducting the estimated cost of repairs needed to make the subject and comp values equal. When doing an exterior BPO, it is safe to suppose that the interior condition would be similar to the exterior. An interior BPO might later be ordered if necessary.
As Repaired: The ‘As Repaired’ section takes into account all the recommended repairs to get the home into average condition. This is determined by using comparable properties in average condition. In areas where comparable properties cannot be found in average condition use, your best judgment to determine the ‘As Repaired’ values.

Values can be influenced by how quickly the client wants to conclude the sale. If our client is in a hurry to sell they might be willing to price the property on the low side to make a faster sale. If our client has the luxury of time—is in no rush—they probably can wait longer for a sale in order to get their price. The SourceNet system is built with the following 4 different timeframes tiers:

- 0-30 Days
- 0-90 Days
- 90-120 Days
- 120+ Days

Accurately populating these tiers will allow our clients to determine the value that best fits their needs.

Within each of these tiers, with the exception of the 0-30 day value, there is an ‘As Is Market Value,’ an ‘As Repaired Market Value’, an ‘As Is Suggested List’ and an ‘As Repaired Suggested List.’

The Market Value in the 0-90 day tier will be the current market value, the market value in the next two tiers, the 90-120 day tier and the 120+ tier, will be your projected market values for those specific timeframes. As a result there are several logic requirements in the SourceNet system that will affect your data entry.

1. The ‘As Is Market Value’ for 0-30 day tier is a short sale value. It must be equal to or less than the ‘As Is Market Value’ from the 0-90 day tier.

2. The second logic check relates to the ‘As Is Market Value’ when you move from tier to tier, starting with the 0-90 day tier. After you fill in the 0-90 day ‘As Is Market Value,’ move to the 90-120 day section. The market value in the 90-120 day tier should be different than the value in the 0-90 day section. This value can be either higher or lower than the 0-90 day value, but should not be more than 20% different.
   a. For example: if the 0-90 day ‘As Is Market Value’ is $200,000 the value in the 90-120 day tier can be as high as $240,000, which is 20% greater—the maximum difference. Or, if property values in your market are declining, the amounts in the ‘As Is Market Value’ can be as little as $160,000 which is 20% less—again, the maximum difference.

   The same logic is built in between the 90-120 day tier and the 120+ day tier.

3. The system automatically adds the ‘As Is’ value to the suggested ‘Repair Amount’ and populates that total in the ‘As Repaired’ field. If the ‘As Is’ value is $220,000 and you suggest $15,000 in repairs the system will automatically populate the As Repaired value with $235,000. If necessary, this amount can be changed without an override because frequently adding $15,000 in repairs may increase the property value by $20,000.
4. The fourth logic check requires that the ‘Suggested List’ value is at least 2% greater than the ‘Market Value’ in the same tier. Due to the fact that price negotiations are constantly occurring in real estate transactions the ‘Suggested List’ price is the value at which a negotiation would start. The ‘Suggested List’ value should be low enough to attract probable buyers but high enough that the price could be lowered during negotiations. Therefore, if the ‘As Is’ market value is $220,000 then the ‘Suggested List’ value must be at least $224,400 which is 2% greater than the market value. The ‘Market Value’ is the most probable price at which a property would be sold. This takes into consideration the listing time and price negotiations. The ‘As Is’ amount in both the ‘Market Value’ and the ‘Suggested List’ sections will need to be populated and the ‘As Repaired’ value will automatically populate.

The following is a good example of how the data entry screen would be populated when all the logic requirements are met:

<table>
<thead>
<tr>
<th>Repair Amount</th>
<th>$15,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Only</td>
<td>$120,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>0 - 30 Days</th>
<th>0 - 90 Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>As Is</td>
<td>Market Value</td>
</tr>
<tr>
<td>$180,000</td>
<td>$190,000</td>
</tr>
<tr>
<td>As Repaired</td>
<td>$195,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>90 - 120 Days</th>
<th>120+ Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>As Is</td>
<td>Market Value</td>
</tr>
<tr>
<td>$190,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>As Repaired</td>
<td>$210,000</td>
</tr>
</tbody>
</table>

We understand that for normal appraising practices the final ‘As Repaired’ value would be at least the ‘As Is’ value plus 50% of the repair cost. However, BPO’s are not appraisals, and our clients require a dollar for dollar investment. Therefore, if a repair is suggested, the final ‘As Repaired’ value must be at least the ‘As Is’ value plus the repair cost.

The final value would then be identified based on the Normal Marketing Time. Referring back to the example earlier in this chapter, and using the Normal Marketing Time of 100 days, the value would be reflected in the ‘As Is’ 90-120 day value. If repairs are needed, the value would be in the ‘As Repaired.’
Final Value Review

1. If the following were the marketing times, in days, for the sold comps
   Sold Comp 1 – 125
   Sold Comp 2 – 119
   Sold Comp 3 – 112
   What would the range be for the normal marketing time?

2. What is bracketing?
   A. When the GLA of one comp is greater than, and the GLA of another comp is
      lower than the GLA of the subject property.
   B. When the Final Value of the subject is between the values of two comps.
   C. When the subject property requires adjustments to equal the values of the
      comps.
   D. Seeding the NCAA basketball tournament.

3. Which of the following could be considered when making an adjustment? (Select all that
   apply.)
   A. Waterfront
   B. Environmental issues
   C. Time of the year
   D. High crime

4. If the ‘as is’ value of a property is $216,000 and you suggest $10,000 in repairs, the final
   ‘as repaired’ value should be at least $________________.
Section 8: Photos
Again, you become our client’s eyes on a property. Through your photos our clients can get a glimpse of what you see. Your photos can either make or break the BPO. They assist in telling the story of the subject property and its surrounding area as well as in proving the value.

Because photos are a significant part of the BPO, there are a few important requirements

- Photos must be original, clear and in color
- The camera must have at least 3 mega-pixels of resolution.
- Photos must be electrically date-stamped.

Adhering to these requirements will put our clients in front of the property.

Depending upon whether the order is an internal BOP or an external BPO, the number of photos required will be different. A typical exterior BPO will contain three photos and an interior BPO will contain the 3 exterior shots and at least 5 more of the interior. The details of the photos will be addressed later. Our clients may require more or fewer photos based on their needs. However, these instructions will be detailed in the order notes.

Remember that you are not trying to position a home to sell; you are trying to provide a realistic value of the property. This should be evident through the photos. The photos should prove both the positive and negative aspects of the subject property. If there are problems with the property, our clients want to know that. Therefore, during your physical inspection, take photos that accurately portray the subject property.
As we explore the photo in this final section we will look at the good, the bad and the ugly, beginning with **The Good**.

The following are good photos of the three typical exterior photos:

**Subject Front**

**Address Verification**

**Street Scene**

Each of these photos is original, clear, and in color.
The following are good examples of interior photos. They include:

- Kitchen
- Living Room
- Bedrooms
- Bathrooms
If, during the inspection of the property, you see damage to the exterior or interior of the property, take pictures of the damage and upload them as part of the BPO. Many BPO requests have been made to help determine the extent of damage to a property. The damage should be clearly captured in the photos. These photos were all taken on the same property and tell a clear story about the extent of the damage and neglect.
Now that we have seen ‘The Good’ let’s take a look at **The Bad**. Photos should never contain objects that don’t assist in telling the story of the photo. For example:

**People**

**Screen Shots**

**Car Parts**
And now rounding it up is **The Ugly**.

Avoid taking exterior photos at night.

Use the flash when taking interior photos and be careful not to take photos with backlight.
The biggest problem we encounter with photos is that they are too pixilated or unclear. The following are examples of pixilation:

Taking copies of thumbnail images and making them larger creates this pixilation. Using a camera without adequate capacity will also result in pixilation.

These photos are just extremely unclear and it is difficult to see the subject.
Photo Review

1. What are the typical required exterior photos?
   A. Subject Front, Address Verification and Damages
   B. Subject Front, Neighborhood scene and Damages
   C. Neighborhood Scene, Address Verification and Damages
   D. Subject Front, Neighborhood Scene and Address Verification

2. For an interior BPO, at least how many interior photos are normally required?
   A. 5
   B. 6
   C. 7
   D. 8

3. Which of these photos would be acceptable?

   A. 
   B. 
   C. 
   D. 

   A. 
   B. 
   C. 
   D. 

Answer Key

**Market Segment Review**
1. A
2. Servicing
3. REO

**Subject Information Review**
1. D
2. A
3. D
4. 43560
5. Rural

**Property Condition and Repairs Review**
1. A – Poor
   B – Good or Excellent
   C – Average
2. C
3. B
4. D

**Neighborhood & Market Condition Review**
1. Crime Rate and the condition of the surrounding homes and properties.
2. Neighboring Communities
3. Declining
4. A, C & D

**Comparable Review**
1. F
2. 2.5 Acres
3. Add a comment
4. A
5. Comp 1, 2 & 3 are the best. Although comp 2 is outside of the proximity guidelines for an urban area and Comp 4 is within the guidelines, comp 2 is more similar in GLA, year built and quality.

**Final Value Review**
1. 101-137 days
2. B
3. A & B
4. $226,000

**Photo Review**
1. D
2. A
3. D