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## Collateral Assessment: A Multi-Layered Approach

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## *Goal of Presentation*

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Explain a “best practices” multi-layered approach to collateral assessment:

1. **Analysis of Subject Property**
2. **Analysis of Comp Sales & Local Market**
3. **Scoring Tools**
4. **Use of Historical Data**



## *Purpose of Collateral Assessment*

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To fully analyze and understand the information within an appraisal from an objective point of view as directed most recently, for example, in Fannie Mae's "Announcement 07-11: Collateral Valuation Practices and Declining Markets".

## *Collateral Assessment: Basic Needs & Resources*

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- Access to Property Data
- Public Record at County Level including: Foreclosure & NOD Data
- Office of Federal Housing Enterprise Oversight (OFHEO) Index
- S&P/Case –Schiller Index
- National Association of REALTORS®(NAR)
- FEMA Alerts
- Subscription-based Sources
- Aerial photos
- Mapping Software


## Layer 1: Analysis of Subject Property

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- Validate site address versus tax assessment address
- Validate the transaction history of subject
- Validate the subject property & comp sales characteristics



Owner Name	 JOHN DOE
Property Address	 1531 ANY ST MYTOWN , CO 80000
Legal Description	11111-003-014 LOT 11 BLK 1THE VISTA AT AURORA HIGHLANDS SUB 1ST FLG
County	ARAPAHOE
APN	1111-11-1-16-014
Ownership Years	6
Land Use	SFR
Last Document Transfer	PUBLIC TRUSTEES DEED
Lot Size	N/A
In/Out Flood	N/A
Relative Sqft	Average
Target Value	N/A
AVM/Variance	N/A / N/A
PMA/Variance	\$174,438 / N/A
Mailing Address	400 MAIN ST SV 35, YOURTOWN CA 93000





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## *Layer 2: Analysis of Comp Sales & Local Market*

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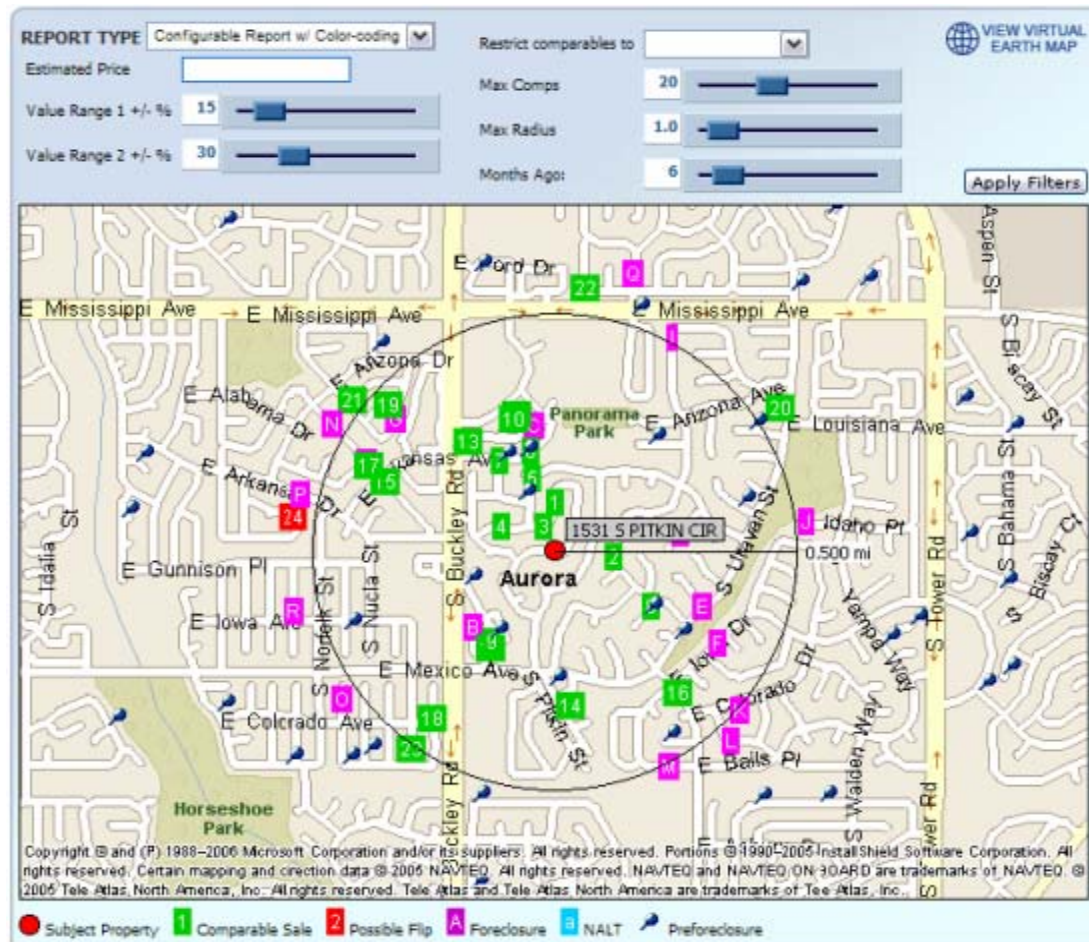
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- Review and validate sales transaction history for each comp
- Review distance of comp sale to the subject
- View the neighborhood via visual mapping or photos to the subject

# Mapping Software Sample

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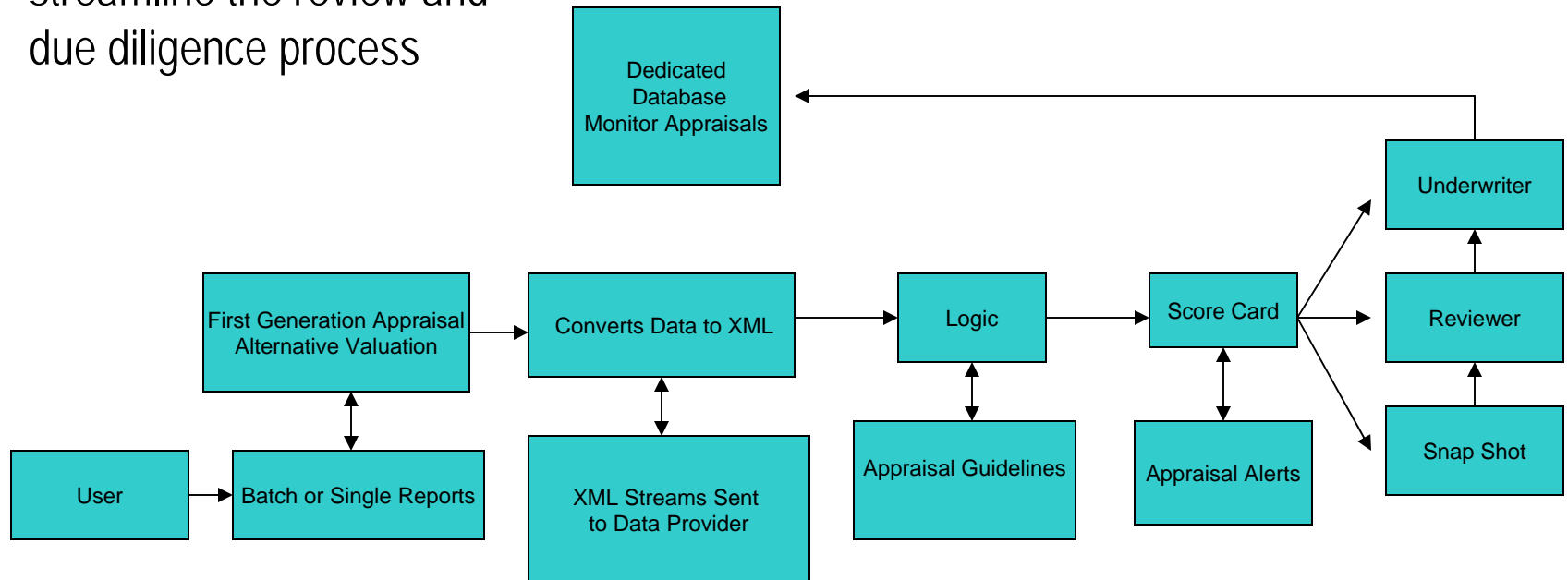
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# Tools to Use: ***AUTOMATE! AUTOMATE!! AUTOMATE!!!***

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Integrate tools/reports into LOS or legacy system to streamline the review and due diligence process





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## *Automated Appraisal Validation Process*

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- Start with an Appraisal document (typically PDF)
- Extract critical data points from the appraisal
- Validate the data against multiple data sources
- Commit appraisal and appraiser data to a dynamic database that facilitates monitoring and analysis
- Assign a score based on various metrics

## Layer 3: Scoring Tools

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- Most reliable scores that clearly identify risk associated with a property are those that are multi-layered in nature based on:

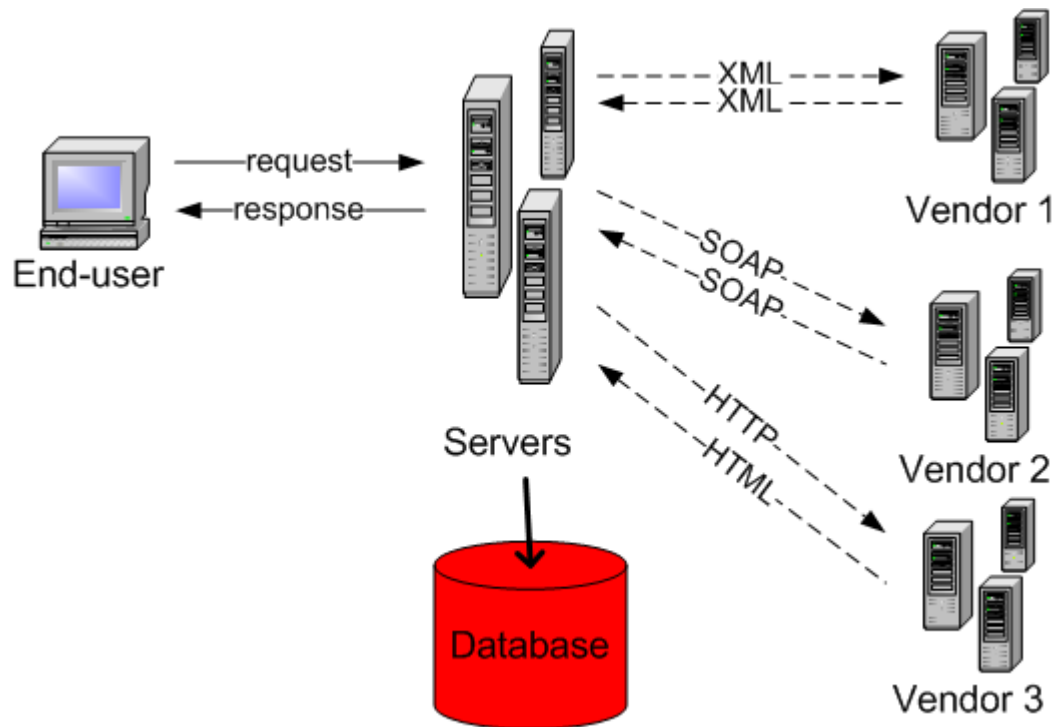
- Subject Property
- Price Check Comparable Sales
- Neighborhood or Local Market Trends

Fraud Caution: <b>YES</b>		PRINT ALERT DESCRIPTIONS
Possible Collusion between Buyer and Seller	No	
<b>Foreclosure Ratio in Area Above Norm</b>	<b>Yes</b>	
Property Owner Possibly on Title Previously	No	
Multiple Deed Transfers in Last 12 Months	No	
<b>Possible Flips/Transfer of 18 Months or Less in Area</b>	<b>Yes</b>	
Possible Foreclosure in Property Owner History	No	
<b>Property Foreclosed on in Last 36 Months</b>	<b>Yes</b>	
<b>Property was Transferred 2 Times in the Last 36 Months</b>	<b>Yes</b>	
<b>Property is Possibly Non-Owner Occupied</b>	<b>Yes</b>	
Possibly Involved Transaction in Area in Last 24 Months	No	
Property Owner Involved in Other Transactions in the Area	No	
<b>Possible Declining Values</b>	<b>Yes</b>	

## Layer 4: Historical Data

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- Dedicated lender database to fully analyze local market given previous placed orders



## *Layer 4: Historical Data*

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- Appraisal Neighborhood Trends
  - Check for duplicate comparable sales being used to substantiate values on different appraisals
  - Access to view appraisals completed in areas in close proximity to the subject property
  - Access to view AVMs completed in areas in close proximity to the subject property
  - Create Reports that can help to identify market trends such as:
    - Declining Values
    - Flipping Activity
    - Rise of Decline of REO's and Pre-Foreclosures
  - Track work of your appraisers with trending reports

## Summary

- There is an ever increasing need to confirm the accuracy of property information in this rapidly changing market, as is evident by Fannie Mae's "Announcement 07-11: Collateral Valuation Practices and Declining Markets"
- A multi-layered approach to collateral assessment ensures that policies based on best practices are implemented
- Analysis & validation of the subject property and comparables is crucial to understanding the strength of the neighborhood and overall risk
- Use of automated tools in order to streamline processes and implement best practices policies provides the ability to maximize comprehension of data and understand the big picture
- Identifying market trends by creating reports based on previous loan transactions in order to anticipate change in neighborhoods are key to the development of a sound collateral assessment review policy

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*Thank you for your time & attention*

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