LENDER PROCESSING SERVICES

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The Four Most Popular AVM Myths

Prepared by LPS Applied Analytics

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MORTGAGE BANKERS ASSOCIATION®
Investing in communities

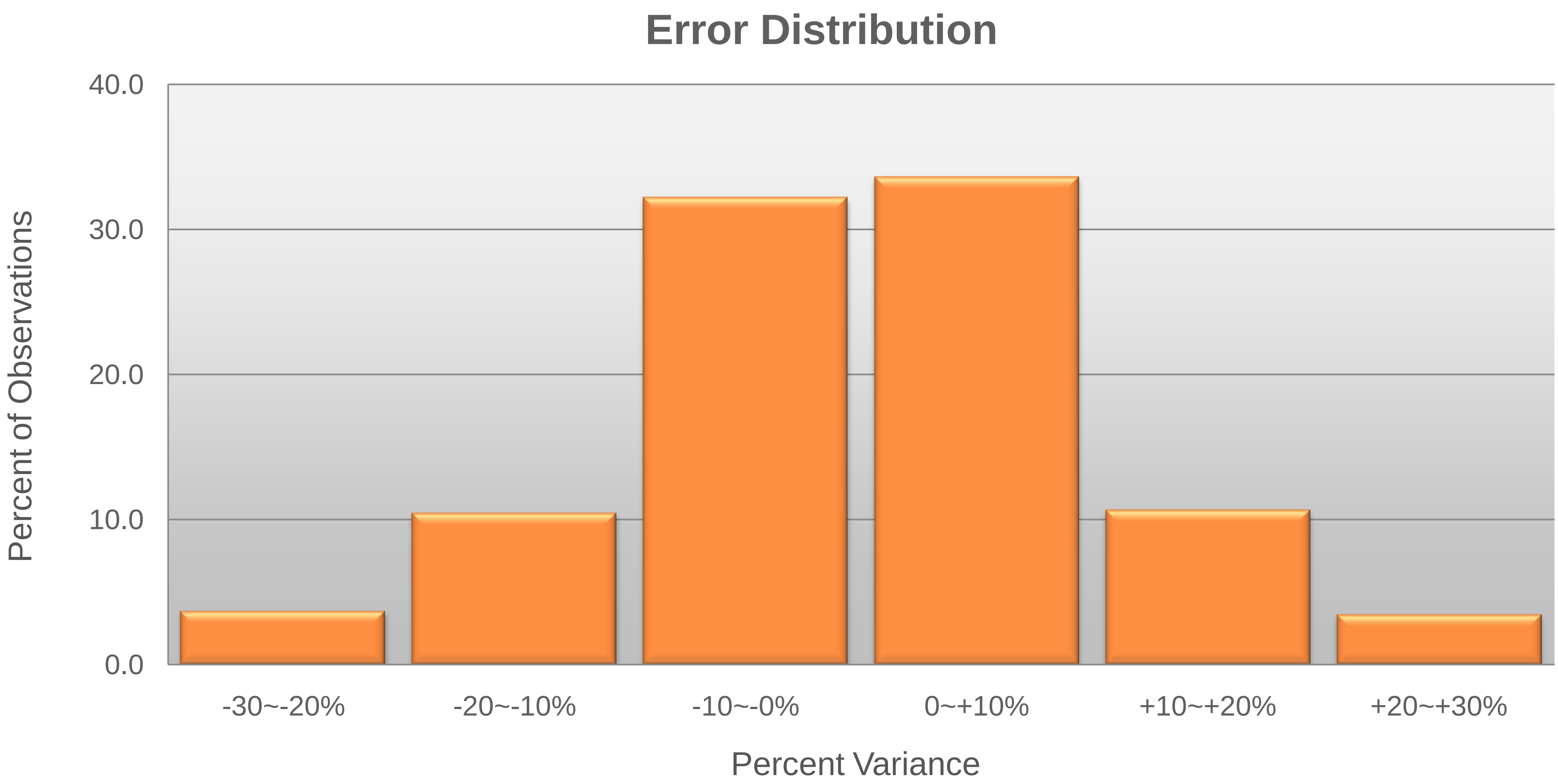
AVM Accuracy Defined

- The ability to predict the value of a property that is consistent with what a buyer and seller agree to in the absence of fraud or duress.

- For a “blind” AVM test to occur, the AVM cannot have any knowledge about the reference value (sales price) it is trying to predict.

Valuation Accuracy

- Introducing the ppe10 statistic: it represents the concentration of "accurate" valuations



AVM Myth 1

AVMs are inaccurate valuation tools.

Reality

Far more is known about the accuracy of AVMs than is known about either BPOs or appraisals. By using confidence scores, AVMs are extremely accurate. AVM accuracy has increased significantly in the past couple of years.

Comparative AVM Accuracy

California	66% (ppe10)
Nevada	54% (ppe10)
Florida	59% (ppe10)
Texas	86% (ppe10)

Top Tier AVM Performance data provided by: AVMetrics Automated Value Metrics — Flexible Solutions. Precision Results.

AVM Myth 2

AVMs played a role in the recent financial meltdown.

Reality

During the subprime era, AVMs fell out of favor with this segment for one overwhelming reason: **AVM values were too low to be considered for subprime lending.** Valuation experts suggested that AVMs "lagged the market."

AVM Myth 3

AVMs only reflect the housing demand (public record) and not housing supply (homes for sale).

Reality

The top performing AVMs are using a great deal of listing information inside the AVM. Listing information helps AVM accuracy immensely.

AVM Myth 4

AVMs are useless and inaccurate in non-disclosure states, like Texas.

Reality

For a handful of brands, LPS AVMs among them, Texas is one of our most accurate market areas.

Comparative AVM Accuracy

Dallas County	84% (ppe10)
Harris County (Houston)	89% (ppe10)
Bexar County (San Antonio)	91% (ppe10)

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