



**By Greg Holmes**  
National director of sales  
and marketing  
Credit Plus Inc.

# The Promise of Automation

**Multiple types of AVMs can increase  
confidence in loan decisions**

**T**he decline in home values caused by price correction, short sales and foreclosures, among other things, has created a market in which property appraisals often come in lower than expected. This disrupts sales and often squashes prospective homeowners' dreams. Appraisal problems also can put a swift end to mortgage brokers' transactions.

Automated valuation models (AVMs) and light AVMs, however, can provide brokers and their clients with accurate property values early in the loan process. This can prevent customers from feeling burned and can head off unlikely closings before too much time and effort go to waste.

AVMs are computer models that use comparable sales, appraisals, property characteristics, tax assessments, price trends and other real estate information to determine the estimated value of a particular home. They provide supporting information along with the estimated property value to help loan professionals and customers understand how the property got its estimated value.

The use of AVMs has grown significantly in the industry in the past few years as loan professionals have discovered the power of these tools. AVMs not

only cost less than the traditional property-appraisal process, but they also reduce the time it takes to get a property's estimated value.

Light AVMs, meanwhile, represent a leaner, faster version of full AVMs and provide the same accurate property valuation at a fraction of the cost. These abbreviated AVMs use the same information as full AVMs to determine a property's estimated value. The main difference is that light AVMs don't provide the supporting documentation.

Light AVMs can be an ideal tool for prequalifying customers at the beginning of the loan process because the reports often are returned just seconds after they are ordered. The estimated value, estimated value range and a confidence score that leaner AVMs provide can help brokers determine quickly if a property will qualify for the loan a customer wants. Many loan professionals have added these abbreviated AVMs to their loan-prequalification routine because of the ultimate savings in cost and time.

Many AVM-providers offer light AVMs. Some providers run applications through different models to provide the most-accurate results for the region and neighborhood in which a home is located.

Some mortgage companies also find

AVM-lights useful when performing due diligence on loan portfolios. Business rules generally specify that if a report shows a property comes within a certain percentage point of a necessary value — usually a price that maintains a certain loan-to-value ratio (LTV) — no other action is necessary.

The estimated values, value ranges and confidence scores typically are returned on a spreadsheet for portfolio reviews. It is possible to extract the results and run them against customer-specific business rules. Full AVMs can help with properties that don't meet the necessary LTV, allowing review of supporting information.

As housing prices continue to fluctuate, they will challenge mortgage brokers who seek to determine accurate valuations in a timely manner. The use of AVMs and light AVMs can help. These valuation models can deliver quick and reliable figures that allow brokers and buyers to move forward in the loan process with increased confidence. ●

**Greg Holmes** is national director of sales and marketing at Credit Plus Inc., a leader in credit-information services since 1928. Reach him at [beyondbundled@creditplus.com](mailto:beyondbundled@creditplus.com) or by calling (800) 258-3488.