



The EVA™ White Paper Lower Loan Cost in the Valuation Process



Lenders who process loans compliantly, efficiently, and at the lowest cost can still have a competitive edge in the marketplace. Lenders, like most businesses, have to constantly look for ways to save time and money and yet maintain their compliance.

Challenges

Time. One of the long lead time items in any loan process is the appraisal. This is true whether it is a traditional mortgage or home equity loan. Yet the appraisal is one of the primary factors for evaluating loan risk. In peak seasons, appraisals can take anywhere from three to six weeks to complete, eating up more than half of the total loan transaction time.

In the busy Maine selling season, appraisals can take 3 to 6 weeks to complete.

The long lead time for appraisals is due to two factors:

1. The appraisal industry is aging and the process to become an appraiser can be daunting with a long training period. Industry agencies are trying to address the dwindling numbers of appraisers, but, in the interim, lenders have little choice but to accept and try to work with the current crop of appraisers.
2. Regulatory standards in the lending industry also affect lead time. The standards aim to protect lenders and borrowers alike; nonetheless, when compliance requirements necessitate extra steps that cause delays, the delays sometimes threaten the success of the transaction. Therefore, finding a way to satisfy regulations while also saving time can seem like a silver bullet.

Cost. For most purchases there is no substitute for a full appraisal, which involves preliminary research on the property, inspecting the property to obtain all the data required to determine an Opinion of Market Value, researching and visiting comparable properties, writing the report, submitting the report for a review, and finalizing as necessary. It is remarkable that this can all be done for between \$500 and \$700 on most single-family homes. Yet that appraisal fee can be costly for some buyers, and fees for appraisals don't appear to be going down any time soon.

Solution

For some home equity loans, where the buyer's credit is very good, the loan to value ratio is low risk, and the loan amount is within a reasonable threshold, we have a solution to the time and money issues: **Ask EVA.**

EVA is a computer-based modeling program that provides an instantaneous Opinion of Market Value.

Now you can have your very own **Electronic Valuation Assistant**. Developed exclusively by PropertyVal, EVA™ is a computer-based modeling program that provides critical pieces needed for a compliant evaluation: (1) an independent Opinion of Market Value; and (2) a comprehensive representation of market conditions for the market area of interest. EVA not only meets Interagency Guidelines and Maine State Laws, but also is instantaneous and accurate.

So why not use free online estimates or AVMs from national providers?

They are not reliable. Have you ever wondered how these systems can provide you with an instantaneous Opinion of Market Value by simply typing in your address? Have you ever wondered where their data is derived from or what proprietary calculations they are using to determine an Opinion of Market Value? We have, too!

The data supporting EVA is updated every 15 minutes and contains over 30,000 property data points.

Ask EVA

EVA is the only valuation modeling system with a direct feed from the Maine MLS. This means that

EVA has access to every home real estate transaction in the state of Maine. Users have access to up-to-the-minute data on any single-family home sale in any Maine locale. Using EVA is easy. EVA provides a comprehensive analytical report from minimal input by the user. Once the data is entered, the user is one click away from an EVA Opinion of Market Value and an overview of local market conditions. Imagine having an accurate opinion in mere minutes!



Value

The Opinion of Market Value is derived from two widely accepted valuation methods:

- **Home Value Indexing Method** calculates how the local market has changed since the last sale date of the property or the last appraisal (or both if available)
- **Home Value mTAV** (Modified Tax Assessed Valuation) Method calculates how accurately tax assessments conform with market values in a particular Maine town or city

Besides the Opinion of Market Value, EVA also provides supplemental information that will help users truly understand the marketplace of their customers. Users can be assured that the data is current and reliable. The supplemental information includes:

- **Market Overview for the Municipality**, which presents the last 12 months of data for single-family home sales, current active and pending sales, the current months of supply and absorption rate, the price ranges of the sales and the age range of the homes
- **Five-year History of Sales in the Municipality**, which presents the number of sales, median sale price, median days on market, and the median sales price to list price ratio (demonstrating how closing properties are selling relative to their list price)
- **Graphic Illustration of Median Single-Family Sales Price** demonstrates market performance since the year 2000 in the community of interest

Sharing this information with their customers turns the lender into “market experts,” building confidence within their customer base.

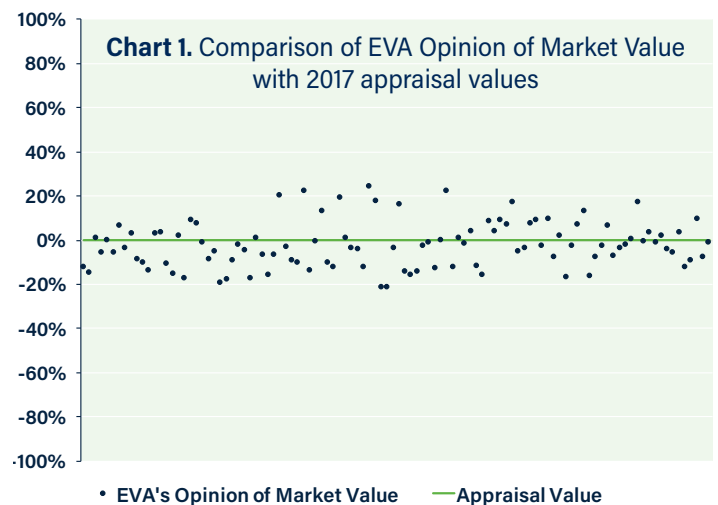
Compliance

For a compliant evaluation conforming to federal and state law, EVA must be accompanied by a property inspection report. PropertyVal can help you accomplish this in minimal time and for a nominal fee.

Accuracy

Extensive testing proves EVA's reliable Opinions of Market Value. In a study comparing property sales in Cumberland County with EVA, 37% of EVA's results fell within 5% of the sale price, and 81% fell within 15% of the sale price.

We know that sale prices and appraised values often differ. In Maine, appraised values were equal to the sale price less than 15% of the time in a study of 400+ purchase transactions. We put EVA to the test by randomly comparing EVA to over 100 property appraisals in Maine. With EVA, 37% of the comparisons fell within 5% of the appraised value and 79% of the comparisons fell within 15%. The average variation between EVA and the appraised value was -2.5%. See Chart 1.



Conclusion

With EVA, lenders gain the edge they need in this marketplace. The sophisticated technology provides a simple solution, offering speed, convenience, and transparency. EVA's objective, data-driven modeling arms lenders with the information they need to manage risk, while allowing them to comfortably handle increased valuation volume—and thus increased profitability. It's win-win for lenders and borrowers because the tool provides an objective and accurate Opinion of Market Value in a fraction of the time and at the fraction of the cost of a traditional appraisal.

TESTIMONIALS

“We’ve tried several automated valuation services and PropertyVal’s EVA product is the only one that consistently provides values that we are confident in.”

- Mark Jones
SVP/Director of Retail Lending at Saco & Biddeford Savings Institution

“Every time we click EVA’s “Generate report” button, we are saving our members and/or the credit union money and time!”

- Donna Farnham
VP of Lending at New Dimensions FCU

“The EVA portal is super easy to use, saves us time, and expedites the closing process.”

- Nicki Frazier
VP of Lending at Casco FCU



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