

Are BPO's Illegal? - Pro-Teck Services Director Investigates

Waltham, MA,- January 6, 2009 - In WV, MS- Yes! Compounding that issue is the nebulous definitions many states use for a Broker Price Opinion (BPO) or even an "Opinion of Value". In many instances, when a Broker offers any opinion of value or data leading to a value outside actual brokerage activities, they are breaking the rules. The result is whole mortgage business units, primarily within the servicing arena, are at risk of legal action when they do what they have been doing for a long time- order a BPO. Loans in short sales, delinquency, loss mitigation and REO, (and there are a few loans in that category today), have all historically been subjected to a BPO valuation.

BPO's have been a great solution when a fast, affordable and reasonably reliable residential valuation is needed. The broker provides a basic condition evaluation with photos, market status, sold and listed comparables and a judgment on repairs that all lead to an opinion of value. Some have resorted to naming the report differently- not using the terms "Broker Price Opinion". Unfortunately, the states are aware and it doesn't matter what label or title is used on the report, the whole process is deemed illegal in those states.

Automated models (AVM's) are one solution but in today's dynamic market information is changing rapidly, thus the data used in the modeling is dated, too dated in this environment that also has a multitude of micro markets. Plus there is no property condition available.

Appraiser based reports are completely legal but not always viable from a time or cost perspective especially in today's market. Mortgage servicers need a valuation that is quick, affordable, and reliable beyond automated models while avoiding the legal risks.

The Solution: What if all current/available market data, MLS information (subject property and listing comparables), appreciation/depreciation, square foot costing, foreclosures, occupancy, property inspection and an appraisal emulation were combined to produce a value? The broker is not involved in the valuation process, a data set that details the current market and subject property plus an inspection that answers condition/repair questions to complete the reliability and dependability of a truly objective value that has complete visibility into the value logic.

Not only would such a report solve the problem in those illegal states, it would deliver a valuation report that is superior to the typical BPO report. A defensible value is important but all the data and information behind that value is just as important when it comes to decision making time.

By combining a staff appraiser's expertise and that full set of information and data, including satellite imagery to bridge the desk to on-site gap, the solution would deliver an affordable, expedient, valuation result that far out performs the typical BPO.

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