

What's the difference between a BPO, a CMA, and an appraisal?

Now that we know how to measure and what to measure, this module was developed to put that new found knowledge into practice.

Many consumers (and some licensees) have a working understanding of appraisals; in essence they know that it is used to determine the value of a property. Some have even heard of CMAs (Comparative Market Analysis) and BPOs (Broker Price Opinion) but don't have a clue about their differences. As we all know, all three are methods used to estimate the value of a property. At the conclusion of this module you will be able to describe the differences thereby discern which is to be used under when a property valuation is at hand.

BROKER PRICE OPINION (BPO):

We'll start with Broker Price Opinion, better known as a BPO. The BPO is usually prepared for a lender or bank to value a property that could be in the process of being foreclosed or when the promissory note is beginning bought or sold once the loan is in place. Lenders typically order a BPO when a property is in the pre-foreclosure stage to help determine their course of action. In addition, once the property has gone through the entire foreclosure process and is now a bank owned property, the lender will order one or more BPOs to determine list price because they do not want to pay the price for a full appraisal, nor do they want to wait for the time necessary for the appraisal report to be completed. Once the property is owned by the lender, they want to remove it from their inventory as quickly as possible. The lender does not want to own property. The lender/banks are not in business to own property; they are in business to earn interest on money loaned to purchase property.

There are two types of BPO's: a drive-by exterior BPO and an interior BPO. When performing a drive by BPO, the licensee drives in front of the property and inspects the property "from the road", takes one or more photos of the property, fills out a BPO form provided by client, returns the form to the client, and receives a fee for their services. (REMINDER: All compensation earned in a real estate transaction is to be collected from your sponsoring broker.) When performing an interior BPO, the licensee follows all the steps mentioned above PLUS enters into the property and provides a detailed description of the property and any damages noted. If the property is a foreclosure, the lender may want a "quick sale" list price as well as a "as repaired" price. Lenders typically do not want to hold on to the property as "holding costs" reduce their bottom line.

Comparables used in BPOs are current listings and comparable sales usually within the last 6 months and within one mile of subject, if at all possible. If the comparables do not fit those criteria, explanation by the preparer is often required.

COMPARATIVE MARKET ANALYSIS (CMA):

Licenseses perform CMAs (Comparative Market Analysis) to assist buyers and sellers in determining market price. When preparing CMAs licensees use three comparative property types. (1) Similar property that have sold (closed sales) within the last six months are used. This helps the consumer see what price people are willing to pay. (2) Listed properties are also used. This makes the consumer aware of the current competition. (3) In addition, the licensee uses “expired listings” (properties that were on the market, but did not sell). The expired listings show the consumer the price people are not willing to pay for similar properties. The CMA provides information for sellers to use to determine a list price for the property and for buyers so they can make informed decisions about the price they are willing to pay.

When preparing a CMA, enter the comparable and subject information in the appropriate sections on the form provided. Once completed, compute an average per square foot price for recent sales, current listings, and expired listings. This is accomplished by adding together the price then dividing by the number of properties giving you an average per square foot price per category.

Example:

Average sales price: $\$185,000 + \$190,000 + \$189,500 = \$564,500$ divided by 3 = $\$188,166$

Average square footage: $2,000 + 2200 + 2175 = 6375$ divided by 3 = 2125

Average price per square foot: $\$188,166$ divided by 2125 = $\$88.549$

List Price for house with 2150 sq ft living using averages would be: $2150 \times \$88.549 = \$190,380$

APPRAISAL:

An appraisal is an unbiased opinion of value. The appraisal is normally ordered when a purchase, listing, or financing is involved. Although an appraisal typically uses only “sold comparables” to determine the value, more information is provided on the subject property than in a BPO or CMA. The appraisal report includes exterior and interior photos; lot size; description of the property’s condition; square footage; items that may need repairs and construction materials needed. In addition, the appraiser is the “eyes and ears” of the lender/client and provides and analyses information regarding the surrounding neighborhood and community which may impact the value of subject property such as market trends.

It is important to note that both the CMA and BPO are done to estimate the anticipated price of a property while an appraisal is an opinion of value.

CLASS EXERCISE:

Comparative Market Analysis

Instructions:

From the information provided herein, prepare a CMA and a BPO for the subject property on the forms provided. We understand that in “real life” you would probably be using a computer program for this exercise, but this method is more feasible in a classroom setting.

SUJECT PROPERTY: 5648 Elm Street

Mr. & Mrs. Home Sellers own a single-story home with 4 bedrooms, 2 ½ baths, living room, dining room and large den. Their home is 10 years old and has a lot size of 85 x 105. The total living square footage is approximately 2,135. French doors in the den open onto a large covered patio. The home is tastefully decorated. Medium grade floor coverings were installed two years ago throughout the home. There is a three car attached garage.

The home is in very good condition throughout the living room, dining room and kitchen. The den shows signs of neglect and should be painted.

Several stains noted on carpet in spots, but should clean up okay. The master bedroom suite includes Jacuzzi tub. The kitchen features upgraded granite counter tops. The children’s bedrooms need updated colors. The professional landscaping has matured and considered average for the neighborhood.

The subject property and all the comparables are brick veneer on monolithic slab, with central air and heat. All are located in planned unit development with residential view and located in the same subdivision as subject.

SOLD COMP # 1:

5978 Ash Street
..2200 Square feet Living area
..12 years old
..4 Bedrooms, 2 ½ baths
..Dining Room
..Living Room
..Den
..Wallpaper in LR & FR
..3 car garage
..Lot size is 81 x 100
..Condition: Good
..Back yard, no grass, bad condition
..Original List Price: \$285,000
..List Price at sale: \$282,000
..Sales Price: \$265,000
..Days on Market – 56
..Financing: 90% LTV ~ Conventional
..Seller paid \$2,000 of Buyer Closing Cost

SOLD COMP # 2:

5986 Oak Street
..2100 Square feet Living area
..8 years old
..4 Bedrooms, 2 baths
..Dining Room
..Living Room
..Den
..2 car carport
..Lot size is 75 x 100
..Condition: Average
..LR and FR need paint & carpet
..Professional Landscaping front & back
..Original List Price: \$281,000
..List Price at Sale: \$275,000
..Sales Price: \$265,000
..Days on Market – 96
..Financing: 100% LTV ~ VA Loan
..Seller paid \$4,000 of Buyer Closing Cost

SOLD COMP # 3:

4356 Pecan Street
..2300 Square feet Living area
..9 years old
..4 Bedrooms, 2 baths
..Dining Room
..Living Room
..Den
..New carpet in LR, FR, & DR
..2 car garage
..Lot size is 80 x110
..Condition: Excellent
..Professional Landscaping front & back
..Original List Price: \$294,900
..List Price at sale: \$289,000
..Sales Price: \$285,000
..Days on Market – 23
..Financing: 80 LTV ~ Conventional
..Seller paid \$2,000 of Buyer Closing Cost

SOLD COMP # 4:

5650 Elm Street
..2150 Square feet Living area
..10 years old
..4 Bedrooms, 2 ½ baths
..Dining Room
..Living Room
..Den
..New carpet in LR, FR, & DR
..3 car garage
..Lot size is 90 x110
..Condition: Good to Excellent
..Professional Landscaping front & back
..Original List Price: \$273,500
..List Price: \$269,900
..Sales Price: \$265,000
..Days on Market – 38
..Financing: 90 LTV ~ Conventional
..Seller paid \$3,000 of Buyer Closing Cost

LISTED COMP # 1:

5326 Ash Street
..2250 Square feet Living area
..10 years old
..4 Bedrooms, 2 baths
..Dining Room
..Den
..Living Room
..Fresh paint throughout
..2 car garage
..Lot size is 80 x110
..Condition: Average
..Landscaping very poor
..List Price: \$279,000
..Days on Market – 47

LISTED COMP # 2:

5782 Burch Street
..2125 Square feet Living area
..12 years old
..4 Bedrooms, 2 baths
..Dining Room
..Den
..Living Room
..Needs new floor coverings
..2 car carport
..Lot size is 85 x100
..Condition: Good
..Professional Landscaping front & back
..List Price: \$272,000
..Days on Market – 64

LISTED COMP # 3:

5926 Cherry Street
..2160 Square feet Living area
..10 years old
..4 Bedrooms, 2 baths
..Dining Room
..Den
..Living Room
..New paint in LR, FR, & DR
..3 car garage
..Lot size is 85 x105
..Condition: Excellent
..Landscaping very poor
..List Price: \$286,000
..Days on Market – 19

EXPIRED COMP # 1:

5726 Fir Street
..2200 Square feet Living area
..10 years old
..4 Bedrooms, 2 baths
..Dining Room
..Den Room
..Living Room
..Completely redecorated
..2 car garage
..Lot size is 80 x110
..Condition: Excellent
..Landscaping in excellent condition
..List Price: \$289,900
..Days on Market – 180

EXPIRED COMP # 2:

5726 Maple Street

..2310 Square feet Living area

..10 years old

..4 Bedrooms, 2 ½ baths

..Dining Room

..Den

..Living Room

..LR, FR, DR need fresh paint

..2 car garage

..Lot size is 75 x110

..Condition: Average

..Landscaping in very good condition

..List Price: \$281,000

..Days on Market – 150

EXPIRED COMP # 3:

5276 Pine Street

..2130 Square feet Living area

..12 years old

..4 Bedrooms, 2 ½ baths

..Dining Room

..Den

..Living Room

..LR, FR, DR need fresh paint

..3 car garage

..Lot size is 85 x105

..Condition: Average to Good

..Landscaping in good condition

..List Price: \$285,000

..Days on Market – 120

RESIDENTIAL BROKER PRICE OPINION

Loan # _____
 REO #: _____ This BPO is the Initial 2nd Opinion Updated Exterior Only DATE _____
 PROPERTY ADDRESS: _____ SALES REPRESENTATIVE: _____
 _____ BORROWER'S NAME: _____
 FIRM NAME: _____ COMPLETED BY: _____
 PHONE NO. _____ FAX NO. _____

I. GENERAL MARKET CONDITIONS

Current market condition: Depressed Slow Stable Improving Excellent
 Employment conditions: Declining Stable Increasing
 Market price of this type property has:
 Decreased _____ % in past _____ months
 Increased _____ % in past _____ months
 Remained stable
 Estimated percentages of owner vs. tenants in neighborhood: _____ % owner occupant _____ % tenant
 There is a Normal supply oversupply shortage of comparable listings in the neighborhood
 Approximate number of comparable units for sale in neighborhood: _____
 No. of competing listings in neighborhood that are REO or Corporate owned: _____
 No. of boarded or blocked-up homes: _____

II. SUBJECT MARKETABILITY

Range of values in the neighborhood is \$ _____ to \$ _____
 The subject is an over improvement under improvement Appropriate improvement for the neighborhood.
 Normal marketing time in the area is: _____ days.
 Are all types of financing available for the property? Yes No If no, explain _____
 Has the property been on the market in the last 12 months? Yes No If yes, \$ _____ list price (include MLS printout)
 To the best of your knowledge, why did it not sell? _____
 Unit Type: single family detached condo co-op mobile home
 single family attached townhouse modular
 If condo or other association exists: Fee \$ _____
 monthly annually Current? Yes No Fee delinquent? \$ _____
 The fee includes: Insurance Landscape Pool Tennis Other _____
 Association Contact: Name: _____ Phone No.: _____

III. COMPETITIVE CLOSED SALES										
ITEM	SUBJECT	COMPARABLE NUMBER 1			COMPARABLE NUMBER 2			COMPARABLE NUMBER 3		
Address										
Proximity to Subject		REO/Corp <input type="checkbox"/>			REO/Corp <input type="checkbox"/>			REO/Corp <input type="checkbox"/>		
Sale Price	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Price/Gross Living Area	\$ Sq. Ft.	\$ Sq. Ft.	\$ Sq. Ft.	\$ Sq. Ft.	\$ Sq. Ft.	\$ Sq. Ft.	\$ Sq. Ft.	\$ Sq. Ft.	\$ Sq. Ft.	
Sale Date & Days on Market										
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) Adjustment	DESCRIPTION	+(-) Adjustment	DESCRIPTION	+(-) Adjustment	DESCRIPTION	+(-) Adjustment	
Sales or Financing Concessions										
Location (City/Rural)										
Leasehold/Fee Simple										
Lot Size										
View										
Design and Appeal										
Quality of Construction										
Year Built										
Condition										
Above Grade Room Count	Total Bdrms Baths	Total Bdrms Baths		Total Bdrms Baths		Total Bdrms Baths		Total Bdrms Baths		
Gross Living Area	Sq. Ft.	Sq. Ft.		Sq. Ft.		Sq. Ft.		Sq. Ft.		
Basement & Finished Rooms Below Grade										
Functional Utility										
Heating/Cooling										
Energy Efficient Items										
Garage/Carport										
Porches, Patio, Deck										
Fireplace(s), etc.										
Fence, Pool, etc.										
Other										
Net Adj. (total)	<input type="checkbox"/> + <input type="checkbox"/> -	<input type="checkbox"/> + <input type="checkbox"/> -	\$	<input type="checkbox"/> + <input type="checkbox"/> -	\$	<input type="checkbox"/> + <input type="checkbox"/> -	\$	<input type="checkbox"/> + <input type="checkbox"/> -	\$	
Adjusted Sales Price of Comparable			\$		\$		\$		\$	

COMPARATIVE MARKET ANALYSIS

PREPARED FOR: _____

PROPERTY ADDRESS: _____

Date: _____
Prepared by: _____
Phone: _____
Email: _____

ADDRESS:	So. ft	Living Room	Dining Room	Kitchen	Tooths Room	Baths	Garage Capon	Sale Terms	List Price	Days on Market	Sale Price	Remarks
SUBJECT:												

RECENT SALES:

CURRENT LISTINGS:

EXPIRED LISTINGS:

ADDITIONAL COMMENTS: _____

Price Range: _____

Suggested List Price: _____