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NEWS RELEASES

Realtors® Should Embrace Online Data, Educate Consumers about Valuations

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NEW ORLEANS (November 8, 2014) – Realtors® shouldn't be afraid of the plethora of available real estate data online, and it's their responsibility to educate buyers and sellers about the different valuation models and data available, according to panelists at a property valuation forum here at the 2014 [REALTORS® Conference & Expo](#).

The panelists discussed the challenges of helping buyers and sellers understand the difference between actual appraisals and those from automated valuation models, or AVMs, that are found on online portals. The speakers also highlighted the importance of educating Realtors® about choosing the best comparisons and making the right adjustments when developing Broker Price Opinions, or BPOs, and Comparative Market Analysis, or CMAs, both of which are keys to residential transactions.

John Anderson with Twin Oaks Realty Inc., in Crystal, Minn., said confusion often arises when buyers and sellers conduct research online and draw conclusions from property valuations based on AVMs – a computer generated pricing report – before speaking to an agent.

"AVMs are designed to help consumers become aware of current market conditions and availability of property and are not meant to be an appraisal. Realtors® have a responsibility to educate consumers about the differences in valuation models and available data. The lines can be blurred between everything that is out there."

Marty Frame with Realtors Property Resource ® added that some AVMs are missing direct information from an MLS and don't have the 'human touch' that can make adjustments for home upgrades such as granite countertops or a finished basement. They may also include homes that are not good comparables, he said.

Frame added, "RPR's AVM is different from others in the marketplace, because it uses MLS data that is updated every 15 minutes."

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BPOs are often used by lenders and mortgage companies to avoid the expense or delay of an appraisal and are often completed by real estate professionals and not licensed appraisers.

According to the panelists, when working with clients to list their home or make an offer on one for sale, running a CMA is much closer to what an appraiser will do when he or she performs an appraisal for potential buyers who plan to apply for a mortgage. CMAs give an overview of what is actually happening in a particular area, such as the percent of list price that sellers are receiving, current inventory in the area and days on market for similar properties.

Melanie McLane, an appraiser with Jackson Real Estate Group in Jersey Shore, Penn., said comparables are the building blocks for all kinds of valuation reports, but it's important to know which ones to use. "Ideally, comparables should be within a one-mile radius, but that's not always possible – especially in more rural areas of the country. Comparables further away are OK if they are the only ones available."

On the topic of making the right price adjustments, the panelists agreed it's necessary to help clients understand the difference between actual improvements and upgrades – such as a new garage – versus necessary maintenance, such as a new furnace or roof. Furthermore, knowing the price range of properties in the neighborhood will help determine how much of an adjustment to make for improvements.

The session concluded with a discussion about the challenges of communicating to sellers that the price appraised on their home when they purchased it five years ago may not be an accurate comparison to the value of the home today. "An appraisal is a snapshot of a certain period of time that depends on several economic factors," said McLane. "Values change and it's up to Realtors® to work with their clients to manage their expectations and serve in their best interest."

Buyers, sellers and Realtors® are free to ask appraisers or lenders to consider additional property information, documentation and comparisons. They may discuss the unique conditions of a home and its neighborhood with appraisers. In February 2012, NAR adopted the [Responsible Valuation Policy](#). It serves as a guide for members and staff in advocacy efforts for federal legislation and regulatory policy. This statement of policy, aside from the National Association of Realtors® Code of Ethics, offers guidelines for Realtor® members and is not intended to impose new or additional standards of practice.

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