

Properly filling out your B.P.O. form:

Older comps, and/or further away are usually necessary. For example, you may need to go back as much as a year. And you may have to go 10-20 miles for some rural properties.

GENERAL BPO NOTES-THESE PARAMETERS/GUIDELINES APPLY TO EVERY BPO, REGARDLESS OF VARIATIONS IN PROPERTY

- Sold comps must be less than 3 months old. If needed, go outside the 1 mile limit proximity to find newer comp(s). If there is a shortage of comps please state in comments section;
- Comps must be located within a 1 mile radius. Except if the market is slow and the proximity is expanded to find newer comps, or if the area is rural. If the proximity is expanded for any reason, please note it in the comments section.
- Please do not list sale price/date for the subject property in the BPO form. Only fill the list price if the property is currently listed;
- The actual price/Gross Living Area must be calculated for each comparable. Price/Gross Living Area: calculate value by dividing sales or list price/gross living area. The quotient goes in the appropriate field;
- Superior properties get (-) adjustment/Inferior properties get (+) adjustment
 - o For example, if the comparable has more sqft, rooms, amenities—it gets a (-) adjustment (superior property); if the comps have less sqft, rooms, amenities --- it gets a (+) adjustment. (Inferior property); older properties get (+) adjustment (inferior)/younger properties get (-) adjustment (superior)
- If an amenity/feature is not present, write “none” in the description field and “0” in the adjustment field; also, if a property has the amenity, but there is no need for an adjustment, be sure to put “0” in the adjustment field.

Sales or Financing Concessions- write nature of concession, and make sure to (-) adjustment made for the amount of the concession or any amount paid towards closing.

Location- Typically not adjusted unless you are comparing urban to suburban or suburban to rural properties.

- Urban
- Suburban
- Rural

Site- level is superior to sloped, and hillside is typical superior to both, due to the view

- Level
- Sloped

- Hillside

View positive is superior to neutral; neutral is superior to negative-None is unacceptable

Positive View Neutral View Negative View

- Mountains Street Commercial

- Ocean Neighborhood Highway

- River Homes Industrial

- City Lights

Design and Appeal-Design: one story is superior to split level and split level is superior to two story -typical adjustment is \$1,000-\$2,000 per story depending on the market in your area
/Appeal: superiority of style is dependent on area

Design Appeal

- One story Contemporary

- Split level Traditional

- Two-Story Colonial, etc.

- Condo, Multi-unit, etc

Quality of Construction-necessary when comparing brick to frame or siding exterior, etc

- Brick

- Siding

- Frame

- Stucco

- Wood, etc

Age-adjustment typically made for properties over 10 years age difference, typical adjustment is \$500/year. Newer properties are superior.

- Real age

- Year of construction

Condition- drive-by: exterior condition; interior-overall condition

- Excellent
- Good
- Fair
- Poor

For example: If the subject property is in "fair" condition, then adjustments need to be made for comps that are in better (- adj) or worse (+adj) condition by an amount that compensates for the difference.

Room count: number of total rooms, bedrooms, and baths

· NUMBER OF BATHS: This adjustment is based on the value and quality of the property. Properties with good quality of construction and value may be adjusted at a rate of \$1,500 per half-bath. Properties of average quality and value may be adjusted at \$1,000 per half-bath and properties of low quality and value may be adjusted at \$500 per half-bath.

· NUMBER OF BEDROOMS: typical adjustment is 2K-10K depending on quality of property. (please keep in mind, this is the typical adjustment—adjustment could be more or less depending on the property)

Square Footage-actual difference in square footage between the comparable and subject properties.

Typical adjustment is 50% (price/gross living area):

Price/gross living area: calculate value by dividing sales or list price/gross living area.

The quotient goes in the appropriate field. (at top of BPO form under the sale/list price)

Square Footage Adjustment Calculation:

Subject: 1500 sqft

Comparable 1: 1600 sqft and sales price \$160,000:

Price/GLA= $\$16,000/1600 = \$100/\text{sqft}$ -----50% of price/ GLA= $\$50/\text{sqft}$

Difference in square footage: subject (1500) – comp. 1(1600) = 100 sqft

Difference in sqft x 50% (price/GLA) =

100 sqft x $\$50/\text{sqft} = \5000 adjustment

(Note: the adjustment would be negative because comp 1 has more sqft, which makes it superior)

Alternate Adjustment: You may use your discretion to calculate the square foot adjustment using another value. However, the value must be adequate and consistent.

Lot size-actual size of the plot of land where the property is situated- you may use acre(s) or sqft

There is no typical adjustment for this field. The adjustments vary widely based on location. This is one field where you may decide not to adjust at all, and it would be acceptable. If you decide to adjust, the adjustments must be consistent for all comparables.

Basement & Finished Rooms Below Grade

- Unfinished: an unfinished basement should be adjusted minimally, no more than \$5 per square foot;
- Finished: Finished basements may be adjusted in a range up to the level of the heated and cooled square footage above.

Functional Utility-a property having attractiveness and usefulness-this is the ONLY field where yes/no is acceptable.

This adjustment comes into play only when the subject or comparable sales have a problem with functionality:

Yes: if all yes, no adjustment needed

No: If any are no, list problem with functionality and adjust accordingly.

Heating/Cooling –must list type of heating and cooling; yes or no is unacceptable

This adjustment is one of the few that may be dollar-for-dollar for the cost of the units. Most of the units these days are between \$2,500 and \$3,000. When a property has space heating and air, the cost of ductwork may add \$1,000 to the adjustment.

Energy Efficient Items- This line is usually not an adjustment line, but if the comparables have single-pane windows compared to insulated or thermal windows for the subject, an adjustment of \$1,500 to \$2,000 may be made.

Other Energy Efficient Items: adjustment would be the value the items add to the property.

- Ceiling fans, Attic fans
- Appliances
- Tile Roof

Carport/Garage

- Carport –typical adjustment is \$1,000 per stall
- Garage-typical adjustment is \$2,500 per stall

Porches, Patio, Deck, Fireplaces, etc

- Porch/Patio/Deck: typical adjustment is \$500 for each; typical adjustment is a rule of thumb, if you have covered patio, wrap around deck, screened porch—adjustment will be more.
- Fireplace: usual adjustment is \$1,500 per fireplace, though custom fireplaces may warrant a larger adjustment.

Fence. Pool, etc

- Fence- typical adjustment for a privacy fence is \$1,000, chain link fence is \$500
- Pool- pools vary with size and value, but the usual adjustment is \$10,000 or less.
- Storage Building- storage building with electricity is \$1000, storage building without electricity is \$500,

Other- miscellaneous adjustment, if no misc. adjustment is warranted, input 'None' in the field.

This field is used when an adjustment is warranted, but the BPO form does not allow for it.

Examples:

- RV Parking
- Boat Dock/Riparian rights
- Landscaping, etc.

Market Value/ Suggested List Price

The Suggested List Price must be greater than or equal to the Market Value

Condition Ratings and Definitions

C1 The improvements have been very recently constructed and have not previously been occupied. The entire structure and all components are new and the dwelling features no physical depreciation.*

**Note: Newly constructed improvements that feature recycled materials and/or components can be considered new dwellings provided that the dwelling is placed on a 100% new foundation and the recycled materials and the recycled components have been rehabilitated/re-manufactured into like-new condition. Recently constructed improvements that have not been previously occupied are not considered "new" if they have any significant physical depreciation (i.e., newly constructed dwellings that have been vacant for an extended period of time without adequate maintenance or upkeep).*

C2 The improvements feature no deferred maintenance, little or no physical depreciation, and require no repairs. Virtually all building components are new or have been recently repaired, refinished, or rehabilitated. All outdated components and finishes have been updated and/or replaced with components that meet current standards. Dwellings in this category either are almost new or have been recently completely renovated and are similar in condition to new construction.

C3 The improvements are well maintained and feature limited physical depreciation due to normal wear and tear. Some components, but not every major building component, may be updated or recently rehabilitated. The structure has been well maintained.

C4 The improvements feature some minor deferred maintenance and physical deterioration due to normal wear and tear. The dwelling has been adequately maintained and requires only minimal repairs to building components/mechanical systems and cosmetic repairs. All major building components have been adequately maintained and are functionally adequate.

C5 The improvements feature obvious deferred maintenance and are in need of some significant repairs. Some building components need repairs, rehabilitation, or updating. The functional utility and overall livability is somewhat diminished due to condition, but the dwelling remains useable and functional as a residence.

C6 The improvements have substantial damage or deferred maintenance with deficiencies or defects that are severe enough to affect the safety, soundness, or structural integrity of the improvements. The improvements are in need of substantial repairs and rehabilitation, including many or most major components.

Quality Ratings and Definitions

Q1 Dwellings with this quality rating are usually unique structures that are individually designed by an architect for a specified user. Such residences typically are constructed from detailed architectural plans and specifications and feature an exceptionally high level of workmanship and exceptionally high-grade materials throughout the interior and exterior of the structure. The design features exceptionally high-quality exterior refinements and ornamentation, and exceptionally high-quality interior refinements. The workmanship, materials, and finishes throughout the dwelling are of exceptionally high quality.

Q2 Dwellings with this quality rating are often custom designed for construction on an individual property owner's site. However, dwellings in this quality grade are also found in high-quality tract developments featuring residences constructed from individual plans or from highly modified or upgraded plans. The design features detailed, high-quality exterior ornamentation, high-quality interior refinements, and detail. The workmanship, materials, and finishes throughout the dwelling are generally of high or very high quality.

Q3 Dwellings with this quality rating are residences of higher quality built from individual or readily available designer plans in above-standard residential tract developments or on an individual property owner's site. The design includes significant exterior ornamentation and interiors that are well finished. The workmanship exceeds acceptable standards and many materials and finishes throughout the dwelling have been upgraded from "stock" standards.

Q4 Dwellings with this quality rating meet or exceed the requirements of applicable building codes. Standard or modified standard building plans are utilized and the design includes adequate fenestration and some exterior ornamentation and interior refinements. Materials, workmanship, finish, and equipment are of stock or builder grade and may feature some upgrades.

Q5 Dwellings with this quality rating feature economy of construction and basic functionality as main considerations. Such dwellings feature a plain design using readily available or basic floor plans featuring minimal fenestration and basic finishes with minimal exterior ornamentation and limited interior detail. These dwellings meet minimum building codes and are constructed with inexpensive, stock materials with limited refinements and upgrades.

Q6 Dwellings with this quality rating are of basic quality and lower cost; some may not be suitable for year-round occupancy. Such dwellings are often built with simple plans or without plans, often utilizing the lowest quality building materials. Such dwellings are often built or expanded by persons who are professionally unskilled or possess only minimal construction skills. Electrical, plumbing, and other mechanical systems and equipment may be minimal or non-existent. Older dwellings may feature one or more substandard or non-conforming additions to the original structure.

Treatment Of Bathroom Counts

For purposes of this report, in the Improvements Section, Finished Rooms Above Grade, the count of bathrooms is represented as the number of "full" bathrooms to the left of the period and the count of "half" bathrooms to the right of the period. A three-quarter bath is counted as a full bath. Quarter baths (baths that feature only a toilet) are not included in the bathroom count.

Abbreviations Used in Data Standardization Text

Abbrev.	Full Name	Appropriate Fields	Abbrev.	Full Name	Appropriate Fields
ac	Acres	Area, Site	Mtn	Mountain View	View
AdjPrk	Adjacent to Park	Location	N	Neutral	Location & View
AdjPwr	Adjacent to Power Lines	Location	NonArm	Non-Arms Length Sale	Sale or Financing Concessions
A	Adverse	Location & View	BsyRd	Busy Road	Location
ArmlTh	Arms Length Sale	Sale or Financing Concessions	o	Other	Basement & Finished Rooms Below Grade
ba	Bathroom(s)	Basement & Finished Rooms Below Grade	Prk	Park View	View
br	Bedroom	Basement & Finished Rooms Below Grade	Pstrl	Pastoral View	View
B	Beneficial	Location & View	PwrLn	Power Lines	View
Cash	Cash	Sale or Financing Concessions	PubTrn	Public Transportation	Location
CtySky	City View Skyline View	View	rr	Recreational (Rec) Room	Basement & Finished Rooms Below Grade
CtyStr	City Street View	View	Relo	Relocation Sale	Sale or Financing Concessions
Comm	Commercial Influence	Location	REO	REO Sale	Sale or Financing Concessions
c	Contracted Date	Date of Sale/Time	Res	Residential	Location & View
Conv	Conventional	Sale or Financing Concessions	RH	USDA -Rural Housing	Sale or Financing Concessions
CrtOrd	Court Ordered Sale	Sale or Financing Concessions	s	Settlement Date	Date of Sale/Time
DOM	Days On Market	Data Sources	Short	Short Sale	Sale or Financing Concessions
e	Expiration Date	Date of Sale/Time	sf	Square Feet	Area, Site, Basement
Estate	Estate Sale	Sale or Financing Concessions	Unk	Unknown	Date of Sale/Time
FHA	Federal Housing Authority	Sale or Financing Concessions	VA	Veterans Administration	Sale or Financing Concessions
GlfCse	Golf Course	Location	w	Withdrawn Date	Date of Sale/Time
Glfvw	Golf Course View	View	wo	Walk Out Basement	Basement & Finished Rooms Below Grade
Ind	Industrial	Location & View	wu	Walk Up Basement	Basement & Finished Rooms Below Grade
in	Interior Only Stairs	Basement & Finished Rooms Below Grade	WtrFr	Water Frontage	Location
Lndfl	Landfill	Location	Wtr	Water View	View
LtdSght	Limited Sight	View	Woods	Woods View	View
Listing	Listing	Sale or Financing Concessions			

BPOSG

BROKER PRICE OPINION Standards & Guidelines

Version 5.0

May 10, 2012

BSB – BPO Standards Board



**NABPOP – National Association of
Broker Price Opinion Professionals**





BPOSG

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BPO Standards and Guidelines

Standards and Guidelines:

- Ø *BPO Standards and Guidelines (BPOSG)* is a compilation of Standards and Guidelines for the Broker Price Opinion industry. To clearly delineate between Standards and Guidelines, *BPOSG* is divided into two sections.
- Ø Standards are absolute and must be adhered to without exception.
- Ø Guidelines are best practices and must not be confused with Standards. Guidelines are best practices and/or procedures which are widely accepted, yet allow for flexibility in application. The Guidelines contained in *BPOSG* allow for flexibility and exceptions to the Guidelines are entirely acceptable. Commentary is recommended for any situation that falls outside the Guidelines set forth within *BPOSG*.
- Ø **BPO Customer specifications override the Guidelines set forth in BPOSG.** Any instance where a BPO customer's specifications conflict with the Guidelines of *BPOSG*, the customer's specifications must be observed and adhered to. To achieve maximum communication efficiency, in the absence of customer specifications, the Guidelines of *BPOSG* are assumed.
- Ø *BPOSG* is derived and maintained by the BSB - BPO Standards Board. The BSB is comprised of a diverse group of BPO subject matter experts representing various levels of the BPO industry supply chain. The BSB is facilitated by the National Association of BPO Professionals - NABPOP. The BSB derives, reviews, updates, and maintains BPO standards which are generally accepted throughout the BPO industry. NABPOP promulgates *BPOSG* to the BPO industry.
- Ø To download BPOSG, to request notification of BPOSG updates, and/or for more information regarding BPOSG and BSB, please visit www.nabpop.org/BPOSG.php
- Ø Comments and suggestions for *BPOSG* are welcome and can be sent to the BPO Standards Board – BSB at BSB@NABPOP.org

Standards are must do. Guidelines are should do.



Standards:

1) Limitation

A BPO must only be completed, within the scope of assignment as specified by customer specifications, if there is enough data and/or comparables in the Broker/Agent's professional opinion to produce a credible and supportable price opinion.

2) Ethics and Conduct

- a) Broker/Agent must have a valid licensure and in good standing within the state the BPO is being completed. Broker/Agent must be able to provide valid and acceptable documentation of licensure.
- b) Broker/Agent must acknowledge they have personally visited the site, conducted the inspection, taken the photos for field assignments, personally collected the comparables, and submitted the completed BPO form. Broker/Agent agrees to take full responsibility for all information submitted upon completion.
- c) Broker/Agent must provide analyses and opinions which are objective.
- d) Broker/Agent must not discuss the BPO report or analysis subject matter (price or observations) with anyone besides the client and/or the identified user of the report except to gain access to the property.
- e) Broker/Agent must fully disclose and receive further instructions prior to accepting a BPO assignment or upon becoming aware another Broker/Agent in the same office is the buyer, listing, and/or seller's broker for the subject property.
- f) Broker/Agent must notify the organization who ordered the BPO immediately of any issues preventing access to the property.
- g) Broker/Agent must perform duties in a timely, professional, ethical, and competent manner.
- h) Broker/Agent will notify vendor/client of any activities of any related parties which could be identified as collusion or fraudulent.



- i) Broker/Agent must adhere to all provisions of:
Title VIII of the Civil Rights Act of 1968 (Fair Housing Act), as amended, which prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18), and handicap (disability).

3) Competency

- a) Broker/Agent warrants they are competent to complete the assignment.
- b) Broker/Agent warrants they have sufficient knowledge and experience in the subject property's geographic location and will not accept assignments beyond their normal service area.
- c) Broker/Agent warrants they have independent access to data sources to include but not limited to MLS coverage and other pertinent public records data for the subject market area where such access is available.

4) Applicability

- a) Broker/Agent must obtain information relating to property characteristics from the MLS, tax records, or other verifiable sources whenever possible. When this is not possible, the broker/agent must contact the organization who ordered the BPO to obtain the information and/or receive further instructions.
- b) Cite the sources of property data for both subject and comparables. Use verifiable sources whenever possible and cite identification numbers e.g. MLS#, tax#, APN, Doc# etc. if applicable.
- c) Comparables should reflect the prevailing forces driving the same market the subject is located in.
- d) If a distressed price evaluation is specifically requested for the subject, distressed comps should be used when available, rather than fair market transactions to price the subject.
- e) All comparable sales dates are as of Close of Escrow. Market Condition adjustments are made as of the Close of Escrow.
- f) Proper grammar and punctuation must be employed. Do not enter comments in all CAPS or all lower case. Spell check BPO verbiage.

- g) Any situation which falls outside the Guidelines set forth in BPOSG requires a comment to identify the situation and to explain how it impacted the report and the resolution used by the Broker/Agent.

5) Photo Requirements and Recommendations

- Ø Please note the uniqueness of this section. Photo section contains both standards and guidelines for ease of reference.
- Ø For purposes of Standards and Guidelines, a distinction is needed between the photos taken while at the property and photos submitted with the BPO. *BPOSG Standards* establish the photos which must be taken while at the property. It is better to take an abundance of photos, even if customer specifications do not call for the photos which are detailed in the Standards, rather than returning to the property at a later date. All photos taken serve as a record of the property even if not submitted with the BPO report (see also *BPOSG Standards – Records*). *BPOSG Guidelines* establish photos which are recommended to be submitted; however, not all photos need to be submitted. Although the Guidelines are most commonly accepted practices, photo requirements vary from customer to customer. Customer specifications override the Photo Guidelines set forth in BPOSG.

a) Exterior Inspection Photos

i. Front View:

Standard – Take at least one front view of the property. Take as many photos as needed to effectively represent the subject property.

Guideline – Submit the best photo. Take the photo at a 45 degree angle (as opposed to straight ahead) and attempt to capture one of the corners of the house.

(Customer specifications override the Guidelines set forth in *BPOSG*)

ii. Street View/Street Scene:

Standard – Take at least one street view/street scene. Take as many photos as needed to represent the composition of the neighborhood. If the neighborhood looks the same in all directions, one photo will suffice.

Guideline – Submit the best photo(s). When neighborhood composition varies by direction from the subject, three street scene photos are preferred (one in each direction and one looking directly across the street from the subject).

(Customer specifications override the Guidelines set forth in *BPOSG*)

iii. Street Sign:

Standard – Take a close up of the subject’s street sign. Ensure the name of the street is readable in the photo.

Guideline - Submit street sign photo **only** if requested.

(Customer specifications override the Guidelines set forth in *BPOSG*)

iv. Address Verification:

Standard – Take an address verification photo (a close up of the subject address - if available)

1. on the house, or
2. on the mailbox, or
3. on the sidewalk

Guideline – Submit one photo based on the above standard.

If the address is not displayed at the property, provide photos and commentary using the following recommended method:

- Photos of neighboring property addresses (house to the left, right, and across the road) is preferred. When the above is not available:
 - Photo of the subject’s street sign. Provide a comment citing the source of verification i.e. neighbors or postal employee etc.
 - Plat or parcel map

(Customer specifications override the Guidelines set forth in *BPOSG*)

b) Interior Inspection Photos:

Standard - Take photos of ALL rooms. If the angle is difficult to capture or portray the room, take multiple photos of a room. The floor and at least two walls must be visible. If repair items have been noted, photos of noted repairs must be submitted.

Guideline – Submit photos of the main rooms:

- Kitchen
- Living room
- Main bathroom
- Master bedroom
- One other bedroom if applicable

(Customer specifications override the Guidelines set forth in *BPOSG*)

c) Exterior, Interior, and/or Surrounding Neighborhood:

Standard – Anything in and around the property, the surrounding neighborhood, and/or the vicinity of the property which will influence the price of the property, positively or negatively should be documented with photos and comments (when possible). If the following conditions exist, provide commentary and cross reference photos (see also comments section - the below comments example list is similar to the Comments Section paragraph 14.a. with the exception of items which may not be practical to photograph). Common examples include but are not limited to:

- Non-conforming features
- Upgrades
- Damage/deferred maintenance
- Renovations/construction
- External obsolescence (e.g. airport flight path, rail road tracks, commercial facilities)
- Aerial photos/satellite images - The use of aerial photos or satellite images can be a good resource to identify external obsolescence and positive influences.

Guideline – If a rear view photo is requested, provide a photo of the rear of the structure. Submit photo(s) based on the above standard.

(Customer specifications override the Guidelines set forth in *BPOSG*)

d) All photos:

Standard:

- Ensure photo orientation is properly adjusted prior to upload (do not submit sideways or upside down photos to your report)
- Ensure the date is accurate if dates are published on photos.
- All photos must be labeled when form permits.

Guideline:

- All photos should have a date stamp.
- Before leaving the property ensure the photos are clear and usable.
- Once photos are submitted to the client site, they should be reviewed to ensure correct photos were uploaded prior to final submission. People and/or pets/animals, live or in photos (e.g. family portraits), should not be in any photos.
- Avoid photos which may reflect race, creed, religion, or national origin.
- Photos containing inappropriate/graphic content should be avoided unless they are required as a component of portraying property damage/required repairs.



6) Records

- a) Retain BPO records for a minimum of one year or the amount of time state law requires. Records can be a print out, digital, or a combination of both. Retain a minimum of:
 - i) MLS printout for each comparable.
 - ii) Any document used to establish characteristics of the subject e.g. tax record.
 - iii) All photos of the subject property taken during the inspection.
- Ø Although not required, recommend retaining the above records for five years or refer to state law for statute of limitations, whichever is greater.

7) Disclaimer

Broker/Agent must be aware of and comply with state laws governing BPO practices.

A disclaimer must appear either preprinted on the BPO form or in commentary form. If a disclaimer is not preprinted on the BPO form or it is not clear that a web based BPO form includes a disclaimer, provide the following statement in the comments:

"Notwithstanding any preprinted language to the contrary, this is not an appraisal of the market value of the property. If an appraisal is desired, the services of a licensed or certified appraiser must be obtained."



Guidelines

- Ø Customer BPO order specifications override the Guidelines set forth in *BPOSG*. To obtain efficiency of communication between the broker/agent, the customer, and every organization in between, the Guidelines set forth in *BPOSG* can be assumed unless otherwise specified in the BPO order specifications.
- Ø The guidelines contained herein allow for flexibility, and exceptions to the guidelines are entirely acceptable. Provide comments when a situation falls outside the Guidelines.

8) Comparable Selection and Utilization

- Ø The following comparable factors should be similar to the subject within the stated limits. Please note these are not restrictive limits i.e. if the comparable is outside the below limits, the comparable may still be valid, a comment is required and an adjustment may be warranted where applicable. Define the geographic boundaries of the neighborhood and then provide a compelling justification whenever using market data outside those boundaries. (Customer specifications override the Guidelines set forth in *BPOSG*).
 - Ø It is necessary to verify the physical characteristics for the subject and comparables in accordance with local building codes and conventions and disclose the information source. If a conflict exists between information sources, e.g. MLS vs. tax records, provide commentary explaining the conflict and provide a copy of the document (if available).
- a) **Location.** The location of the comparables should be as close to the subject as possible when available for SFR properties, comparables inside the subject subdivision are preferred. For condos, comparables inside the subject complex or building are preferred. The following are recommendations and comments are required if beyond these limits:
(Customer specifications override the Guidelines set forth in *BPOSG*)
- i) **Urban:** A comparable beyond ½ mile may be acceptable, but a comment is required as to why the comparable is beyond ½ mile and the method/logic on how the comparable was located.
 - ii) **Suburban:** A comparable beyond one mile may be acceptable, but a comment is required as to why the comparable is beyond one mile and the method/logic on how the comparable was located.
 - iii) **Rural:** A comparable beyond five miles may be acceptable, but a comment is required as to why the comparable is beyond five miles and the method/logic on how the comparable was located.



b) Property Type. Comparables must be the same property type as the subject e.g. do not compare a multi family to a single family detached.

c) Zoning and Use.

- **Comparables.** If the zoning for any comparable is different than the subject, contact the customer for further instructions.
- **Property Use.** If the subject’s use is non-conforming e.g. zoned single family use but with a basement apartment or zoned for business but used as a single family, contact the customer for further instructions.

d) Size. The size of the comparables should be as similar to the subject as possible. The following are recommendations and comments are required if beyond these limits:

(Customer specifications override the Guidelines set forth in *BPOSG*)

i) GLA – The Gross Living Area of the comparables should be as similar to the subject as possible. The following are recommendations and comments are required if beyond the following limits:

(Customer specifications override the Guidelines set forth in *BPOSG*)

Subject	Comparables
GLA	Comment required if more than:
0-1000 Sq Ft	+/- 25 %
1001-2000 Sq Ft	+/- 20 %
2001-3500 Sq Ft	+/- 15 %
3501-5000 Sq Ft	+/- 10 %
5001+ Sq Ft	+/- 10 %



- ii) **Lot Size** - The Lot Size of the comparables should be as similar to the subject as possible. The following are recommendations and comments are required if beyond the following limits:
 (Customer specifications override the Guidelines set forth in *BPOSG*)

Subject	Comparables
Lot Size	Comment required if more than:
<1 acre	+/- 30%
1 - 2.9 acres	+/- .5 acre
3 - 5.9 acres	+/- 1 acre
6 - 10.9 acres	+/- 2 acre
11+ acres	+/- 20%

- e) **Age** - The age of the comparables should be as similar to the subject as possible. The following are recommendations and comments are required if beyond the following limits:
 (Customer specifications override the Guidelines set forth in *BPOSG*)

Subject	Comparables	
Age	Comments Required	
	Minimum	Maximum
0-10 years	- 5 years	+ 5 years
11-30 years	1/2 age	+ 10 years
31-50 years	- 15 years	+ 15 years
51-75 years	- 20 years	+20 years
76+ years	- 25 years	+25 years

f) **Physical Characteristics**

It is preferable the comps have the same bedroom count as the subject.
 (Customer specifications override the Guidelines set forth in *BPOSG*)

A comment is required if the comparable is:

- i) more than +/- 1 bedroom count of subject
- ii) more than +/- 1 bathroom count of subject
- iii) more than +/- 3 overall room count of subject



- g) View:** Use comparables with a similar view to the subject. Provide commentary if the subject has a different view than comparable view, which will influence the price of the property, positively or negatively.
(Customer specifications override the Guidelines set forth in *BPOSG*)

9) Comparable Selection based on Market Conditions

(Customer specifications override the Guidelines set forth in *BPOSG*)

- Ø Distressed Markets vs. Fair Markets.** Comparables used should reflect the prevailing forces driving the same market the subject is located in (per *BPOSG Standards*). In cases where distressed sales are driving the market, a comment is required which addresses and explains the distressed condition of the market.
- a) Distressed Driven Market.** The term distressed comparable indicates a Short Sale or REO sale. If the subject is distressed, the property is in pre-foreclosure, is a candidate for Short Sale, in foreclosure, or REO.
- i) Commentary must indicate if the market is driven by distressed properties.
- ii) If a fair market price evaluation is requested and the subject is located in a distressed driven market, distressed comparables may be used. Comments are required indicating the distressed comparables to include commentary stating the distressed driven market condition. Adjustments are not needed to account for distressed comparables.
- iii) If the BPO form does not specify the type of comparable (arms length transaction, REO, short sale etc.), provide a comment which appropriately labels the comparables.
- b) Fair Market**
- i) Sales and listings are characterized by buyers and sellers who are equally motivated and not acting under duress.
- ii) Sold comparables which are not arm's length transactions should not be used. Distressed sales should be avoided.
- Comments must be provided if a distressed sale is used.



c) Mixed Markets

- i) Some distressed sales and some fair market exist.
- ii) Distressed sales do not seem to impact the value of fair market sales and vice versa.

d) Stable Market

- i) Stable Market = no more than 3% appreciation or depreciation in the last six months.
- ii) Sold comparables no more than six months old in a stable market.
- iii) Comment required if comparable is over six months old.

e) Rapid Market

- i) Rapid Market = more than 3% appreciation or depreciation in the last six months.
- ii) Sold comparables no more than three months old in a rapidly moving market.
- iii) Comment always required if a rapid market exists.
- iv) Comment required if comparable is over three months old.

10) Lack of Comparables (Customer specifications override the Guidelines set forth in *BPOSG*)

- a) If comparables are not immediately available, expand search criteria one at a time starting with the least impact. Please note that price will differ from market to market. The following are common criteria which can be expanded (in no particular order):
 - Concessions
 - Lot size
 - Age
 - GLA
 - Room count
 - Date of sale
 - Radius
 - Condition
 - General amenities



11) Comparable Application

- a) At least three sold comparables. Make every attempt to locate sold comparables which are equal to the subject in size, features, location etc. If equal sold comparables are not available, make every effort to bracket the subject by finding a superior, approximately equal, and inferior property.
- b) Sold comparables must be adjusted (based on changes in market conditions) as of the Close of Escrow, where available, through the BPO submission date if there has been a change in market conditions/prices. Provide a comment indicating market condition adjustments were made.
(Customer specifications override the Guidelines set forth in *BPOSG*)
- c) Provide an adjustment for each amenity difference which impacts price (BPO form permitting). Comments are required when the BPO form does not permit adjustments. The following list are examples of amenities which should be considered:
(Customer specifications override the Guidelines set forth in *BPOSG*)
- Same number of bedrooms
 - Same number of bathrooms
 - General condition
 - Same style of house
 - Quality of construction
 - Terms of sale/financing
 - View amenity
 - Site amenities (pool, outbuildings, etc.)
- d) A comment is required if the comparable is not the same as the subject:
- i) General condition
 - ii) Same style of house
 - iii) Quality of construction
 - iv) Terms of sale/financing
- e) If active listing comparables are requested, three active listings (and/or pending when permitted) comparables are to be used. Additionally, an adjustment should be considered for sales to list price ratio.
- f) If the subject property is in poor or fair condition, provide at least one comparable which is similar in condition to establish the "as is" price. Comparables which are in average or good condition can be used to determine a repaired price for the subject. Commentary must be provided if this is done.



12) Photo Requirements and Recommendations

- Ø See Photo Requirements in the Standards section paragraph 5.

13) Basement and Below-Grade Floor Area

- Ø The following are guidelines. Local building codes and conventions should be observed when determining a price.
 - a) If the house has any areas below the natural grade, this area is considered below grade and is not included in GLA. Even if the below-grade areas are fully finished, they are not part of the finished floor area and GLA. This area should still be noted and valued, but not as part of the GLA. If there is no space on the BPO form for below grade area, annotate in the comments section.
 - b) If the subject has a basement and below grade floor area, comparables should be sought which have similar construction i.e. a basement.
 - c) See also Guidelines Definitions paragraph 16.e. Basement and Below-Grade Floor Area.

14) BPO Commentary and Applicability

- Ø BPO form comments are very important. Comments are the best way to paint a picture for everyone who will see the BPO. Additionally, each link in the chain of people who see the BPO report may question or ask the previous link for clarification(s). The more descriptive the comments are the fewer questions or clarifications which may be needed.
- Ø The use of local terms and conventions may be confusing to anyone who is not from the area. Use of generally understood terms is recommended or an explanation of the local term is needed. If local conventions, building codes etc. deviate from generally understood conventions, building codes etc., provide commentary explaining the difference.
- Ø Comments should be concise and objective to include local market conditions and trends of the:
 - County
 - City
 - Zip
 - Subject market area



- a) Anything in and around the property, the surrounding neighborhood, and/or the vicinity of the property, which will influence the price of the property, positively or negatively, when possible, must be documented with photos and comments. If the following conditions exist, provide commentary and cross reference photos (see also Standards Photo Section paragraph 5.c. – the below comments example list is similar to the photo section with the exception of items which may not be practical to photograph). Common examples include but are not limited to:
- Non-conforming features
 - Upgrades
 - Damage/deferred maintenance
 - Renovations/construction
 - Functional obsolescence (e.g. insufficient bath count relevant to bedroom count, poorly located bedrooms)
 - External obsolescence (e.g. airport flight path, rail road tracks, located in proximity to commercial facilities)
- b) If the subject is currently listed and a listing history is not requested, a comment should be included to identify current and cumulative days on market.
- c) Any exterior and interior repairs needed should be documented with photos and comments. The cost to cure should be assessed at estimated contractor rates, to bring the property up to a move-in condition, unless customer instructions specify otherwise.
- d) When commenting on the subject neighborhood, subjective terms such as gang activity, high drug use, crack house, etc. should not be used.
- e) Unless specifically asked do not include verbatim MLS comments. Instead, read the comments to understand the general condition of the comparables and adjust for any differences in the comparable grid.
- f) Final prices should be rounded to the nearest \$1,000. All line item feature/amenity adjustments are rounded to the nearest \$100.

Rating Property/Neighborhood/Ammenities



	Excellent	Good	Average	Fair	Poor
House	Well maintained and upgraded and/or quality building materials Financeable	Well maintained and few instances of deferred maintenance Some upgrades typical in the market Financeable	Maintained and evidence of typical wear and tear for age and neighborhood Some upgrades typical in the market Financeable	Lacks maintenance and/or repairs are needed to bring it into average condition Repairs needed Typically financeable Habitable	Siding/shingles missing, dilapidated, overgrown landscaping Major repairs needed Typically not Financeable Uninhabitable
Neighborhood	Predominantly the houses that adhere to the House standard for Excellent	Predominantly the houses that adhere to the House standard for Good	Predominantly the houses that adhere to the House standard for Average	Predominantly the houses that adhere to the House standard for Fair	Predominantly the houses that adhere to the House standard for Poor
Appliances	<u>Appliances must be conveyable and not considered personal property to be considered for pricing purposes.</u>				
	Up to date and is of high quality. Many upgrades. Modern	Up to date and is good quality not high quality.	Adequate functionality	Out of date but functional	Out of date with suspect functionality



16) Definitions

- Ø The following are guidelines. The definitions set forth in BPOSG are definitions which are commonly used and understood. **Local definitions, building codes, and local conventions may differ from BPOSG and should be observed when determining a price. Local definitions and/or conventions should be explained if utilizing universal definitions and/or conventions are not possible.**
- a) **Arm's Length Transaction.** A standard real estate transaction between unrelated or uninvolved parties resulting in a sale at a fair market price. The buyer and seller are typically motivated, act willingly and under no external pressure, with knowledge of the present conditions and future potential of the property, and in which the property has been offered on the open market for a reasonable length of time and no unusual financing or other circumstances exist.
- b) **Deferred Maintenance.** Loss of utility caused by neglected repair or maintenance evidenced by wear and tear. A type of physical depreciation owing to lack of normal upkeep. Example: missing roof shingles, loose railings, chipped paint, holes in carpet etc.
- c) **External Obsolescence.** Loss in value from factors outside the subject property. Also known as Environmental or Economic Obsolescence. Examples: high tension power lines, lack of local jobs, supply exceeding demand, zoning changes, legislation which impairs property rights.
- d) **Fair Market Price.** The most probable price, as of the date of inspection or other specifically defined date, in terms equivalent to cash, unaffected by special or creative financing or sales concessions, for which the property should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale with buyer and seller each acting prudently and for self-interest and assuming neither is under undue duress. Also known as Market Price.
- e) **Finished Area.** An enclosed area in a house suitable for year-round use, heated/cooled in the same manner as the rest of the house, embodying walls, floors, and ceilings which are above grade and similar to the rest of the house.
- f) **Functional Obsolescence.** Defects in the structure which detract from its value or utility, usually the result of layout, design and/or other features which are less desirable than the same functions in newer a similar property. Example: A six bedroom house with one bathroom.



g) Location:

- i) Urban.** Area within a city (or a city itself) with high population and overall density. Typically, buildings in urban areas are situated close together and constructed at heights which exceed those in suburban and rural locations. In terms of population, a location identified as “urban” has a total population greater than or equal to 100,000 people and a density greater than or equal to 2,000 people per square mile, or a location which has a population greater than or equal to 200,000 people in total.
 - ii) Suburban.** Area in relative close proximity to an urban center and is comprised largely of residential dwellings. Suburban areas tend to have commercial and business enterprises located within their bounds, however, the density of such improvements is not as great as those in urban areas. Areas identified as “suburban” are generally no further than 30 miles from urban areas. Also, these locations typically have a Census Block Group with a density less than or equal to 500 people per square mile and less than 2,000 people per square mile in total.
 - iii) Rural.** Areas with sparse population counts and are situated well outside the general bounds of urban areas. Rural areas are characterized by large property sites, the presence of some agricultural activity and a lack of municipal amenities found in urban and suburban areas (such as city water and city sewer). In terms of population, rural areas are those which tend to have a density less than 500 people per square mile and may include farmland as well as small towns which are situated well outside the range of metropolitan areas.
- h) Sales to List Price Ratio.** The general sales price divided by the general list price, if the ratio is less than one, properties are selling at a discount of their list price, if the ratio is greater than one, properties are selling at a premium of their list price.

i) Room Count:

i) Consider as separate rooms only those areas above grade which can be used year round that are finished which are effectively divided and have utilities such as electric outlet(s), lighting, and heating/cooling vent(s), with walls, ceiling and floor which conform to rest of the house. In open style houses, if you can add a wall(s) and the separated areas can still maintain their functionality with the above criteria, then they are considered separate rooms.

ii) In general, a room is:

- Kitchen
- Bedroom
- Living room
- Dining room
- Family room
- Office
- Den
- Sun room which is heated/cooled

iii) The following are not considered rooms and should not be included in the room count but can be included in the description of the house:

- Sun room which is not heated/cooled
- Loft
- Closets
- Storage rooms
- Entries
- Foyer
- Hallways
- Laundry room
- Utility room

j) Bedroom

i) A bedroom is any room you can fit a conventional bed into. Usually the local zoning, building or health codes establish minimum requirements for bedrooms. In general, bedrooms should be at least 90 square feet in size, with at least one bedroom in the house 120 square feet in size. Bedrooms should have a window which provides an emergency exit, natural light and ventilation.

ii) Bedrooms should have direct access to a hallway, living room or other common area. A closet is required for a bedroom. Having to walk through one bedroom to get to another bedroom is an example of functional obsolescence.



k) Bathroom

A full bathroom includes a toilet, a sink, a bathtub or shower. In general, a combination bath and shower counts as two fixtures. If the bathroom has only three fixtures it is a 3/4 bath (in general, 3/4 bath is counted as a full bath – local standards apply). If it has only two fixtures it is a 1/2 bath, and if it has only one it is a 1/4 bath.

l) Basement and Below-Grade Floor Area

i) There is a strong distinction between above-grade and below-grade floor area. The above-grade floor area is the sum of all finished square footage which is entirely above ground level. The below-grade floor area includes spaces which are wholly or partly below ground level.

ii) See also *Guidelines 13) Basement and Below-Grade Floor Area*