

Q. My seller viewed an AVM online that shows a higher property value than my comparative market analysis. How do I explain the difference?

A. Real estate agents incorporate many factors other than property data when preparing a CMA, including property inspection, market trends, and their expert knowledge. Real estate agents also have access to MLS data, which may not be considered by an AVM. CMAs also provide an analysis of various pricing strategies for the seller to consider, depending on his/her goals and objectives.

Q. Do real estate agents or home buyers use AVMs?

A. Many AVMs are accessible online and can be viewed by anyone. There are many public on-line tools available to consumers that provide an estimate of the value of a property. These tools vary in quality and often do not have access to the same data used by real estate brokerages and mortgage lenders. Real estate agents may review an AVM for information when developing a comparable market analysis, which are created from many different sources including the MLS.

Q. What is an RVM®?

A. The Realtors Valuation Model® or RVM® is an AVM produced by Realtors Property Resource (RPR®), a wholly owned subsidiary of NAR. The RVM incorporates MLS data licensed specifically for this purpose, and is provided at no charge to REALTORS® on the RPR® website and mobile apps. For more information about the RVM® or RPR®, please visit narrpr.com.

Q. Do lenders use AVMs?

A. Federal regulations require an appraisal by a licensed or certified residential appraiser for any mortgage originations that are federally-related transactions. Lenders may use an AVM for internal quality control purposes when reviewing appraisals. Lenders may also use an AVM instead of an appraisal for home equity loans or home loan refinancing under certain conditions when an appraisal is not required.

Q. How are home improvements factored into the AVM?

A. Home improvements typically are not factored into an AVM. Unless the home improvement requires a permit from a local municipality for improvements like a room addition, detached building or swimming pool, there is no way improvements can be automatically factored when calculating an AVM from property data sources. There are some AVM products for the lender market that combine a property inspection with an AVM in order to adjust the AVM based on the observations of the inspector.

Q. How important is the accuracy of public records data?

A. AVMs are only as good as the property data that they have access to. It is important to confirm that public data for a property, such as size of the land, square footage of the home, number of garage spaces and room count, is correct. AVMs pull data from various sources of property records. Ensuring the data is correct for a particular property will increase the accuracy of an AVM.

Q. What is an Automated Valuation Model or AVM?

A. An AVM is a mathematically generated valuation that utilizes property information to calculate an estimated value for a subject property through a computer software program, without a property inspection or consideration of quality, condition or use.

Q. How is an AVM different from an appraisal?

A. An AVM is not prepared, evaluated, or reviewed by a licensed professional appraiser, and should not be relied upon as an appraisal report of the market value of the subject property. AVMs do not incorporate any visual physical observation of the interior and exterior, quality of construction, materials, subject's overall condition, or functional and economic obsolescence, nor can an AVM predict the impact of the motivations of a seller or a buyer.

Q. What data is used to develop an AVM?

A. AVMs use property records from tax assessments and deeds, and some products incorporate Multiple Listing Service (MLS) information. The development of AVMs is proprietary so companies do not share exactly what data they use or how much they weigh one data set over another. AVMs can be "tuned" to the requirements of the end user for which they are intended, which includes lenders, mortgage investors, servicers, and consumers. This is why consumers may find a variety of AVM products online, with many different values for the same property.



Additional appraisal resources can be found at [REALTOR.org/Appraisal](https://www.nar.org/appraisal).

Automated Valuation Models (AVMs)

FAQs for Agents

Looking for answers or clarification regarding Automated Valuation Models?

Following are frequently asked questions of the **National Association of REALTORS®** that will help you provide guidance to your clients about the valuation process.