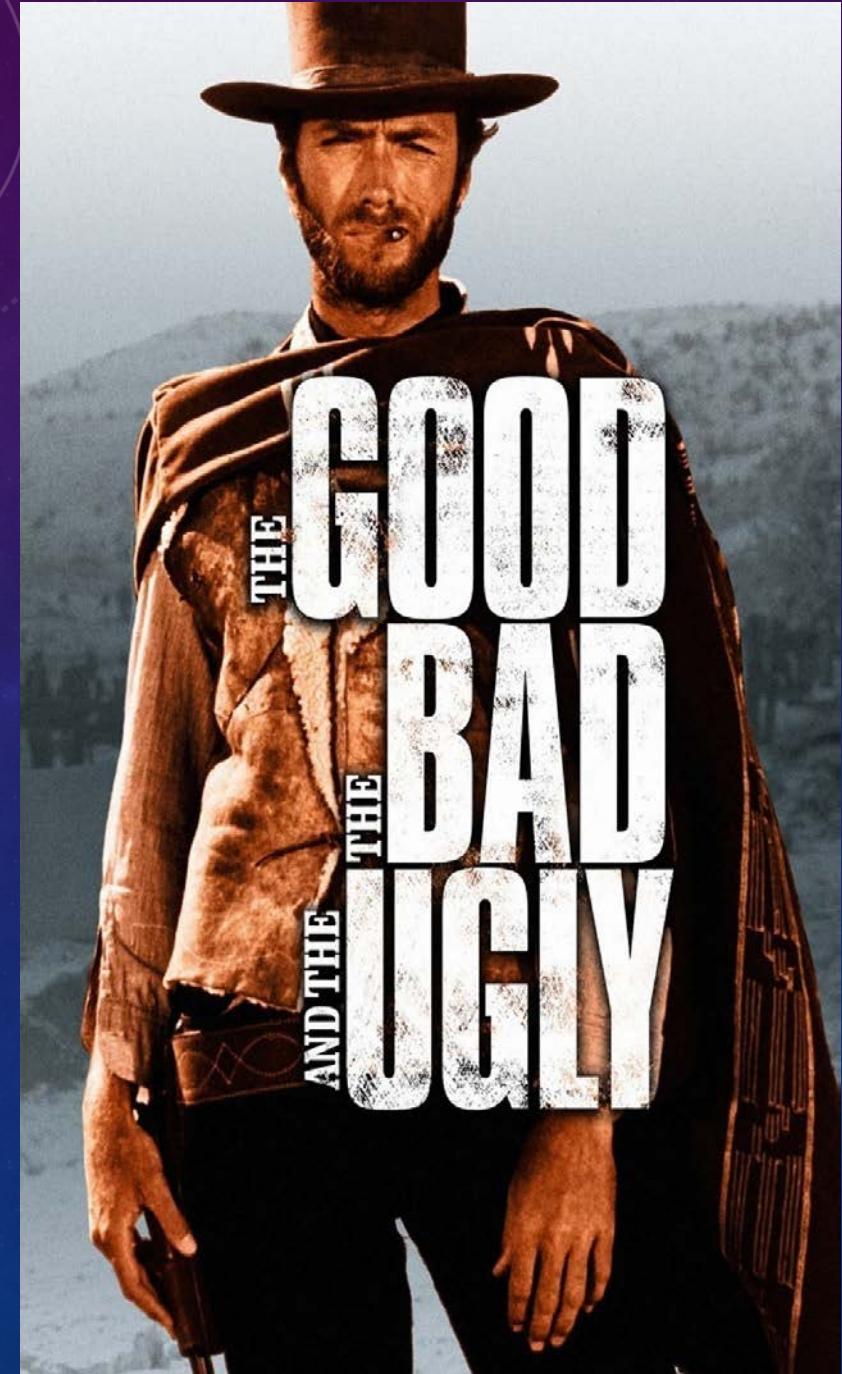


AVM'S...

JOHN LETOURNEAU

ENGAGEDSEMINARS, INC.





Your Redfin Estimate

\$407,991

-\$47K since sold in 2005

Estimate based on 4 beds, 2.5 baths, 2,457 sq. ft.

Edit Facts



NAR Range:

\$326K-\$459K

NAR Estimate:

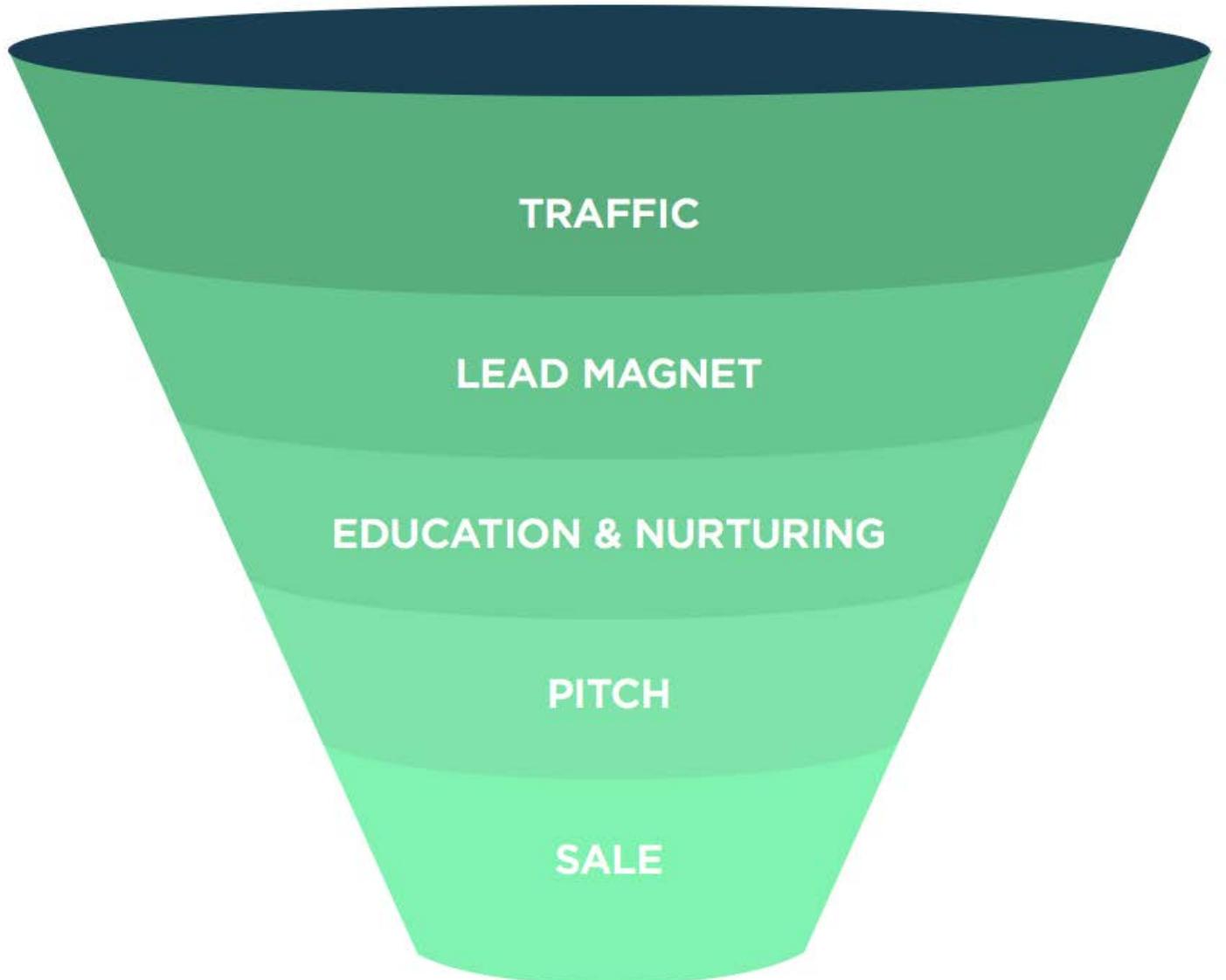
\$392,883

Zillow Estimate:

\$367,762

Redfin Estimate:

\$407,991



**Detached Single**Status: **CLSD**Area: **516**

Address:

Directions: **Clarendon Hills Rd S of I55 to Fern, E to #**

Sold by

Closed: **08/29/2017**Off Market: **07/25/2017**Year Built: **1979**Dimensions: **17X17X61X150X91X135**Ownership: **Fee Simple**Corp Limits: **Unincorporated**Coordinates: **S:9 W:17**Rooms: **7**MLS #: **09681644**List Date: **07/06/2017**List Dt Rec: **07/06/2017**Contract: **07/25/2017**Financing: **Conventional**Blt Before 78: **No**

Subdivision:

Township: **Downers Grove**Bathrooms: **2 / 1**

(full/half):

List Price: **\$382,900**Orig List Price: **\$382,900**Sold Price: **\$369,000**Lst. Mkt. Time: **20**Concessions: **1000**

Contingency:

Curr. Leased: **No**

Model:

County: **DuPage**# Fireplaces: **1**Parking: **Garage**# Spaces: **Gar:2**Parking Incl. **Yes**

In Price:

For those in the back row....

\$369,000 with a \$1000 credit
for a net sales price of
\$368,000.

Zillow CEO Spencer Rascoff sold home for 40% less than Zestimate

“Zillow CEO Spencer Rascoff may have recently given real estate agents a gift they won’t soon forget: a sure-fire way to show that Zestimates can miss by a mile.

How? By selling a property for much less than its Zestimate. On February 29, Rascoff sold his Seattle home for \$1.05 million, 40 percent less than the Zestimate of \$1.75 million shown on its property page a day later.”

Basis For AVM's Outside the Appraisal: An Ugly Tale...

- There is no agreed upon valuation standard for AVM's outside of the appraisal process, since they are funded by private companies. Instead each provider proclaims they have a “unique” and of course, “highly accurate”, yet proprietary model to arrive at value.
- Providers will “value” nearly every residential property in the United States, whether it is available for sale or not and list them on their respective websites.
- These wide ranging values cause significant challenges when buyers and sellers are attempting to meet at a common ground on value.
- The AVM providers are using their “estimates” as advertising spaces, where they provide contact links to various agents who purchase positioning on these websites as “premier agents”.

[CONTACT AGENT](#)[SAVE](#)[SHARE](#)[HIDE](#)[GET UPDATES](#)[MORE](#) ▾

City, State, or Zip



8022 Sawmill Creek Dr, Darien, IL 60561

4 beds · 3 baths · 2,812 sqft

Stately sought-after Sawmill Creek beauty with amazing curb appeal, brick paver driveway leading to this meticulously maintained home with in-law arrangement possibilities! Light and bright eat in kitchen with wood cabinets, granite counters and black on black appliances. Living room with large window, vaulted ceilings and formal dining room. Floor to ceiling brick fireplace in Family Room, through the sliders you will find a deck and gorgeous brick paver patio with large semi tree lined yard....

[More](#) ▾

Facts and Features

Type
Single Family

Year Built
1986

Heating
Forced air

Cooling
Central

Parking
No Data

Lot
9,705 sqft

Days on Zillow

Price / sqft

Saves

● FOR SALE
\$449,999

Price cut: -\$9,889 (7/28)
Zestimate*: \$458,264

EST. MORTGAGE

\$1,665/mo

[Get pre-qualified](#)

CONTACT AGENT

John LeTourneau

Phone

john.letourneau@cbexchange.com

I am interested in 8022 Sawmill Creek Dr, Darien, IL 60561.

[Contact Agent](#)

I want financing information

Donna Glazer (30)
32 Recent sales
(630) 364-4292

LISTING AGENT

Sue Daley (17)
(630) 948-8092

PREMIER AGENT

Maureen Barrett (38)
29 Recent sales
(312) 248-6748

PREMIER AGENT

Jill Petranek (62)
35 Recent sales
(630) 352-3514

PREMIER AGENT

To Recap:

- Public facing AVM's are everywhere and rarely agree
- Their use as a lure to generate corporate profits has led to disruption in the real estate agent marketplace and confusion among consumers regarding market values.
- As the public's reliance on "big data" grows, the perception of the agent's ability to accurately price a property is being consistently diminished.
- Several large data companies, including Google, Amazon, and Zillow are all exploring creating their own real estate brokerages.
- Cooperation between use of AVM's and trusting a real estate professional is required to arrive at accurate and fair pricing.
- Data aggregators are acting like "The Bad Guy" as they are inserting themselves in the transaction as a "free" resource for homeowners while attempting to get all the gold by charging agents to advertise, while potentially competing with their own advertisers by offering brokerage services directly to property owners.

AVM's In The Sale/Appraisal Process: Good, Bad, and Ugly...

- In the US marketplace, the vast majority of home mortgages are guaranteed by one of 3 GSE's, or government sponsored agencies: FNMA (Fannie Mae) GNMA (Ginnie Mae), and FHLMC (Freddie Mac).
- These entities buy large numbers of mortgage loans from banks, package them in super sized bundles, and sell them in the secondary mortgage marketplace as what are commonly called Residential Mortgage Backed Securities, or RMBS.
- There are literally hundreds of ways they are packaged, titled, and sold; but the end result of this government interaction is to provide low cost credit to consumers, security and liquidity to the original lender, and to provide a relatively low risk investment for entities that buy the RMBS packages.
- This process, and the gross abuses regarding default risks that took place during the early 2000's are exactly what that film "The Big Short" is all about.

AMC's and AVM's Enter The Process

- The Dodd-Frank Act of 2010 requires the isolation of parties with a financial interest in a mortgage loan to reduce risk.
- Residential loans require the use of AMC's or Appraisal Management Companies. They are a buffer between the borrower and the lender, so that neither party can affect the appraisal in any way.
- When a borrower needs an appraisal, the bank charges the buyer for it, orders it from an AMC, who then selects the appraiser to complete the work. In many cases, the buyer isn't allowed to even see the appraisal, as they are not a party to it. This can cause some very uncomfortable conversations when representing a buyer in a transaction.
- The underwriting and valuation standards have also been modified to be more conservative, while mandating the use of AVM's at certain value points instead of a formal valuation by an appraiser.

So How Many “Automatic” Appraisals Will Happen?

- With a current total stock of 125 million households, it is projected that in the next 5 years approximately 75% of the residential transactions below \$250,000 and commercial transactions below \$400,000 in the United States will use an automated appraisal of some type.
- The primary model for valuation relies on use of the property tax assessor’s data, and supplements it with any incremental information that has been added over the years, including information from prior human appraisals.
- All of this data is compiled into a system called Realist, which is owned by CoreLogic.

Enter “The Bad Guy”

- CoreLogic owns companies that service the mortgage and valuation industry, including AMC's, human and automated appraisal software, property tax assessor's software, residential cost handbooks, flood zone and GIS mapping databases, and a host more.
- If the goal of Dodd Frank was to isolate the parties with a financial interest in the mortgage process, it's amazing that one company can operate in nearly every aspect of the process.
- Things get further complicated with recent lawsuits being filed against companies like Zillow for arbitrarily inflating or deflating values in a neighborhood. In both situations, the cases were dismissed, however the ruling was that AVM's were only “estimates” and could not be relied upon as a truly independent mark of value.

- With over 75% of the residential transactions in segments of the marketplace slated to use AVM's in the next 5 years, this presents a very challenging situation:
- The case law ruling AVM's as merely estimates breaks new ground, as it directly contravenes directives in various segments of the Dodd Frank regulations. The follow on effect of viewing AVM's as estimates is that the GSE's should not be able to purchase, bundle, or re-sell loans that do not fit their strict underwriting criteria.
- But they are doing it, and to the tune of billions of dollars, and the volume is only increasing.
- This wasn't the only ruling that muddied the waters on using AVM's....

- When an appraiser completes an appraisal, it contains a long series of legal boilerplate information stating that the entire body of the work is to be retained and viewed together; and that removal of any individual section or piece of the report will invalidate its findings.
- CoreLogic based companies receive and accumulate these appraisals across the country, and have done so for years. They then scrape certain data fields from this massive amount of information to arrive at AVM's for particular areas.
- This selective use of information from existing data sets is often in violation of the contract between the appraiser and the AMC who ordered it, as the report must be complete; however the agreement between the AMC and the lending institution or parent company CoreLogic allows this scraping.
- The end result is a very murky marketplace, with lawsuits flying back and forth between CoreLogic, the Federal government, appraisers, lenders, and occasionally, private citizens.

So What Does All This Mean?

- The practical and legislative landscape for the use of AVM's both inside and outside the sale process is truly in its infancy and will see significant practical and legal challenges in the coming years.
- Increasingly correlated data is a good thing on a global scale. Over time, AVM's will become more accurate as their modeling improves; however without an agreed upon standard, they will not provide true clarity to the marketplace.
- While some advocates are pushing for a strictly electronic system, the future is pointing towards a hybrid model, with the AVM being used as a basis for a final tweak by a "value expert" of some kind.
- The concept of licensed appraisers may also be made nearly redundant, as banks and financial institutions are offering to train paid staff to complete most of these tweaks and rely upon the law of averages to reduce their risk.
- Those owners who have properties that are exceptions to these algorithms will lead to greater lender risk.

So How Does The Movie End?



THANK YOU FOR
YOUR TIME TODAY..

JOHN LETOURNEAU

ENGAGEDSEMINARS, INC.

