

AVM Platforms: Getting Correspondents And Investors On The Same Page

Correspondents that understand their investors' preferences and automate AVM management will come out ahead.

By Arturo Garcia

The relationship between private investors and correspondent mortgage lenders is symbiotic, both benefiting and requiring contribution from each side of the equation.

For their part, private investors have breathed life into nonprime mortgage lending options, providing correspondent originators a variety of loan products to meet unique borrower circumstances. Conversely, correspondent lenders are expected to deliver loan packages conforming to their investors' underwriting guidelines.

Along with borrower credit scoring, collateral valuation is a top investor criteria for mitigating risk specific to second mortgages. In the event of default or foreclosure, investors are keen to offset their loss based on the validity of the proper-

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ty's market value and their ability to substantiate the value.

Investors have embraced automated valuation models (AVMs) as a viable, even preferable, alternative to full physical appraisals for these loans. However, as AVM products proliferate, differentiate and gain strength by region, state, county and ZIP code, investors have learned their relative strengths and weaknesses. They have also come to realize an underlying fluidity in valuation methodologies.

Heightened investor understanding and familiarity with AVM offerings have prompted increasingly strict underwriting requirements for valuations. Not only do investors require AVMs, but they also demand specific ones and may even want certain ones based on the target property's location.

Brokers, originators and correspondents alike feel the impact of investor compliance, but correspondents are particularly sensitive to its ebbs and flows, if for no other reason than the sheer size of their or-

ganizations. If something goes awry with a correspondent's investor relationships because of issues with valuation compliance, the ripple effect can be costly in more than a monetary sense.

Now, more than ever before, it is crucial for correspondent lenders to appreciate AVMs, gain an educated perspective on their use and validity, and determine a strategy for managing them in the context of investor guidelines. Correspondents that understand their investors' AVM preferences, automate the management of AVM selection, and apply what they learn to long-term business strategies will come out ahead.

Understanding preferences

There are quite a few AVMs available in the market today. Each offers its own methodology, its own perspective on the data points, governing algorithms, and geographic variables that comprise real estate valuation. Investors have a sophisticated understanding of these products and take their characteristics into account when determining the ideal AVM or combination of AVMs to arrive at the most accurate value possible.

Investors also engage in ongoing discovery and adjustment. Solid

