



February 25, 2009

The Honorable Timothy Geithner  
Secretary of the Treasury  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Re: Use of BPOs in the Homeowner Affordability and Stability Plan

Dear Secretary Geithner:

The National Association of BPO Professionals, NABPOP, is pleased to provide this letter in order to present the Treasury Department with information and suggestions regarding a real estate property pricing method that could be highly beneficial in connection with the Homeowner Affordability and Stability Plan, hereafter "the Plan". NABPOP commends the efforts of the Department of Treasury to address and resolve the current condition of the real estate industry and the overall economy. NABPOP is duty bound and honored to offer any assistance that is deemed necessary to that end.

It appears that the Plan will require valuation of distressed real estate properties in a variety of situations to include establishing a loan to value LTV ratio and/or to determine the amount of equity in a property. Historically, the most "recognized" method to determine a property value has been with a property appraisal; and, in many people's minds, an appraisal is the only method to determine a property value. NABPOP suggests including the use of a Broker Price Opinion, hereafter "BPO", as a property evaluation method in addition to appraisals. NABPOP advocates the widest use of valuation methods such as appraisals, BPOs, and Automated Valuation Models (AVMs). Although NABPOP advocates the widest use of valuation products, we will only discuss our area of specialization and expertise, BPOs.

A BPO is an opinion of probable selling price for a real estate property that is prepared by a licensed and experienced real estate broker or a sales agent acting on behalf of a broker. The fundamentals and methodology of a BPO have similarities to an appraisal. A BPO contains, but is not limited to, the probable selling price of the subject property derived from a comparable sales analysis (3 comparable sales and 3 comparable listings) with a probable subject selling price (including prices at varied time intervals), a drive by and/or interior inspection of the property complete with photos of the current property condition (to include damages, upgrades, etc.), commentary and analysis (trends, features, amenities etc...) of the subject market which includes the neighborhood, the local area, and state level. A BPO report is typically 2-3 pages.

A unique feature and the distinct advantage of a BPO is the fact that real estate agents and brokers deal directly with real estate buyers and sellers. As I'm sure you are aware, buyers (or lack of) have the greatest influence on any market and there isn't a group that is closer to real estate buyers than agents and/or brokers. To understand the buyer's mindset is to understand the needs of the market and therefore the price that the buyers are willing to pay. A BPO combines the science of valuation techniques and procedures with the art of knowing and experiencing buyers and the market.

A BPO is an ideal property price evaluation method in many circumstances. BPOs have a proven track record of reliability, accuracy, fast turnaround time, and cost effectiveness. Financial institutions have utilized BPOs for a myriad of evaluation needs for years and BPOs have established a recognized and trusted track record within the financial industry. Specifically to the Plan, the turnaround time and accuracy of BPOs would be very beneficial to executing the Plan. A typical BPO turnaround time is 3 days versus the typical turnaround time of an appraisal is 2 weeks. Additionally, the cost of a BPO is typically 1/3 the cost of an appraisal. If these typical numbers are applied to the sheer numbers represented by the Plan (millions), BPOs clearly offer tremendous logistical and economic advantages.

To address quality and professionalism, we feel that it is important to point out that there are professional organizations, such as NABPOP, specifically dedicated to the advancement of the BPO industry. NABPOP is a non-profit professional trade association comprised specifically of BPO practitioners. NABPOP maintains a set of BPO standards that are utilized throughout the industry. NABPOP tests for and grants a certification based on BPO practitioners' pricing knowledge and skills. Organizations that hire NABPOP BPO certified practitioners can rest assured that the BPO certified practitioners have the requisite knowledge and skills required to perform accurate and timely BPOs. Furthermore, members of NABPOP benefit from the professional advancement of robust BPO education and training, a stringent BPO certification process, BPO job resources, an association Code of Ethics, and networking that is offered through the association. We mention this because we believe these features benefit and raise the bar for the entire industry. NABPOP is dedicated to advancing the professionalism and competency of BPO practitioners therefore elevating the BPO industry and, in part, the real estate valuation industry. Although the priority of NABPOP is the association members, NABPOP also advocates BPO practitioners industry wide, regardless of affiliation, and any reference to "BPO practitioner" includes members and non-members.

NABPOP would like to suggest that rather than regulate financial institutions on the valuation product to use, we instead suggest providing guidelines and allowing the financial institution to choose the most appropriate valuation product (appraisal, BPO, or AVM) on their own accord. Due to the fact that there are so many variables, flexibility is key in determining the appropriate valuation technique. To attempt to regulate, would be like trying to direct, in advance, every turn on a road trip. To give guidelines would be like giving trip directions and then the driver can make the appropriate turns as the road dictates.

To avoid any undue influence, NABPOP would like to point out that there are various organizations that adamantly oppose the use of BPOs and AVMs in any and all situations. Unfortunately, these anti-BPO groups lobby lawmakers to restrict and/or make the use and practice of BPOs and AVMs illegal both on the state and federal levels. NABPOP and organizations such as the Real Estate Valuation Advocacy Association (REVAA) are continuously trying to raise awareness and advocate the widest use of valuation methods. The bottom line is that a valuation provides information and we firmly believe that this great country is best served by providing for a wider array of information as opposed to limiting the information available.

NABPOP would like to further suggest that if BPOs are overlooked in the Plan, there simply are not enough active appraisers in order to accomplish the Plan in a timely manner. There are millions of properties that the Plan will affect. Taking a very large part of the valuation work force out of the equation by overlooking BPOs would cause a tremendous back log, increase costs, and quality will drop. An economic precept

indicates that when demand (the number of valuations needed) exceeds supply (the number of appraisers), then turn around time increases (not enough suppliers to cover demand), cost increases (suppliers can charge more and get it), and quality diminishes (suppliers don't have to compete to get work as there is plenty of work to be had).

We want to be clear that NABPOP is not suggesting that BPOs should be used across the board. We are suggesting that the most effective and efficient method should be used. That being said, the "majority" of houses in the US can be effectively evaluated using BPOs as there is enough market data (for the majority of houses) to support the requirements to produce an accurate price opinion. The outliers are most likely better served by the use of an appraisal. From a supplier numbers perspective, this strikes a sensible balance and we essentially see this currently in practice. Currently, if you pooled appraisers and BPO practitioners together to represent valuation suppliers, the majority of suppliers are BPO practitioners. Utilizing the majority (BPOs) for a majority of valuation work makes sense. From a supplier numbers perspective and the availability of broker/agents versus appraisers; this strikes a very good balance and provides enough competition amongst the valuation pool to maintain a high level of quality and fast turnaround time. To remove any one of these elements (such as BPO practitioners) would disrupt this established market driven balance.

In closing, NABPOP supports the Plan. To overlook the use of BPOs or to give in to the pressure of organizations opposing BPO utilization would prove to be detrimental public policy. BPOs have an established track record for reliability, accuracy, and turnaround time. Loan servicers have utilized BPOs to make sound and adequately supported loan decisions for many years. The people of this great nation would be best served if BPOs are utilized to execute the Homeowner Affordability and Stability Plan.

If you have any questions, comments, concerns and/or would like further input, please do not hesitate to contact the undersigned at e-mail [Michael.Ramer@NABPOP.com](mailto:Michael.Ramer@NABPOP.com) or 800-767-0743 xt. 300.

Thank You for the opportunity to provide comments and input.

Sincerely,



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