whenfresh

CLS

VERIFY AIVM

The Automated *Insured* Valuation Model - From WhenFresh & CLS

The ground-breaking **VERIFY AIVM** (Automated Insured Valuation Model) is now available and, for the first time, enables UK mortgage/re-mortgage lenders to obtain an instant, accurate valuation for virtually any UK residential property, without the need for a physical survey – **uniquely, backed by AA-rated insurance.**

The VERIFY AIVM is the result of a collaboration between UK residential property data experts **WhenFresh** and the insurance and data market leaders **CLS**. CLS are managing a panel of AA-rated insurers bringing billions of pounds of cover to this new and exciting property valuation market.

The Challenge

For Lenders, running credit checks on mortgage applicant(s) was automated many years ago, but the process of checking and valuing a property has progressed little in recent years. In the vast majority of cases, the Lender has to send out a surveyor to physically visit and value each property. This is a lengthy, costly process for the Lender which must be undertaken whether or not a mortgage offer is subsequently made or accepted.

For consumers, securing a mortgage offer for a property has also been an arduous and uncertain 3-4 week process, often contributing to chains breaking down and generally making the movement of properties a cumbersome, inefficient process, with technical advancement long overdue.

The Solution

The VERIFY AIVM has been created by WhenFresh & CLS to provide Lenders and Mortgage Brokers with instant, accurate, _insured_ property valuations without the need to physically survey the property, for as many as 80% of mortgage and remortgage applications.

As well as being the long overdue technical advancement needed to streamline and simplify the mortgage process for all parties, while the country is cautiously easing out of lockdown, VERIFY AIVM is a timely alternative to the traditional process of a surveyor/valuer having to visit a property to undertake a physical survey – especially as that process has been undermined by the RICS stating that the conditions in the housing market mean valuations by its own members are no longer "reliable".

How VERIFY AIVM works

For each mortgage application, we check the property against the bank's lending rules and screen out those that do not meet base lending criteria, to avoid unnecessary time/cost in processing the application further, e.g. if the property is in a high flood risk area. The vast majority of applications pass this first stage, then 3 separate values are triangulated:

The value produced by WhenFresh's proprietary **Virtual Survey Model** (**VSM**), built on analysis of the particular micro-characteristics and aspect of the property in question: e.g. does a bus stop, playground, or other things visible from the front door of the property affect the price?

The WhenFresh **Estimated Price Model** (**EPM**) looks at the local area market characteristics and seeks out trends and behaviours in sales, e.g. are agents reducing prices, how long do things take to sell, what is the land registry price paid number and how does this affect the price.

The **AVM** is a standard price indexed model based on property characteristics and similar comparables and their behaviour over time: e.g. a 3 bedroom house in the village typically sells for what?
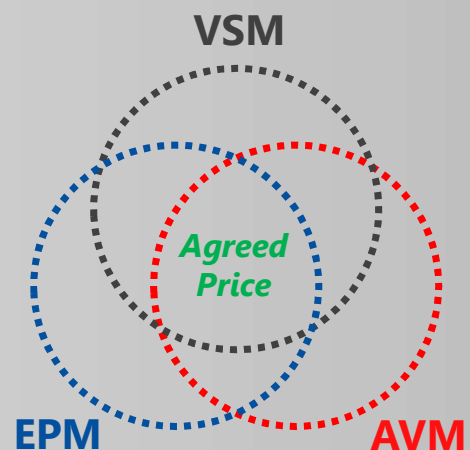
Finally, the price agreed between buyer & seller is placed in the middle and, if all 3 models overlap that number within tolerance limits, then you have yourself the correct price and the valuation can be insured.

VSM

Agreed Price

EPM   AVM

VERÍFY AIVM

The Automated *Insured* Valuation Model - From WhenFresh & CLS

WhenFresh VSM (Virtual Survey Model)

The WhenFresh VSM has been developed by our in-house data science team using years of historical property market data, advanced temporal analytics, various micro-area influences and current market data to provide individual property-level valuations in real-time with a high degree of accuracy and confidence.

Over 24 months of testing in partnership with several key lenders, our partner insurers actuarial teams analysed the valuations predicted by the WhenFresh VSM against actual property transactions reported via Land Registry data. The conclusion was that the **VERIFY AIVM delivered an accuracy rate of 99.2%.**

The VSM, EPM & AVM figures are then triangulated against the agreed sale price and, when they match within acceptable tolerance levels, the VERIFY AIVM service delivers the property valuation, underwritten by AA-Rated insurance, so the Lender can proceed with the mortgage/re-mortgage offer with full confidence.

In the event that the triangulation does not create a satisfactory match, or if the VERIFY AIVM process identifies other issues which need further investigation, such cases are handled by exception.

In such cases, the Lender may need to consider offering a lower mortgage amount or arranging a streamlined physical survey to just check 2 specific points about the property, for example.

However, for the vast majority of cases, as well as enabling the Lender to decide whether to offer a mortgage on a property almost instantly (without the delay and cost of a physical survey, whatever the outcome) the VERIFY AIVM solution fully indemnifies the lender against future loss, as the valuation is backed by AA-Rated insurance.

Valuation Insurance Example

The VERIFY AIVM produces an insured valuation on a property for a Lender, facilitating a mortgage offer which is accepted and used to buy the property.

Some time later, the mortgage goes into default and the Lender has to repossess the property and sell it, to recover as much money as possible.

In the event that the returns from the disposal sale fall short of the insured valuation, the Lender claims the difference (minus the agreed excess) from the AA-rated insurance that underpins VERIFY AIVM.
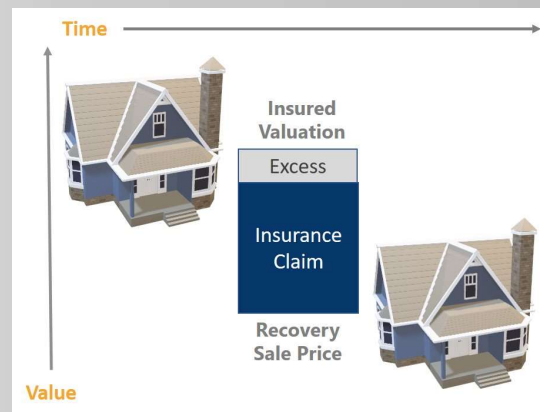
VERIFY AIVM License Costs

The costs for using the VERIFY AIVM service are dependent on a number of loan book performance factors. To find out more please call WhenFresh on +44 (0)20 7993 5818 or visit www.WhenFresh.com and complete the short enquiry form.

WhenFresh

WhenFresh is an award-winning, leading supplier of UK residential property data & related services to lenders, insurers, financial institutions & other big data users.

www.WhenFresh.com

CLS

CLS is one of the UK's top MGAs and combines data, technology and insurance expertise to design solutions throughout the property life cycle for the UK & European markets.

www.CLSL.co.uk