

# Appraisal and Evaluation Values Land in the Same Zipcode

👤 RANDY FUCHS 📅 July 7, 2021

Small-balance CRE lenders periodically revisit their internal appraisal and evaluation policies for compliance with agency guidelines but, importantly, also with an eye on where they may better contain operating costs and improve their services to borrowers.



Towards that end, Boxwood's FieldSmart Evaluation services were recently under consideration by an \$8 billion-asset bank that had been relying heavily on USPAP Appraisals. The bank wanted to get more comfortable with the prospect of using our evaluations, and their pivotal question was whether FieldSmart Evaluations would yield values in the same range of Appraisals.

Because this basic question arises from time to time, I've excerpted the gist of our response here:

*Yes, we expect comparative values between Appraisals and FieldSmart Evaluations to be roughly equivalent or in the 'same zipcode' so to speak. But note an important caveat:*

*While USPAP Appraisals may be generally considered the "gold standard" for valuing CRE properties, it's not exactly a fair or "apples-to-apples" comparison to match Appraisal and Commercial Evaluation results for two principal reasons:*

*(a) Appraisal quality varies with the professional conducting the assignment, i.e., no two appraisers are necessarily equally competent; hence there is no assurance that they will produce a similar valuation conclusion on the same property. This creates an inherent error rate that reduces the effectiveness or validity of comparing an Appraisal against another Appraisal, or against an Evaluation.*

*(b) As you know, CRE market conditions change over time, as do subject property uses, occupancy and physical condition, all of which have an impact on valuation. As a result, depending on the magnitude of changes over the designated time (e.g., since loan origination) it's a bit of a false equivalency or test, and assume that a valuation today produced by a Commercial Evaluation will be very close to a prior Appraisal.*

*That said, it's our expectation - and track record with hundreds of banks - that our FieldSmart Evaluations get the job done reliably and do not introduce new levels of credit risk for clients.*

We can say "reliably" because Boxwood is the only CRE property valuations firm in the country that voluntarily tests the performance of our evaluations. And the valuation results back up our claim. You can read about our most recent validation study [here](#).

To learn more why small-balance bank and nonbank lenders turn to Boxwood's FieldSmart Evaluations, contact us below. Let's start a conversation.