

Appraisal Review: Analyzing the 1004



essentials
Training Program

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Note: These training materials present content that we believe is consistent with mortgage industry practices. They are not designed to provide training on any particular set of underwriting guidelines that may be issued by mortgage originators, investors or insurers, including Essent. Accordingly, these materials should not be viewed or utilized as a substitute for direct reference to applicable rules, guidelines, regulations, and laws as they may relate to any specific lending institution, investor or insurer. Where illustrative scenarios are offered, the names and titles we use are purely fictitious and are not intended to represent any real persons or financial institutions

The Purpose of the Appraisal

1. Property value can affect the borrower's _____ to pay, making it crucial that underwriter and automated underwriting analyst understand the appraisal process.

Mortgage lenders require an appraisal for two reasons:

- The appraisal provides an estimate of the property's current _____. The property is collateral for the loan and in the worst situation, the lender may have to foreclose and sell the property to satisfy the debt. It is important to have a professional's opinion of the property's value.
- The appraisal provides a commentary of possible _____. The appraiser should note anything that might make the property difficult to sell.

Define Market Value

Market Value of real estate is defined (as listed on the 1004 Form) as the most probable price that a property should bring in a _____ and _____ market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the passing of title from seller to buyer under conditions whereby:

1. The buyer and seller are typically _____.
2. The buyer and seller are _____ or well advised and each acting in what he or she considers his or her own best interest.
3. A _____ time is allowed for exposure in the open market.
4. Payment is made in terms of cash in _____ dollars or in terms of financial arrangements comparable thereto;
5. The price represents the normal consideration for the property sold unaffected by special or creative _____ granted by anyone associated with the sale.

Scenario 1 (John Johnson report) - 1004 Uniform Residential Appraisal Report

Sections of the 1004

Photos/Location Map (addenda)

1. Does the subject appear to need repairs?
2. Do the comps appear to be similar to the subject in appearance/design and condition?
3. Do the photos and map of the subject coincide with the descriptions in the neighborhood section with regard to built up/density compared to location (urban, suburban, rural)?
4. Does the street view show any negative external influences?
5. Is the subject and/or comps located near any external influences (highways, railroad tracks, mountain, golf course, etc.)?
6. Are the comps located near any external influences?

Excerpt from GSE guidelines regarding required exhibits for appraisals:

The following exhibits must accompany appraisals with interior and exterior property inspections:

- An exterior building sketch that indicates the dimensions.
- Calculations demonstrating how the estimate for gross living area is derived.
- A street map that shows the location of the subject property and of all comparables that the appraiser used.
- Clear, descriptive, original photographs showing the front, back, and a street scene of the subject property and the front of each comparable sale.
- Interior photographs, which must, at a minimum, include:
 - the kitchen;
 - all bathrooms;
 - main living area;
 - examples of physical deterioration, if present; and
 - examples of recent updates, such as restoration, remodeling, and renovation, if present.
- *Single-Family Comparable Rent Schedule* (Form 1007), if the property is a one-unit investment property and the borrower is using rental income to qualify. Otherwise, Form 1007 is not required. (The lender may obtain this form for the purpose of reporting gross monthly rent at delivery. See A3-4-02, Data Quality and Integrity (06/26/2012).)
- any other data—as an attachment or addendum to the appraisal report form—that are necessary to provide an adequately supported opinion of market value.

Subject

This section identifies the subject property:

Uniform Residential Appraisal Report				File # Johnson
The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.				
Property Address	356 Lowe St	City	Waynesville	State NC Zip Code 28786
Borrower	John Johnson	Owner of Public Record	Sandy Smith	County Haywood
Legal Description	Book 798 Page 437			
Assessor's Parcel #	004-978347	Tax Year	2011	R.E. Taxes \$ 324
Neighborhood Name	Farmer's Plot	Map Reference	5730.49	Census Tract 37-087-1479
Occupant	<input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input checked="" type="checkbox"/> Vacant	Special Assessments	\$ 0	<input type="checkbox"/> PUD <input type="checkbox"/> HOA \$ 0 <input type="checkbox"/> per year <input type="checkbox"/> per month
Property Rights Appraised	<input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)			
Assignment Type	<input checked="" type="checkbox"/> Purchase Transaction <input type="checkbox"/> Refinance Transaction <input type="checkbox"/> Other (describe)			
Lender/Client	First Mortgage Company	Address	729 Hendersonville Road Waynesville NC 28786	
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				
Report data source(s) used, offering price(s), and date(s). DOM 86; Subject property was offered for sale on 02/01/2012 for \$97,000. The data source is MLS#12345678.				

7. Does the property address match the loan application and the sales contract (if applicable)?
8. Is the owner of record consistent with the loan file documentation?
9. Are the property rights appraised fee simple?

Fee Simple is the greatest possible interest a person can have in real estate, including the right to dispose of the property or pass it on to one's heirs.

Leasehold is an estate or interest in real property held by virtue of a lease. The borrowers own the structures not the land.

10. Is the subject property located in a PUD or CONDO Project?
11. Does the special assessments field contain an amount?
12. Does the amount of monthly taxes listed on the appraisal support the amount shown in the PITIA amount?
13. Has the subject been listed for sales within the 12 months preceding the appraisal date?

Contract

C O N T R A C T	I <input checked="" type="checkbox"/> did <input type="checkbox"/> did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed. Arms length sale;The sales contract is typical for the area with no unusual provisions that have an effect on the sale price of the subject property.			
	Contract Price \$ 91,500 Date of Contract 06/01/2012 Is the property seller the owner of public record? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Data Source(s) Assessor's Record			
	Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
	If Yes, report the total dollar amount and describe the items to be paid. \$2500;;Seller paid closing costs			

14. Did the appraiser review the sales contract?

15. Does the information in this section of the appraisal agree with the information on sales contract?

16. Are there any indicated seller concessions?

Neighborhood

This section describes the neighborhood and the immediate surroundings of the subject property.

Note: Race and the racial composition of the neighborhood are not appraisal factors.													
N E I G H B O R H O O D	Neighborhood Characteristics			One-Unit Housing Trends			One-Unit Housing		Present Land Use %				
	Location	<input type="checkbox"/> Urban	<input checked="" type="checkbox"/> Suburban	<input type="checkbox"/> Rural	Property Values	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining	PRICE	AGE	One-Unit	60%	
	Built-Up	<input type="checkbox"/> Over 75%	<input checked="" type="checkbox"/> 25-75%	<input type="checkbox"/> Under 25%	Demand/Supply	<input type="checkbox"/> Shortage	<input checked="" type="checkbox"/> In Balance	<input type="checkbox"/> Over Supply	\$ (000)	(yrs)	2-4 Unit	%	
	Growth	<input type="checkbox"/> Rapid	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Slow	Marketing Time	<input type="checkbox"/> Under 3 mths	<input checked="" type="checkbox"/> 3-6 mths	<input type="checkbox"/> Over 6 mths	40	Low	New	Multi-Family	%
	Neighborhood Boundaries							350	High	80	Commercial	%	
US 74 to the West, Walnut St to the North, Main St to the East, Hyatt Creek Rd to the South.							120	Pred.	25	Other	40%		
Neighborhood Description													
The subject is located in the Waynesville/Hazelwood area. The neighborhood consists of typical suburban mix with newer homes, some manufactured homes, and some vacant land. The subject is conforming in quality and condition for the area.													
Market Conditions (including support for the above conclusions)													

NOTE:

Keep in mind one question: *Is this feature or characteristic typical for this area?*

The Appraiser should be looking for and communicating any major trends that influence marketability of properties in that neighborhood. Negative trends must be reported so that an accurate determination of the risk of the loan may be made.

17. Is the location rural?

18. Does the location designation match what the map reflects (urban, suburban, rural)?

19. Is the neighborhood less than 25% built up?

20. Are property values declining?

21. Does the demand/supply reflect an over supply?

22. Is the marketing time more than six months?

23. Purchase transactions – is the sales price within the neighborhood price range?

NOTE:

The comment sections are an important element in determining the final value of the property. Be sure to read them carefully.

24. Are there any land use changes (i.e. residential to commercial)?

25. Are the appraiser's comments consistent with the other neighborhood information?

The Neighborhood Analysis section of the appraisal requires physical inspection. It may require the appraiser to go beyond the boundaries of a particular development to comment on the trends of the area in general.

The neighborhood identified by the appraiser will help describe the location of comparable properties used later to complete the Sales Comparison Analysis Section.

Exercise 1: Neighborhood Analysis

Review the neighborhood sample below and answer the questions.

Assume Sales Price = \$50,000

Note: Race and the racial composition of the neighborhood are not appraisal factors.													
Neighborhood Characteristics				One-Unit Housing Trends				One-Unit Housing		Present Land Use %			
N E I G H B O R H O O D	Location	<input checked="" type="checkbox"/> Urban	<input type="checkbox"/> Suburban	<input type="checkbox"/> Rural	Property Values	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input checked="" type="checkbox"/> Declining	PRICE	AGE	One-Unit	10%	
	Built-Up	<input checked="" type="checkbox"/> Over 75%	<input type="checkbox"/> 25-75%	<input type="checkbox"/> Under 25%	Demand/Supply	<input type="checkbox"/> Shortage	<input type="checkbox"/> In Balance	<input checked="" type="checkbox"/> Over Supply	\$ (000)	(yrs)	2-4 Unit	75%	
	Growth	<input type="checkbox"/> Rapid	<input type="checkbox"/> Stable	<input checked="" type="checkbox"/> Slow	Marketing Time	<input type="checkbox"/> Under 3 mths	<input type="checkbox"/> 3-6 mths	<input checked="" type="checkbox"/> Over 6 mths	40	Low	12	Multi-Family	5%
	Neighborhood Boundaries								75	High	30	Commercial	10%
	Miles River to the West and to the North, Interstate construction to the West and South								55	Pred.	16	Other	%
	Neighborhood Description												
	The area is well established; however is currently affected by high traffic due to interstate construction. Subject is close to downtown employment centers and citywide rapid transit.												
	Market Conditions (including support for the above conclusions)												
	Lengthy marketing time reflects a negative impact of interstate highway construction. Commercial as well as light industrial intrusion into neighborhood is occurring.												

- Is the location rural?
- Does the location designation match what the map reflects (urban, suburban, rural)?
- Is the neighborhood less than 25% built up?
- Are property values declining?
- Does demand/supply reflect an over supply?
- What is the market time for this property?
- Is the sale price within the neighborhood price range?
- Are there any land use changes (i.e. residential to commercial)?

Site

This section compares the physical site of the subject property to others in the neighborhood.

SITE	Dimensions see attached tax survey plat		Area 12197 sf	Shape irregular	View N,Res	
	Specific Zoning Classification R-1		Zoning Description Single family residential			
	Zoning Compliance <input checked="" type="checkbox"/> Legal <input type="checkbox"/> Legal Nonconforming (Grandfathered Use) <input type="checkbox"/> No Zoning <input type="checkbox"/> Illegal (describe)					
	Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, describe					
	Utilities		Public	Other (describe)	Public	Other (describe)
	Electricity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Water	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gas	<input type="checkbox"/>	<input type="checkbox"/>	Sanitary Sewer	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	FEMA Special Flood Hazard Area		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	FEMA Flood Zone A-5	FEMA Map # 370123 0002 B	FEMA Map Date 01/06/1983
	Are the utilities and off-site improvements typical for the market area?		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	If No, describe		
	Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, describe					

The site of the subject property includes more than the neighborhood. The site includes the legal and practical uses of the property. It is expected that the site of the property should enhance the value of the property, rather than take away from the value of the property. The line entries help establish the effect on marketability of the site.

NOTE:

Property that is not being used for the intent for which it has been zoned typically will have fixed marketability. There may be investor requirements or guidelines that you must consider when interpreting the property zoning information

26. Does the site area meet the lender's guidelines (i.e. maximum acreage limitations)?

27. Is the zoning classified as legal non-conforming, illegal?

28. Is the present use indicated to be the highest and best use as improved?

29. Is the property located on a private road?

NOTE:

Read all *Comments* sections carefully. Important facts and explanations may be included in these sections.

30. Are there any negative comments in the site section?

Improvements

This section describes the structure and any unique features of the subject property.

I M P R O V E M E N T S	General Description		Foundation		Exterior Description materials/condition		Interior materials/condition	
	Units <input checked="" type="checkbox"/> One <input type="checkbox"/> One with Accessory Unit	<input checked="" type="checkbox"/> Concrete Slab <input checked="" type="checkbox"/> Crawl Space			Foundation Walls block/avg		Floors crpt/vinyl/avg	
	# of Stories 1.00	<input type="checkbox"/> Full Basement <input type="checkbox"/> Partial Basement		Exterior Walls vinyl/avg		Walls drywall/avg		
	Type <input checked="" type="checkbox"/> Det. <input type="checkbox"/> Att. <input type="checkbox"/> S-Det./End Unit	Basement Area	0 sq. ft.	Roof Surface asphalt/avg		Trim/Finish wood/avg		
	<input checked="" type="checkbox"/> Existing <input type="checkbox"/> Proposed <input type="checkbox"/> Under Const.	Basement Finish	0 %	Gutters & Downspouts front and rear		Bath Floor vinyl/avg		
	Design (Style) Rambler	<input type="checkbox"/> Outside Entry/Exit <input type="checkbox"/> Sump Pump		Window Type d-hung/avg		Bath Wainscot none		
	Year Built 1968	Evidence of <input type="checkbox"/> Infestation		Storm Sash/Insulated yes/avg		Car Storage <input type="checkbox"/> None		
	Effective Age (Yrs) 20	<input type="checkbox"/> Dampness <input type="checkbox"/> Settlement		Screens yes/avg		<input checked="" type="checkbox"/> Driveway # of Cars 2		
	Attic <input type="checkbox"/> None	Heating <input checked="" type="checkbox"/> FWA <input type="checkbox"/> HWBB <input type="checkbox"/> Radiant	Amenities <input type="checkbox"/> Woodstove(s) # 0		Driveway Surface			
	<input checked="" type="checkbox"/> Drop Stair <input type="checkbox"/> Stairs	<input type="checkbox"/> Other	Fuel Oil	<input type="checkbox"/> Fireplace(s) # 0	<input checked="" type="checkbox"/> Fence	<input type="checkbox"/> Garage # of Cars 0		
<input type="checkbox"/> Floor <input type="checkbox"/> Scuttle	Cooling <input type="checkbox"/> Central Air Conditioning		<input type="checkbox"/> Patio/Deck	<input checked="" type="checkbox"/> Porch	<input checked="" type="checkbox"/> Carport # of Cars 1			
<input type="checkbox"/> Finished <input type="checkbox"/> Heated	<input type="checkbox"/> Individual	<input checked="" type="checkbox"/> Other None	<input type="checkbox"/> Pool	<input type="checkbox"/> Other	<input type="checkbox"/> Att. <input type="checkbox"/> Det. <input type="checkbox"/> Built-in			
Appliances <input checked="" type="checkbox"/> Refrigerator <input type="checkbox"/> Range/Oven <input type="checkbox"/> Dishwasher <input type="checkbox"/> Disposal <input type="checkbox"/> Microwave <input type="checkbox"/> Washer/Dryer <input type="checkbox"/> Other (describe)								
Finished area above grade contains: 5 Rooms 3 Bedrooms 1.1 Bath(s) 1040 Square Feet of Gross Living Area Above Grade								
Additional features (special energy efficient items, etc.)								
Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.).								
C3;Kitchen-updated-eleven to fifteen years ago;Bathrooms-updated-six to ten years ago;The subject property has been maintained with maintenance which is reflective of the subject's effective age. The house was in average condition at the time of inspection and there were no repairs needed at the time of inspection. No functional or external depreciation was noted at the time of inspection.								
Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, describe								
Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, describe								

31. Is there a difference between the actual age of the property and the effective age that caused the appraiser to make an adjustment?

32. Is there an indication of foundation dampness, settlement or infestation?

33. Does the room count and GLA (gross living area) agree with page two of the report and the building sketch?

34. Does the interior condition description reflect any "fair, poor or inadequate" ratings?

35. Are there any negative comments in the improvements section?

The Comments section located at the bottom of the URAR requires the appraiser's input on:

- Additional features that improve the value of the property
- Condition of the improvements – look for the “C” rating
- Physical deficiencies or adverse environmental conditions that affect the property

Each line should provide some level of detail to show that the appraiser has addressed this consideration while making the report.

(refer to Uniform Appraisal Data Set (UAD) job aid as needed)

Valuation

There are three approaches the appraiser uses to estimate value for the subject property on the 1004:

1. The _____ identifies competing properties in the same or similar neighborhoods that have recently sold.
2. The _____ derives the value of the property by adding the current cost of constructing the improvements to the value of the land and subtracting depreciation.
3. The _____ estimates value based on the property's ability to generate income.

Sales Comparison Approach

This approach compares the subject property to three other like properties in order to support the final value assigned.

Fannie Mae: For properties in new or recently converted subdivisions, condos, or PUDs, the appraiser must select one comparable from the subject's subdivision or project and one comparable from outside of the project. The third comparable can be from inside or outside the project provided it is a good indicator of value for the subject property.

Freddie Mac: For properties in new subdivisions or projects the appraiser must use at least one comparable sale that is outside of the influence of the developer, builder, or property seller. This can either be a comparable property located outside of the subdivision or project or a resale within the subdivision/project

The subject property is described in the first column to the left of the form. Be sure that the description shown here matches the room count, square footage, etc. shown on the first page in the improvements section.

The appraiser must select at least 3 properties that compare to the subject in terms of design, condition, location, and market appeal.

Adjustments are made based on the differences between these comparables and the subject property.

There can be adjustments for location, date of sale, and the physical characteristic of the properties. The subject property is the standard against which the comparable sales are evaluated and adjusted. The appraiser will assign a dollar value to reflect the market's reaction (not necessarily the cost of the difference) to any features of the comparable sales that differ from those of the subject property.

Note: Adjustments for terms and conditions of the sale are made based on effect on comp's sales price not based on a comparison to the subject.

Value Adjustment Example 1

	Subject	Comp #1	Comp #2	Comp #3
2 car garage	Yes	No	Yes	No
What to do		Add value of 2 car garage	Add, subtract nothing	Add value of 2 car garage

Just as you would add to the value of a comparable property to justify an increase in the value of the subject, you must subtract from the value of the comparable property whenever it includes a feature not present in the subject.

Value Adjustment Example 2

	Subject	Comp #1	Comp #2	Comp #3
Swimming Pool	No	No	Yes	Yes
What to do				

As you look at the sales comparison grid, ask yourself the following questions to see if the appraiser has indeed located good comparables:

Uniform Residential Appraisal Report										File # Johnson	
There are 2 comparable properties currently offered for sale in the subject neighborhood ranging in price from \$ 55,000										to \$ 110,000.	
There are 9 comparable sales in the subject neighborhood within the past twelve months ranging in sale price from \$ 50,000										to \$150,000.	
FEATURE		SUBJECT		COMPARABLE SALE # 1			COMPARABLE SALE # 2			COMPARABLE SALE # 3	
Address 356 Lowe St. Waynesville, NC 28786				125 Blue Devil Dr Waynesville, NC 28786			177 Blue Devil Dr Waynesville, NC 28786			108 Walnut St Waynesville, NC 28786	
Proximity to Subject				0.16 miles E			0.11 miles E			0.76 miles NW	
Sale Price		\$ 91,500		\$ 130,000			\$ 79,000			\$ 102,000	
Sale Price/Gross Liv. Area		\$ 87.98 sq. ft.		\$ 110.92 sq. ft.			\$ 87.78 sq. ft.			\$ 85.28 sq. ft.	
Data Source(s)				MLS#98765432;DOM 125			MLS#5647382;DOM 67			MLS#92837465;DOM 161	
Verification Source(s)				Listing Agent, Deed #939496			Selling Agent, Deed #1212122			Listing Agent, Deed #943012	
VALUE ADJUSTMENTS		DESCRIPTION		DESCRIPTION		+(-) \$ Adjustment		DESCRIPTION		+(-) \$ Adjustment	
Sale or Financing Concessions				ArmLth Conv;0				REO FHA;0			
Date of Sale/Time				s04/12;c02/12				s10/12;c07/12			
Location		N;Res		N;Res				N;Res			
Leasehold/Fee Simple		Fee Simple		Fee Simple				Fee Simple			
Site		12197 sf		10454 sf				7405 sf		880	
View		N;Res		N;Res				N;Res			
Design (Style)		Rambler		Rambler				Rambler			
Quality of Construction		Q4		Q4				Q4		880	
Actual Age		37		47				57		~70	
Condition		C3		C2		-2,000		C3			
Above Grade		Total Bdrms. Baths		Total Bdrms. Baths				Total Bdrms. Baths			
Room Count		5 3 1.1		6 3 1		1,500		5 2 1		1,500	
Gross Living Area		1040 sq. ft.		1172 sq. ft.		-3,300		900 sq. ft.		3,500	
Basement & Finished		0sf		1392sf0sfwu		-11,136		0sf			
Rooms Below Grade											
Functional Utility		Average		Average				Average			
Heating/Cooling		FWA/none		ht pump/ac		-1,500		FWA/none			
Energy Efficient Items		None		None				None			
Garage/Carport		1/c/carport		1/c/gar		-8,000		1/c/carport			
Porch/Patio/Deck		Porch		porch/deck		-1,000		porch			
Fence,Pool, etc...		Fencing/outbuilding		outbuilding		500		none		1,500	
Net Adjustment (Total)				<input type="checkbox"/> + <input checked="" type="checkbox"/> -		-\$24,936		<input checked="" type="checkbox"/> + <input type="checkbox"/> -		\$7,380	
Adjusted Sale Price of Comparables				Net Adj. -19%				Net Adj. 9.3%			
				Gross Adj. 22%		\$ 105,064		Gross Adj. 9.3%		\$ 86,380	
								Net Adj. -3%			
								Gross Adj. 16.6%		\$ 98,300	

36. Did the appraiser indicate number of comparable properties currently listed and sold in the neighborhood?
37. Is the source of data acceptable?
38. Are the comparable sales located within subject neighborhood based on the location (urban, suburban, rural)?
39. Are there three comparable sales that have closed within 6 months of the appraisal date?
40. Is property in a new subdivision or a new (or recently converted) condo or PUD project?
41. Are the comparables similar to the subject? Compare the locations, designs, gross living areas, room counts, ages, conditions and other amenities of the comparables to the subject.
42. Is our subject a Non-Traditional/Atypical home (Log, Earth, Geodesic)?

Adjustments:

- Are any line adjustments to the comparables greater than 10%?
- Does the total net adjustment for any comparable exceed 15%?
- Does the total gross adjustment for any comparable exceed 25%?

Sales/transfer history of subject property and comparables

<input checked="" type="checkbox"/> did <input type="checkbox"/> did not research the sale or transfer history of the subject property and comparable sales. If not, explain				
My research <input type="checkbox"/> did <input checked="" type="checkbox"/> did not reveal any prior sales or transfers of the subject property for the three years prior to the effective date of this appraisal.				
Data source(s) MLS				
My research <input type="checkbox"/> did <input checked="" type="checkbox"/> did not reveal any prior sales or transfers of the comparable sales for the year prior to the date of sale of the comparable sale.				
Data source(s)				
Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).				
ITEM	SUBJECT	COMPARABLE SALE # 1	COMPARABLE SALE # 2	COMPARABLE SALE # 3
Date of Prior Sale/Transfer				
Price of Prior Sale/Transfer				
Data Source(s)	MLS, County Recorder	MLS, County Recorder	MLC, County Recorder	MLS, County Recorder
Effective Date of Data Source(s)	07/01/2012	07/01/2012	07/01/2012	07/01/2012
Analysis of prior sale or transfer history of the subject property and comparable sales				
No prior sales of the subject property within the past 3 years or comparable sales for the year prior to the date of sale of the comparable sale.				
Summary of Sales Comparison Approach				
All sales used were of similar style and age homes. There is an undesired spread in adjusted values and could not be avoided due to the limited similar comparables available. Additional amenities for which marginal value contribution were downwardly and differences in gross living area, age and location. Because of the limited number of sales, it was necessary to go beyond six months and one mile for sales, although staying within similar market areas. The comparables used were the best available in the area. After adjustments which stayed within guidelines for net and gross, the data was reconciled and an opinion of Market Value was determined.				
Indicated Value by Sales Comparison Approach \$				
Indicated Value by: Sales Comparison Approach \$ 92,500 Cost Approach (if developed) \$ Income Approach (if developed) \$				

43. Has the subject had any prior sales within the 36 months preceding the effective date of appraisal?

44. Have the comps had any prior sales within the 12 months preceding the date of the comparable sale?

Adjustments are likely to be beyond satisfactory limits when marketing times are long and/or there are limited recent sales to choose from.

Below the Sales Comparison grid there is another grid in which the appraiser must identify any prior sales of the subject property for the prior three years prior to the effective date of the appraisal and the comparable properties that occurred for the year prior to the date of sale of the comparable sale. Recent sales could provide information regarding the stability of the neighborhood or marketability of the subject property. Information regarding the sales price and data source used to obtain the data must be provided. If there are any prior sales of the subject property and comparable sales disclosed, the appraiser should provide an analysis of the prior sales history. If there are no recent sales that could affect the value of the subject property, the appraiser should state so here.

The appraiser will make an estimate of the value based on the Sales Comparison Analysis. This figure will be inserted in the final space in the Sales Comparison Approach section and the first space in the Reconciliation section near the bottom of page #2. If the the Cost Approach or Income Approach has been developed by the appraiser, a value will also be provided under *Indicated Value by Cost Approach or Indicated Value by Income Approach* on page #3.

If the subject property is a one unit dwelling that will be used for investment purposes, the appraiser should also complete the Single Family Comparable Rent Schedule (FNMA Form 1007/Freddie Mac Form 1007) if rental income is being used to qualify. Two- to four-family properties require completion of the Small Residential Income Property Appraisal Report (FNMA Form 1025).

Reconciliation

NOTE:

Repairs made as a result of the appraisal should be made prior to loan closing. Verification should be provided prior to closing.

The reconciliation section must provide the appraiser's explanation of how the final value conclusion was determined. The explanation should include the reason(s) that any of the 3 approaches to value were not developed and should explain reasonableness and reliability of any approaches to value utilized and report which approaches to value were given the most weight.

Note: The final reconciliation should never be an averaging technique or other mathematical formula.

R E C O N C I L I A T I O N	Indicated Value by: Sales Comparison Approach \$ 92,500	Cost Approach (if developed) \$	Income Approach (if developed) \$
	This appraisal is made <input checked="" type="checkbox"/> "as is", <input type="checkbox"/> subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, <input type="checkbox"/> subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or <input type="checkbox"/> subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair:		
	Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is \$ 92,500, as of 07/02/2012, which is the date of inspection and the effective date of this appraisal.		

Be sure that you determine if you will need a recertification of value or a final inspection that will be required before the loan is allowed to close.

NOTE:

Appraisals other than "as is" require an Appraisal Update and/or Completion Report (Form 442/1004D)

45. Is the appraisal made "subject to completion, repairs or inspections"?

46. Is the appraisal less than 120 days old? Will it be at the time of loan closing?

47. Is the appraisal less than 1 yr. old and will it be at the time of closing?

48. Explain why market value is or is not supported?

Cost Approach

The Cost Approach and Income sections are not required on every residential appraisal.

Note: It is a USPAP requirement that if the appraiser determines that the Cost Approach and/or Income Approaches are necessary for credible assignment results, then the appraiser must develop those approaches and include them in the appraisal report.

Using the cost approach, the value is derived by adding the estimated value of the site, the current cost to build a reproduction or replacement of the subject property improvements minus depreciation.

NOTE:

Site value will be added to a dollar estimate per square foot for reproduction of the property. Note that the garage or carport is covered as an additional line item in the cost.

49. Has the Cost Approach section been completed?
50. Is the land to value ratio typical for the area?
51. Is the indicated value by Cost Approach in line with the Sales Comparison Approach?

PUD (Planned Unit Development) Information

This section must be completed if the developer is still in charge of the project and the units are attached.

The appraiser may have to supply additional information about the PUD via a separate form or addendum.

PROJECT INFORMATION FOR PUDs (if applicable)		
P U D I N F O R M A T I O N	Is the developer/builder in control of the Homeowners' Association (HOA)? <input type="checkbox"/> Yes <input type="checkbox"/> No	
	Unit type(s) <input type="checkbox"/> Detached <input type="checkbox"/> Attached	
	Provide the following information for PUDs ONLY if the developer/builder is in control of the HOA and the subject property is an attached dwelling unit.	
	Legal name of project	
	Total number of phases	Total number of units
	Total number of units rented	Total number of units for sale
	Total number of units sold	
	Data source(s)	
	Was the project created by the conversion of an existing building(s) into a PUD? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, date of conversion	
	Does the project contain any multi-dwelling units? <input type="checkbox"/> Yes <input type="checkbox"/> No Data source(s)	
Are the units, common elements, and recreation facilities complete? <input type="checkbox"/> Yes <input type="checkbox"/> No		
If NO, describe the status of completion.		
Are the common elements leased to or by the Homeowners' Association? <input type="checkbox"/> Yes <input type="checkbox"/> No		
If Yes, describe the rental terms and options.		
Describe common elements and recreational facilities		

52. When the property is located in a PUD and the developer/builder is in control of the HOA **AND** it is an attached unit, has the appraiser completed this section?

You will want to compare the total number of units in the subject property to the total number of units for sale in the subject property. A high number of units for sale in an established PUD may indicate a marketability issue.

Appraiser's Signature and Certification

APPRAISER	SUPERVISORY APPRAISER (ONLY IF REQUIRED)
Signature _____	Signature _____
Name <u>John Q. Appraiserman</u>	Name _____
Company Name <u>Accurate Appraisals</u>	Company Name _____
Company Address <u>798 Appraisal Lane</u>	Company Address _____
<u>Waynesville NC 28786</u>	_____
Telephone Number <u>704-555-3636</u>	Telephone Number _____
Email Address <u>jappraiser@accurateappraisals.com</u>	Email Address _____
Date of Signature and Report <u>07/02/2012</u>	Date of Signature _____
Effective Date of Appraisal <u>07/02/2012</u>	State Certification # _____
State Certification # <u>NC 87978000</u>	or State License # _____
or State License # _____	State _____
or Other (describe) State # _____	Expiration Date of Certification or License _____
State <u>NC</u>	
Expiration Date of Certification or License <u>06/30/2013</u>	
ADDRESS OF PROPERTY APPRAISED	SUBJECT PROPERTY
<u>356 Lowe St</u>	<input type="checkbox"/> Did not inspect subject property
<u>Waynesville NC 28786</u>	<input type="checkbox"/> Did inspect exterior of subject property from street
APPRAISED VALUE OF SUBJECT PROPERTY \$ <u>92,500</u>	Date of Inspection _____
LENDER/CLIENT	<input type="checkbox"/> Did inspect interior and exterior of subject property
Name <u>No AMC</u>	Date of Inspection _____
Company Name <u>First Mortgage Company</u>	COMPARABLE SALES
Company Address <u>729 Hendersonville Road</u>	<input type="checkbox"/> Did not inspect exterior of comparable sales from street
<u>Waynesville, NC 28786</u>	<input type="checkbox"/> Did inspect exterior of comparable sales from street
Email Address <u>loans@firstmortgage.us</u>	Date of Inspection _____

53. Is the appraiser on the lender's approved list?

54. Is the appraisal signed and dated?

55. Is the appraiser's certification or license number and expiration date entered?

56. If required, has the supervisory information been completed and signed by supervisor?

Note: The appraiser's certification/license number and expiration date can be checked on the National Registry at the Appraisal Subcommittee's website:

<https://www.asc.gov/National-Registry/FindAnAppraiser.aspx>

Summary

There are many options available to qualify a property and each property must be evaluated on its own merit.

The ability to correctly interpret an appraisal is a learned skill. Practice of the methods discussed today will improve your ability to locate and correct potential problem areas of the appraisal.

With any appraisal, you are responsible for:

- Ensuring the quality of the appraiser's work
- Managing the accuracy of the assessments (data integrity)
- Ensuring the appraiser upgrades to a more comprehensive assessment when appropriate
- Understanding the market to determine when you should upgrade to a more comprehensive assessment than the minimum assessment feedback recommends

1004 MC(Market Conditions Addendum)

- Inventory Analysis Section
 - Absorption Rates
- Medians
 - Sales Price, Days on Market
 - List Price, Sale Ratio
- Overall Trends
- Seller Concessions
- Foreclosure Sales

Scenario 2 – 1004MC example

Market Conditions Addendum to the Appraisal Report

File No.

The purpose of this addendum is to provide the lender/client with a clear and accurate understanding of the market trends and conditions prevalent in the subject neighborhood. This is a required addendum for all appraisal reports with an effective date on or after April 1, 2009.

Property Address **1234 Sandy Hill Drive** City **Here, There** State **NC** Zip **27295**

Borrower **Sassy Sue**

Instructions: The appraiser must use the information required on this form as the basis for his/her conclusions, and must provide support for those conclusions, regarding housing trends and overall market conditions as reported in the Neighborhood section of the appraisal report form. The appraiser must fill in all the information to the extent it is available and reliable and must provide analysis as indicated below. If any required data is unavailable or is considered unreliable, the appraiser must provide an explanation. If data sources provide the required information as an average instead of the median, then the appraiser should report the available figure and identify it as an average. Sales and listings must be properties that compete with the subject property, determined by applying the criteria that would be used by a prospective buyer of the subject property. The appraiser must explain any anomalies in the data, such as seasonal markets, new construction, foreclosures, etc.

Inventory Analysis	Prior 7-12 Months	Prior 4-6 Months	Current - 3 Months	Overall Trend		
Total # of Comparable Sales (Settled)	22	8	6	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input checked="" type="checkbox"/> Declining
Absorption Rate (Total Sales/Months)	3.67	2.67	2.00	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input checked="" type="checkbox"/> Declining
Total # of Comparable Active Listings	29	12	18	<input type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input checked="" type="checkbox"/> Increasing
Months of Housing Supply (Total Listings/Ab. Rate)	8.00	4.60	9.00	<input type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input checked="" type="checkbox"/> Increasing
Median Sale & List Price, DOM, List/Sale Ratio	Prior 7-12 Months	Prior 4-6 Months	Current - 3 Months	Overall Trend		
Median Comparable Sale Price	\$425,000	\$400,000	\$377,000	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input checked="" type="checkbox"/> Declining
Median Comparable Sales Days on Market	62	41	29	<input checked="" type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Median Comparable List Price	\$440,000	\$416,000	\$390,000	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input checked="" type="checkbox"/> Declining
Median Comparable Listings Days on Market	84	77	40	<input checked="" type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Median Sale-to-List Price Ratio	96.60%	96.10%	96.60%	<input type="checkbox"/> Declining	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Seller/(developer, builder, etc.) paid financial assistance prevalent?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			<input type="checkbox"/> Declining	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Increasing

MARKET RESEARCH & ANALYSIS

Explain in detail the seller concessions trends for the past 12 months (e.g., seller contributions increased from 3% to 5%, increasing use of buydowns, closing costs, condo fees, options, etc.).

Changes in seller concessions can provide the lender with additional information regarding market conditions. The appraiser should be considering if there are seller-paid (or 3rd party) costs which can include; mortgage payments, points, fees, HOA fees, and if so, are these concessions impacting value.

Are foreclosure sales (REO sales) a factor in the market? Yes No If yes, explain (including the trends in listings and sales of foreclosed properties).
In the larger market there foreclosure levels are minimal, within the subject neighborhood foreclosure levels less than .5%

Cite data sources for above information.

Summarize the above information as support for your conclusions in the Neighborhood section of the appraisal report form. If you used any additional information, such as an analysis of pending sales and/or expired and withdrawn listings, to formulate your conclusions, provide both an explanation and support for your conclusions.

While overall trends indicate that prices are declining, there is evidence that prices were inflated and are undergoing a correction. There are further indications based on recent listing/sales prices that prices have stabilized.

If the subject is a unit in a condominium or cooperative project, complete the following: Project Name:

Subject Project Data	Prior 7-12 Months	Prior 4-6 Months	Current - 3 Months	Overall Trend		
Total # of Comparable Sales (Settled)	0	0	0	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining
Absorption Rate (Total Sales/Months)	0.00	0.00	0.00	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining
Total # of Comparable Active Listings	0	0	0	<input type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Months of Housing Supply (Total Listings/Ab. Rate)				<input type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing

Are foreclosure sales (REO sales) a factor in the project? Yes No If yes, indicate the number of REO listings and explain the trends in listings and sales of foreclosed properties.

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CONDO / CO-OP PROJECTS

Summarize the above trends and address the impact on the subject unit and project.

APPRAISER

Signature	Signature
Appraiser Name	Appraiser Name
Company Name	Company Name
Company Address	Company Address
State License/Certification#	State License/Certification#
State	State
Email Address	Email Address

Scenario 3 – Sales and Financing Concessions

Review the screen shots on the next page to answer the following questions.

1. Has the Appraiser adjusted appropriately for sales and financing concessions? Explain.

C O N T R A C T	I <input checked="" type="checkbox"/> did <input type="checkbox"/> did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed. Arms length sale;The sales contract is typical for the area with no unusual provisions that have an effect on the sale price of the subject property.	
	Contract Price \$ 56,700 Date of Contract 07/04/2012 Is the property seller the owner of public record? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Data Source(s) Assessor's Record	
	Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
	If Yes, report the total dollar amount and describe the items to be paid. \$1700;;Seller to pay \$1,700 of the buyer's costs.	

Proximity to Subject							
Sale Price	\$ 56,700		\$ 67,000		\$ 74,300		\$ 59,100
Sale Price/Gross Liv. Area	\$ 50.63 sq. ft.	\$ 45.86 sq. ft.		\$ 77.40 sq. ft.		\$ 39.82 sq. ft.	
Data Source(s)	MLS #02635;DOM 120		MLS #56325;DOM 99		MLS #85963;DOM 89		
Verification Source(s)	Listing Agent		Listing Agent		Listing Agent		
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment
Sale or Financing Concessions		Armlth Conv;2010	-2,010	REO FHA;1158	-1,158	Armlth VA;0	
Date of Sale/Time		c05/12;02/12		12/11;09/11		02/12;12/11	

2. Has the Appraiser adjusted appropriately for sales and financing concessions? Explain.

C O N T R A C T	I <input checked="" type="checkbox"/> did <input type="checkbox"/> did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed. Arms length sale;The sales contract is typical for the area with no unusual provisions that have an effect on the sale price of the subject property.	
	Contract Price \$ 132,900 Date of Contract 07/04/2012 Is the property seller the owner of public record? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Data Source(s) Assessor's Record	
	Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
	If Yes, report the total dollar amount and describe the items to be paid. \$6000;;Seller to pay \$6,000 of buyer's closing costs.	

Proximity to Subject							
Sale Price	\$ 132,900		\$ 129,100		\$ 131,000		\$ 130,200
Sale Price/Gross Liv. Area	\$ sq. ft.	\$ sq. ft.		\$ sq. ft.		\$ sq. ft.	
Data Source(s)	MLS #02635;DOM 120		MLS #56325;DOM 99		MLS #85963;DOM 89		
Verification Source(s)	Listing Agent		Listing Agent		Listing Agent		
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment
Sale or Financing Concessions		Armlth Conv;0	6000	REO FHA;0	6,000	Short VA;0	6,000
Date of Sale/Time		05-04-2012		12-28-2011		02-19-2012	

3. Has the Appraiser adjusted appropriately for sales and financing concessions? Explain.

Are there any additional considerations? What if it were a 95% LTV? What if it were a 90% LTV?

C O N T R A C T	<input checked="" type="checkbox"/> did <input type="checkbox"/> did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed. Arms length sale;The sales contract is typical for the area with no unusual provisions that have an effect on the sale price of the subject property.	
	Contract Price \$ 275,000 Date of Contract 07/04/2012 Is the property seller the owner of public record? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Data Source(s) Assessor's Record	
	Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
	If Yes, report the total dollar amount and describe the items to be paid. \$13200;;Seller to pay 8,200 of the buyers closing costs. Seller to pay \$5,000 for Club membership.	

Proximity to Subject							
Sale Price	\$ 275,000		\$ 280,000		\$ 270,000		\$ 275,000
Sale Price/Gross Liv. Area	\$ sq. ft.	\$ sq. ft.		\$ sq. ft.		\$ sq. ft.	
Data Source(s)		MLS #02635;DOM 120		MLS #56325;DOM 99		MLS #8596;DOM 89	
Verification Source(s)		Listing Agent		Listing Agent		Listing Agent	
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment
Sale or Financing Concessions		ArmLth Conv;10000	-10000	REO Conv;0		Short FHA;5000	-5000
Date of Sale/Time		s05/12;c02/12		s12/11;c09/11		s02/12;c12/11	

The appraiser must adequately consider and address any financial assistance contained in the sales contract. If sales/financing concessions exist, verify that they fall within guidelines.

Notes:
