Appraisal Underwriting
Participant Manual
Genworth Mortgage Insurance Customer Training
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Session Overview
This manual is for use in the Genworth Appraisal Underwriting and Focus on Sales Comparison sessions.

Additional Genworth Appraisal Training Sessions
- Manufactured Housing
- Rural Property Appraisals

Participant Note
- The session utilizes, and the manual references, the following documents, which can be found in the Resources Addendum of this manual:
  - The sample appraisal for “XXX Parliament Drive”
- This manual also references the following:
  - Fannie Mae and Freddie Mac Uniform Appraisal Dataset Specification (Appendix D)

Genworth Appraisal Review Checklist
  - The Genworth 2-4 Unit Appraisal Review Checklist can be found at: https://new-content.mortgageinsurance.genworth.com/documents/uw-tips-and-credit-policy/Appraisal%20Review%20Checklist%20-%202-4%20units.pdf
  - They can also be found in the Resource Addendum section at the end of this manual.
  - Reminders contained within the Checklist are also included within the information presented.
Basics

The Role of the Appraisal and Appraiser

- Understanding the real estate collateral is an important part of the loan
- Most people working on a loan never actually see the collateral.
  - For most loans, an appraiser inspects/observes the property with an on-site and interior observation.
  - An appraiser is expected to be impartial and not act as an advocate for any party
  - An appraiser is expected to be competent and perform competently
  - An appraiser completes an appraisal report that summarizes their observations, findings and analysis
    - Information about the neighborhood/market area of the property.
    - A description of the property.
    - An estimate of market value, with supporting detail on how the appraiser arrived at the value.
    - Additional exhibits, photographs, maps, sketch

Market Value

Market value is the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and assuming the price is not impacted by undue stimulus.

- The buyer and seller are typically motivated.
- Both parties are well informed/advised, each acting in what he/she considers his/her own best interest.
- A reasonable amount of time is allowed for exposure in the open market.
- Payment is made in terms of US dollars.
- The price represents normal consideration for the property sold, unaffected by special or creative financing or sales concessions.
Responsibilities: Who Does What?

REMINDER: Appraisers Choose Comps; Underwriters Review Appraisals.

Seller/Lender Responsibilities

- Appraiser Selection
  - Qualified
  - Without Undue Influence
  - In Accordance with Home Appraiser Independence Requirements (AIR)
- Providing Appraiser With:
  - Sales Contract, with
    - All Addendums, as per Investor Guidelines
    - Legal Description
  - Other Available Information About Property/Transaction
    - Sales/financing concessions
    - Including any funds paid on behalf of the Borrower,
    - Whether funds are considered Interested Party Contributions (IPC) which may be subject to contribution limits
- Underwriting the Appraisal
  - Opinion Reflects Market Value
  - Completeness
  - Supported and credible
  - In Compliance with Guidelines
- Disclose Required Information to Appraiser
- The appraiser must have requisite knowledge
  - Market Area
  - Property Type
- See guidelines for specific appraiser selection criteria
  - Fannie Mae Selling Guide §B4-1.1-03: Appraiser Selection Criteria
  - Freddie Mac Single-Family Seller/Servicer Guide §5601.3: General appraisal requirements
B4.1.05: Disclosure of Information to Appraisers (12/06/2018)

This topic contains information on lender disclosure of information to appraisers, including:
- Overview
- Sales Contract Information
- Information Disclosed to the Appraiser
- Contract Changes After the Appraisal is Completed

Overview

Any and all information about the subject property that the lender is aware of must be disclosed to the appraiser. The appraiser must determine if the information could affect either the marketability of the property or the opinion of the market value of the property.

Sales Contract Information

All financing data and sales concessions for the subject property that will be or have been granted by anyone associated with the transaction must be disclosed to the appraiser, as appropriate. Typically, this information is provided in the sales contract. Therefore, the lender must provide, or ensure that the appraiser is provided with, a copy of the complete, ratified sales contract and all addenda for the property that is to be appraised.

Information Disclosed to the Appraiser

Financial Information

The list below includes items that must be disclosed to the appraiser on purchase transactions, if applicable:

- settlement charges,
- loan fees or charges,
- discounts to the sales price.
Freddie Mac –
5601.3 General appraisal requirements (09/14/17)

(j) Information supplied to the appraiser

The Seller warrants that they or a third party specifically authorized by the Seller provided
the following information on the subject property, as applicable, to the appraiser in
conjunction with all appraisal requests:

1. The complete legal description (see Section 4201.19 for legal description requirements)
2. The complete sales contract for purchase transactions, including:
   ■ All non-realty items
   ■ Financing terms
   ■ Financing and sales concessions granted by anyone associated with the transaction, and
   ■ Any gifts, buydowns or down payment assistance provided by anyone on behalf of
     the Borrowers

Note: A sales contract on a new home should state the base price of the house and
itemize each option.

The Seller is not required to provide the appraiser with an updated sales contract unless
the updated terms impact the physical description or condition of the property. In such
cases, the Seller must obtain an updated appraisal for the property. Changes to the sales
contract that are not required to be provided to the appraiser include, but are not limited to:

■ Changes to the transaction terms such as sales price, financing or sale concessions,
  and
■ Date revisions, corrections to typographical errors, etc.

3. Any known affiliation between the property seller and the purchaser. (Refer to Section
   5601.12(b)).
4. Income and expense statements and property leases
5. Generally acceptable energy reports such as the Home Energy Rating System (HERS®)
   report and U.S. Department of Energy (DOE) Home Energy Score report, if applicable:
   and

URAR

Uniform Residential Appraisal Report

APPRAISER’S CERTIFICATION: The Appraiser certifies and agrees that:

11. I have knowledge and experience in appraising this type of property in this market area.

12. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing
    services, tax assessment records, public land records and other such data sources for the area in which the property is located.
Uniform Standards of Professional Appraisal Practice (USPAP)

- Provides guidelines for the development of appraisal reports.
- Authored and Maintained by The Appraisal Foundation.

**USPAP Standards Rule 2-3**

Each written real property appraisal report must contain a signed certification that is similar in content to the following form:

I certify that, to the best of my knowledge and belief:

— the statements of fact contained in this report are true and correct.

— the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

— I have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved.

— I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

— my engagement in this assignment was not contingent upon developing or reporting predetermined results.

— my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

— my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.

— I have (or have not) made a personal inspection of the property that is the subject of this report. (If more than one person signs this certification, the certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.)

— no one provided significant real property appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant real property appraisal assistance must be stated.)
Appraiser Responsibilities
The appraiser provides the lender with:

- A credible and appropriately supported opinion of market value
- An objective analysis of quantifiable data to support housing trends
- All relevant information that supports the conclusions about market conditions, including:
  - Sales/financing concessions
  - Down payment assistance
  - Days on market, list-to-sales price ratios, and availability of financing

Lender (Reviewer/Underwriter) Responsibilities
The appraisal reviewer is charged with properly reviewing the appraisal:

- Verifying the appraisal is completed on appropriate form
- Ensuring the opinion of market value is supported (per GSE definitions)
- Looking for consistency: Do the comments and data provided make sense?
- Noting and accounting for any marketability issues
- Ensuring that all Uniform Appraisal Dataset (UAD) requirements have been met for all loans being sold to a GSE
- Ensuring that maps, the floor plan, photos and all other necessary appraisal addenda or exhibits have been provided
  - These must support the description provided by the appraiser and data from other sources
- The appraisal meets the applicable lending standards

Inconsistent data:

- The appraisal data needs to be consistent:
  - Within the appraisal
  - Between the appraisal and other information in the loan file
  - Between the appraisal/loan file and outside resources
- The appraiser should appropriately explain any material differences, if known
  - Follow your lender and/or employer guidelines on how to contact the appraiser
- Investors may be apprehensive to purchase those loans containing inconsistent information
Appraisal Exhibits

The Following Exhibits Should Be Included With Each Appraisal.

Interior/Exterior inspection reports for loans being sold to a GSE must include at least the following:

- Clear pictures of the subject property that support the information on the appraisal:
  - Front View
  - Rear View
  - Street Scene
    - Identifies the subject
    - Evidences neighboring improvements
  - Kitchen
  - Bathrooms
  - Main Living Area
  - Outbuildings
- Building Sketch
- Additional photographs, as needed to evidence any physical deterioration, improvements, amenities, conditions and/or external influences impacting value

Photographs of Each Comparable Sale: Clear, Front View

Location Map
- Showing location of subject and comps
Subject Section
In the Subject Section, the reviewer learns basic information about the property, the parties involved and the transaction.

Property Address
- Physical location
- United States Postal Service (USPS) standard format
  - http://usps.com
  - Zip Code Finder
- New construction can use "Other" to submit to Uniform Collateral Data Portal® (UCDP®) if there is no USPS address
  - Appraiser should provide as much information as possible
Uniform Residential Appraisal Report

Appraiser

Underwriting

Borrower

• Should be borrower on application

Owner of Public Record

• Purchase Transaction: Seller on Contract
• Refinance Transaction: Borrower

Legal Description, Assessor’s Parcel #, Tax Year, RE Taxes, Neighborhood Name, Map Reference, Census Tract

• Appraiser researches and provides this information, which will also appear on the title report
• If the information on the final title report differs materially, reach out to the appraiser for clarification/correction
• Assessor’s Parcel #: Format used by taxing agency
• Neighborhood Name: Name recognized by municipality where property located
  o Subdivision Name if applicable
  o Otherwise: Common name by which residents refer to the neighborhood

Occupant

• Owner, Tenant or Vacant
• Look for consistency with application and all documents in the file
• Should make sense!
### Special Assessment

- **Definition:** Tax levied by government or taxing authority for a specific purpose
  - Ex: A special assessment is levied for all houses on a street to pay for new sidewalks
  - Ex: An area votes to become a Special Services District, agreeing to pay an additional tax for increased police protection
- Can be one-time or continuing
- Attaches to the property; new owners will have to pay
- If more than one, should be added together
- Should be included in PITIA

### PUD (Indicator)

- Marked if the property is located in a Planned Unit Development (PUD)
- Look for additional information in the PUD Section on the bottom of the third page of the appraisal

### Homeowner Association (HOA)

- Fees, in whole dollars, per month or year
- If mandatory, should be included in PITIA
  - Verify amount of HOA fees with purchase and sales agreement, by-laws or other legal documents
Property Rights Appraised

- **Fee Simple**: Owner has all rights to property

- **Leasehold**: Improvements on the property are owned, but the land is leased or "rented"
  - Borrower must pay "ground rent" to remain on property
  - Ground rent should be included in PITIA
  - Check all applicable guidelines: Lender, Investor, MI Company
    - Guidelines can vary
    - See Fannie Mae Selling Guide B2-3-03: Special Property Eligibility and Underwriting Considerations: Leasehold Estates
    - See Freddie Mac Single-Family Seller/Servicer Guide Chapter 5704: Leasehold Estates

- **Other**
  - Specify
  - Example: Land Contract
Assignment Type

- **Purchase**: With the loan proceeds, the borrower will be acquiring ownership interest in property in which the borrower does not presently have ownership.

- **Refinance**: The borrower currently owns the property and will be replacing existing financing, adding an additional lien and/or obtaining financing on a property that is presently owned free and clear.

- **Other**: Must be specified; Ex: For Estate Settlement Purposes

Lender/Client

- For whom the appraisal is written for, typically the lender
- Unacceptable: Buyer, Seller, Real Estate Agent

Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date?

- Offering Price, Offering Date(s), Data Source(s)
- If currently and/or previously offered for sale, all offerings must be reported
- Purchase: If property has not been offered for sale is it an arms-length transaction?
- Refinance: Check guidelines for any required seasoning

Report data source(s)

- Days on Market (DOM), offering price(s), offering date(s) and MLS ID#, if applicable
Contract Section
The lender is required to give the appraiser a copy of the sales contract in a purchase transaction; the appraiser should review the contract and provide an analysis in the Contract Section, or explain why the analysis was not completed. The appraiser review is in addition to the underwriter’s review of the sales contract.

I  □ did or  □ did not analyze the contract...

- A drop-down menu for “Sale Type” appeared when the appraiser selected “did”
- Appendix D includes a Sales Type list, shown here
- Only one sale type can be selected
- When more than one answer applies, the highest on the list is chosen
- The narrative provided on this line usually includes information which appears elsewhere on the appraisal form
  o Check for consistency

Contract Price/Date of Contract
- Verify contract date and sale price match the actual purchase and sale agreement
- The sales price on the contract in the loan file must match the sales price in the Sales Comparison section of the appraisal report
- If addendums were later signed, some lenders require the appraiser update the appraisal; check your individual guidelines
- Fannie Mae and Freddie Mac require the lender to provide the appraiser with all amendments made to a sales contract including amendments that are made after completion of the appraisal. Fannie Mae and Freddie Mac have clarified when the appraiser must be provided with updates to the sales contract and circumstances that warrant updates to the appraisal
  - i.e. if the contract is amended such as the description of the property, the appraiser must be provided with the updated contract and the appraisal should be updated.
**Appraisal Underwriting**

- Examples include amendments due to revised plans/specs for new constructions or remodeling
- Changes in legal description, acreage parcel description
- Renegotiated sales price or seller concessions as a result of property inspection revealing property damage or deferred home maintenance
- Minor updates to the contract such as changes to seller paid closing costs or changes to the contract price do not require an updated appraisal.

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**Is the seller the owner or record?**

- If the seller is not the owner of public record, the transaction could be a quick flip or the public records may not be updated with the most current information
  - Verify owner of record by review the preliminary title or checking public records websites
- Property flipping can be legitimate, but properties being flipped were common characteristics of fraud schemes. Thus, the underwriter should examine the report and documents closely and with extra caution
- Look for specific property flipping guidelines applicable to your loan

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**Must do's regarding Owner of Record** - When a new appraisal is required, the Seller must verify:

**For purchase transactions:**

The property seller listed on the sales contract is the Owner of Record of the subject property or
If the transaction involves the sale of land separate from the dwelling, the property seller listed on the sales contract for the land is the Owner of Record for the land.

**For refinance transactions**, the Borrower is an Owner of Record of the subject property.

**For transactions that involve the payoff of a land contract**, the property seller is the vendor on the recorded land contract and the Owner of Record of the subject property; and the Borrower is a vendee on the recorded land contract.

If the property seller for purchase transactions or the Borrower for refinance transactions is not the Owner of Record, the Seller must investigate the circumstances of the transaction to ensure that the transaction is legitimate. The Seller must retain documentation evidencing the verification or legitimacy of the transaction in the Mortgage file. Such documentation may include, but is not limited to, the appraiser’s analysis and conclusions in the appraisal, a property sales history report, a copy of the recorded deed, a copy of a property tax bill, or the title commitment or binder indicating the legal ownership of the property.
Is there any financial assistance to be paid on behalf of the borrower?

- Includes closing costs, any other payments
  - Prepays, Allowances, Abatements, Personal property
- If value of any part of the assistance cannot be determined, known amount should be reported
  - Ex: $5000; There is financial assistance amount that is unknown, Down Payment Assistance, plus furniture of unknown value
- Appraiser will usually indicate whether the assistance is/is not common for the market
- If the appraiser indicates that it is common, confirm concession activity in the adjustments section
- Certain financial assistance information must be disclosed to the appraiser
- Fannie Mae has updated the policy to require disclosure of changes to financing information (such as loan fees and charges, and subordinate financing provided by interested parties) to the appraiser only for purchases
Neighborhood Section

This appraisal section examines the neighborhood boundaries, characteristics and other neighborhood factors that can impact value. When analyzing the Neighborhood section, the reviewer should see evidence that the subject property generally conforms in the market.

<table>
<thead>
<tr>
<th>Neighborhood Characteristics</th>
<th>One-Unit Housing Values</th>
<th>Percent Land Use %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Urban</td>
<td>Suburban</td>
</tr>
<tr>
<td>Built-Up</td>
<td>Over 75%</td>
<td>25-74%</td>
</tr>
<tr>
<td>Growth</td>
<td>Rapid</td>
<td>Stable</td>
</tr>
<tr>
<td>Neighborhood Boundaries</td>
<td>The neighborhood boundaries are generally considered Topeka Street to the North, Durham-Chapel Hill to the South, University Drive to the East, and Chapel-Hill Rd to the West.</td>
<td>215</td>
</tr>
<tr>
<td>Neighborhood Description</td>
<td>The subject is located in Durham, NC offering local employment, schools, and shopping. Durham is located in an urban county with suburban areas surrounding the city. The subject neighborhood is comprised of average quality ranch and split level style homes that were constructed by Aspen Building. The neighborhoods is fully developed and is comprised exclusively of single family dwellings.</td>
<td>215</td>
</tr>
<tr>
<td>Market Conditions (including support for the above conclusions)</td>
<td>Market conditions are generally stable with median property values of $215,000 and a stable trend showing moderate seasonal fluctuation. Local employment is available and the unemployment rate is 4.5% with a historical range of 4% to 8%. Demand for housing is good and some new housing and commercial retail is being built throughout the town.</td>
<td>215</td>
</tr>
</tbody>
</table>

Neighborhood Characteristics

- For each characteristic, the appraiser chooses the description that best describes the subject’s neighborhood
  - The first answer for each characteristic is better than average
  - The middle answer for each characteristic is average, and suggests the neighborhood is marketable
  - The third answer for each characteristic may suggest there is a marketability issue or a circumstance requiring additional scrutiny

- **Location** (Note: Many appraisers follow “common and customary” practices when classifying locations.)
  - **Urban**: Densely populated core of a city; people generally walk to shops and services
  - **Suburban**: Smaller, less densely populated areas just outside a major city (i.e., bedroom communities)
  - **Rural**: The “country” far from a city core; usually there is much lower population density, larger lots and not us much built up

- **Built Up**
  - Percent of buildable land being used
  - If <25 is noted, the reviewer should pay close attention to the Zoning and Present Land Use information to ensure marketability

- **Growth Rate**
  - Slow growth can be a negative indicator for marketability, but it can also be very common in rural areas
One-Unit Housing Trends

- For each trend, the appraiser chooses the description that best describes where the recent historical trends
  - Different types of housing in the same geographic neighborhood may be impacted by different market forces: experiencing different trends
  - The first answer for each trend is better than average
  - The middle answer for each trend is average, and suggests the neighborhood is marketable
  - The third answer for each trend may suggest a declining or distressed market
    - Check all applicable guidelines when a subject is in a declining/distressed market
    - Examples: Lower maximum LTV; Pending Sales or Listings required as additional comps in the Sales Comparison section

One-Unit Housing Price/Age Range (*Range of similar homes in the subject’s market*)

- **Price**: Subject sales price/value should fall within range provided by appraiser
  - If outside the range but within 10% of the range – higher or lower – it may be acceptable with appraiser explanation
  - If more than 10% outside the range – higher or lower – it is unlikely the property can be used as collateral for a residential mortgage
    - If below, the subject may be an under improvement or have significant condition issues
    - If above, it may be an over-improvement, unique or unusual
- **Age**: Anything outside the range should be explained
  - Look for any marketability issue
Present Land Use %

- Appraisers should comment on the mix on present land use, addressing any marketability issues that impact the neighborhood and/or subject

Neighborhood Boundaries

- There should be clear, delineated neighborhood boundaries
  - North, South, East and West must be specified
- Check the map included with each appraisal to ensure the boundaries show a neighborhood and the comps are within that neighborhood
  - Natural boundaries, such as large waterways and highways often divide one neighborhood from another
  - Municipality and school borders are often neighborhood boundaries

Neighborhood Description

- A robust neighborhood description often includes information about:
  - Distance to major/primary employment center
  - Distance to local shopping/retail/commercial
  - Government services available
  - School districts
  - Competing/Market alternative communities or neighborhoods
Appraisal Underwriting

- Housing density
- Primary employment
- Typical residential lot sizes
- Land uses
- Sales and listing activity specifics
- Property and housing characteristics

- There should be no unsupported assumptions or potentially discriminatory language included in the description
  - Ex: Terms like “pride of ownership” or “bad/good neighborhood” are subjective and potentially discriminatory and can result in misleading or unsupported conclusions

Market Conditions

- Look for evidence of market health, including supply/demand trends, marketing times, and value trends
- This section provides key information about the market
  - The Current Market Conditions and Trends may not always match
    - The present conditions will typically reflect recent historical market trends, but may also include comments about likely future changes.
    - Ex: The present market trends show increasing values:
      - Scenario: The appraiser has researched the sale price trends which show generally flat prices for 24 months followed by a marked increase in the past two months. The appraiser is aware of an impending highway extension to the subject city which will open easy access to a major employment center; an improvement that has increased the demand for housing in the neighborhood.
Site Section
The Site Section provides information about the land and site improvement, including utilities, roads, views, and access.

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>100x200</th>
<th>Area</th>
<th>20000 sf</th>
<th>Shape</th>
<th>Rectangular</th>
<th>View</th>
<th>N/Res.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific Zoning Classification</td>
<td>RS IMI: Family</td>
<td>Zoning Description</td>
<td>Residential Single Family</td>
<td>Zoning Compliance</td>
<td>Legal</td>
<td>Legal Nonconforming (Conventional Use)</td>
<td>No Zones</td>
</tr>
<tr>
<td>Utilities</td>
<td>Public</td>
<td>Other (describe)</td>
<td>Public</td>
<td>Other (describe)</td>
<td>Off-site Improvements - Type</td>
<td>Public</td>
<td>Public</td>
</tr>
<tr>
<td>Flood Zone</td>
<td>FEMA Special Flood Hazard Area</td>
<td>FEMA Flood Zone</td>
<td>FEMA Map #: 37063C0621K</td>
<td>FEMA Map Date</td>
<td>Yes</td>
<td>No</td>
<td>FEMA Special Flood Hazard Area</td>
</tr>
<tr>
<td>Zoning Classification and Description</td>
<td>Zoning should allow for residential use</td>
<td>Generally, the letter “R” indicates residential zoning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zoning Compliance</td>
<td>Legal: The property meets the present zoning requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dimensions, Area and Shape
- If area is less than one acre, use square feet
- If area is one acre or more, use acreage to two decimal points
- GSEs require the entire site be included in the appraisal: not just a portion of the site

View
- A letter indicates the impact the view has on the property value
  - Neutral, Adverse, Beneficial
- Abbreviations indicate what is specifically viewed from the subject property
  - Appendix D contains an Exhibit explaining the abbreviations
  - The abbreviations Exhibit is commonly included as an addendum in the appraisal report

<table>
<thead>
<tr>
<th>ABBREVIATED ENTRY</th>
<th>VIEW FACTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wtr</td>
<td>Water View</td>
</tr>
<tr>
<td>Past</td>
<td>Pastoral View</td>
</tr>
<tr>
<td>Woods</td>
<td>Woods View</td>
</tr>
<tr>
<td>Pk</td>
<td>Park View</td>
</tr>
<tr>
<td>Golf</td>
<td>Golf Course View</td>
</tr>
<tr>
<td>CtySky</td>
<td>City View Skyline View</td>
</tr>
<tr>
<td>Mnt</td>
<td>Mountain View</td>
</tr>
<tr>
<td>Res</td>
<td>Residential View</td>
</tr>
<tr>
<td>CtySt</td>
<td>City Street View</td>
</tr>
<tr>
<td>Ind</td>
<td>Industrial View</td>
</tr>
<tr>
<td>Nr</td>
<td>Power Lines</td>
</tr>
<tr>
<td>Lts</td>
<td>Limited Sight</td>
</tr>
</tbody>
</table>

See Instruction Below
Citic - Appraiser to enter a description of the view.
• **Legal Nonconforming (Grandfathered Use):** The subject does not conform to the current zoning requirement. However, the property is legal because the current use predates the current zoning and the non-compliant usage is “grandfathered”. Also, the property use may have a variance.

  o The question that needs to be answered is “If the property is partially destroyed, can it be rebuilt as-is?”
  
  o The appraiser must either:
    - Provide current zoning regulations showing the property can be rebuilt to present condition/density, or
    - Reach out to the municipality and get written confirmation the property can be rebuilt if partially destroyed
  
  o If the property cannot be rebuilt, it might not be eligible collateral for a conventional mortgage

• **No Zoning:** There is no zoning

• **Illegal:** The property cannot be accepted as collateral for a conventional mortgage unless the appraiser provides credible written support for marketability

  o Negative impact on value would be likely result due to the limited financing ability and the risk to a prospective buyer that the illegal use would be discovered and the use discontinued

**Is the Highest and Best Use…**

• If residential use is **NOT** the highest and best use:
  
  o The appraiser must explain
  
  o Lenders/Investors will be apprehensive to close/purchase the loan
  
  o Freddie Mac requires residential usage must be the highest and best use
  
  o Genworth requires residential usage be the highest and best use \( \geq 15 \) acres

  • Present and/or planned usage of adjoining properties can help identify the subject’s highest and best use
Utilities

- Public, Other or None
- If “Other” is marked, the appraiser should do each of the following:
  - Describe,
  - Note community/market acceptance,
  - Visually inspect
  - Inform the lender if any condition appears to exist which warrants additional inspection

Street and Alley

- Public, Other or None
- If “Other”: Check guidelines to see if additional information is required
  - If a Private Road is maintained by an association to which the borrower is already paying mandatory dues, additional information is usually not needed
  - Otherwise, check if lender/investor guidelines or state laws require additional information be included and/or required fees considered

FEMA Special Flood Hazard Area

- Compare to Flood Cert information
- If subject is in a FEMA Special Flood Hazard Area, the underwriter should check to see:
  - That the appraiser explained the impact on value and marketability, if any, and,
  - Whether any of the comparable sales share the same condition
“Typical for the Market Area?” and Adverse Site Conditions/External Factors

- Read information carefully
- Any negative information needs to be further evaluated
  - The appraiser needs to provide information showing the property is not too flawed to be collateral for a conventional mortgage
  - Ex: The property has railroad tracks running through the yard, but the appraiser is able to show market acceptance through similarly impacted comparables

Site Challenges

- Acreage
  - GSEs: No maximum acreage
    - Check lender/investor guidelines for overlays
  - Genworth:
    - No acreage limit for Simply Underwrite eligible loans
    - No more than 40 acres for all other loans
      - Genworth does, from time to time, make exceptions for homes on larger lots
      - These exceptions can only be made by a Genworth Underwriter, so
      - Please send those loans in for coverage consideration
    - Over 15 acres: Check guidelines for additional considerations
  - When there is significant acreage, always ensure the property is residential in nature, rather than commercial/agricultural
Improvements Section

The Improvements Section provides information about the dwelling and other improvements built on the property.

<table>
<thead>
<tr>
<th>General Description</th>
<th>Foundation</th>
<th>Exterior Description</th>
<th>Interior</th>
<th>Zoning/Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td>One</td>
<td>Concrete Sub</td>
<td>Cinder Block</td>
<td>Floors</td>
</tr>
<tr>
<td># of Stories</td>
<td>1</td>
<td>Full Basement</td>
<td>Brick/Fd/Lm Side</td>
<td>Walls</td>
</tr>
<tr>
<td>Det./Att.</td>
<td>Det.</td>
<td>936 sq ft</td>
<td>Asphalt Shingle</td>
<td>Walls</td>
</tr>
<tr>
<td>Design</td>
<td>Ranch</td>
<td>50%</td>
<td>Gutters &amp; Downspout</td>
<td>Barn Door</td>
</tr>
<tr>
<td>Year Built</td>
<td>1985</td>
<td>Evidence of</td>
<td>Vinyl Double Hung</td>
<td>Bath Wt/Dryer</td>
</tr>
<tr>
<td>Effective Age (Yrs)</td>
<td>20</td>
<td>Staircase</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

- Units: One or One with Accessory
  - Accessory unit example: Garage Apartment; In-law Suite
  - Unlike a separate unit, accessory units do not have separate postal addresses, utility hook-ups
  - The appraisal must demonstrate an accessory unit’s market acceptance by including at least one similar comparable
  - Accessory unit rental income cannot be considered as qualifying income
  - Even if an accessory unit is not legal to the zoning, it may still be acceptable
    - Check specific GSE, lender and investor guidelines
- #of Stories
  - Numeric, to two decimal points
- Type
  - Detached, Attached, Semi-Detached End Unit
  - Existing, Proposed, Under Construction
- Design/Style
  - Style names (ex: Ranch, Dutch, Colonial) vary by local market
- Year Built
  - If unknown, designated with ~
- Effective Age
  - If different from actual age, the appraiser should describe what updates, maintenance and renovations justify the lower effective age
Attic
- Access method and level of finish

Foundation
- Basement Area
  - Numeric, to five digits
  - Percent of basement that is finished is shown
- Not typically included in the Gross Living Area (GLA) or room count
- Based on finish may add substantially to the value
- If a significant portion is above ground and the finish level is high and consistent throughout the home, a deviation may be appropriate
- Outside Entry/Exit
- Sump Pump
  - Acceptable
- Evidence of Infestation, Dampness or Settlement
  - Depending on comments from appraiser, the appraisal report may need to be written subject to an inspection or repair
  - The extent of damage may not be readily visible
  - May indicate an issue with the structural integrity of the property
  - Active situations impacting structural integrity must be fixed prior to loan closing
  - A report from a professional can be used to evidence that the condition does not impact structural integrity
  - Loans cannot be delivered to a GSE if there are issues impacting the dwelling’s structural integrity
o Appraiser may need to re-inspect and report back to the lender if a repair is necessary
o Receipts evidencing payment for repair must be in the loan file
  ▪ Otherwise, workman liens could potentially be placed on the property after the loan closes

Heating/Cooling
- The dwelling should have a permanent heating source that is typical and common to the area
  o Any unheated square footage should not be included in the GLA
- Cooling is not required
  o May be value/marketability issue in some markets

Exterior/Interior Description
- Materials/Condition
- Anything impacting safety, soundness, or structural integrity must be repaired prior to the loan being sold to the GSEs.
- The appraisal should be completed subject-to these repairs.

Amenities
- Marked boxes indicate which amenities are present.
- Fireplaces and Woodstoves: Number of each should be noted.
- “Other” should be explained.
**Car Storage**

- The UCDP requires the appraiser note driveway/car storage.
- Number of spaces for each storage type is noted.

**Appliances**

- Checked if built in.

**Finished Area Above Grade Contains**

- Typically, only above grade rooms/square footage are included.
  - Exceptions may be split foyer or raised ranch homes.
- Appraisers report the total number of rooms, bedrooms and bathrooms.
  - Bathroom count reported with numbers to the left and right of a decimal point. *(i.e. 2.1 on the appraisal section shown above)*
    - To the left of the decimal point, full and three-quarter baths.
    - To the right of the decimal point, half baths.
- Look for the room count/square footage here to be consistent with the Sales Comparison and the sketch included with the appraisal.

**Additional Features**

- Includes special energy efficient items.
Describe the Condition of the Property

- Condition Ratings can be found in Appendix D, Exhibit 1.
  - Most appraisals include Exhibit 1.
  - C6 rating makes property ineligible for delivery, unless repaired.
  - Check applicable lender/investor guidelines for C5 rating acceptance.
    - C5 properties are ineligible for Freddie Mac delivery. (Freddie Mac Single-Family Seller/Servicer Guide §5601.12e)
  - When the ranking is unacceptable for delivery, the appraisal should be subject to repairs and provide an “as repaired” C rating.
    - A final inspection would be required to confirm the final C rating.
- All improvements must be considered in the ranking.
- The property is rated in its merits, not on a neighborhood comparison.
- Work completed within the past fifteen (15) years.
  - Kitchen and Bathroom work is noted.
    - Level of work completed.
      - Updated: Modified to meet current market expectations.
      - Not Updated: Little or no updates or modernization.
      - Remodeled: Significant work; Structural changes; complete replacement and/or expansion.
    - Timeframe. (Less than one year ago; One to five years ago; Six to ten years ago; Eleven to fifteen years ago; Timeframe unknown.)
    - Description and condition.
    - Cross reference interior photos to comments made by appraiser.
    - Look for consistency.
Physical Deficiencies/Conformity

- Look for any indication of:
  - Marketability Issue,
  - Unique Property,
  - Anything else that might impact functional or external obsolescence and/or all other appraiser comments regarding the property.
Project Information Condominiums

- Project Description
- General Description
- Subject Phase
- Is Project Complete or Incomplete

Always check your Investor guidelines for Specific Project Review Types and Requirements.

Primary Occupancy

Management Group - Who is in control?
- No more than 15% of homeowners association dues or assessments are delinquent more than 60 days.

Single Entity
- Generally, a single-investor concentration-No single entity must own more than 10% of the total number of units in the Condominium Project. A single entity may own up to 2 units in a project consisting of 5-20 units.
### Is the Project a Conversion

*Soundness and condition*—For a conversion that was legally created in the most recent three years, either:

- The architect's/engineer's report or a functional equivalent originally obtained for the conversion must comment favorably on the structural integrity of the project, and the condition and remaining useful life of the major project components such as the heating and cooling systems, plumbing, electrical systems, elevators, boilers, roof, etc.

- The appraiser must explicitly comment on the structural soundness, habitability and condition of the project, and the remaining useful life of the major project components such as but not limited to the roof, elevators, and mechanical systems such as the HVAC, plumbing, electrical systems, boilers, etc.

- All work involved in a Condominium conversion must have been completed in a professional manner.

### Is the Project Complete

### Is there any Commercial Space

- Any commercial space in the project must be compatible with the overall residential nature of the project. No more than 35% of the total space must be used for nonresidential purposes.
Condition & Quality of Construction

Common Elements & Recreational Facilities
Common Elements such as parking and recreational facilities must be consistent with the nature of the project and be competitive in the market.

- The unit owners must be the sole owners of and have the right to the use of Common Elements including but not limited to all buildings, roads, parking and Amenities. The developer must not retain any ownership interest in any of them.

- The Common Elements including Amenities such as parking and recreational facilities must not be subject to a lease between the unit owners/homeowners association and any other party

Leases or Ground Rent

Parking
Project Analysis Condominiums

Analysis of the Budget
The budget must be consistent with the nature of the project. Review specific investor requirements.

Additional Fees

Special or Unusual Characteristics
## Unit Description Condominiums

<table>
<thead>
<tr>
<th>General Description</th>
<th>Interior materials/condition</th>
<th>Amenities</th>
<th>Appliances</th>
<th>Car Storage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floor #</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td># of Levels</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heating Type</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finishes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central AC</td>
<td>Individual AC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baths</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (describe)</td>
<td></td>
<td></td>
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<tr>
<td>Additional features</td>
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<tr>
<td>Additional features</td>
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</tr>
</tbody>
</table>

Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.).

Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? Yes No If Yes, describe.

Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? Yes No If No, describe.

<table>
<thead>
<tr>
<th>$ Per Square feet of GLA</th>
</tr>
</thead>
</table>

**General Description**

**Car Storage**
Sales Comparison

This Section Covers:
- Analyzing Comparable Sales Selection
- Reading the Sales Comparison Grid
  - Non-Value Adjustment Fields
  - Value Adjustment Fields
- Reconciliation
- Sales/Transfer History

Analyzing Comparable Properties
This section provides information about analyzing the comparable properties chosen by the appraiser.

- Guidelines and best practices for evaluating the selection of comparable properties.
- Accounting for foreclosure and short sale activity in comparison selection.
- Resources that can help evaluate comparison selection.

At least three closed sales need to be provided as comparable properties.

- More can be provided.
- Pending Sales and Listings may offer additional support, but should not be relied as a closed sale.
  - These can demonstrate the subject’s current competition.
  - These can evidence current market conditions.
- Comparable sales should have closed within the previous year.
  - Check applicable guidelines.
  - Comparables must make sense for the subject’s market.
  - Recent sales offer a measure of the current market.

  - When a sale(s) over 12 months is used, the appraiser should address items such as the following:
    - The effort made to find newer comps.
    - The basis/summary support for any market condition adjustment.
Appraisal Underwriting

- Time/market condition adjustments may be warranted for older comps if the market has changed significantly between the date the comp went under contract and the effective date of the appraisal.

- See the Value Adjustments section of this manual for additional information about time adjustments.

When the appraiser indicates there is a shortage of comps:

- The appraiser should explain:
  - The effort made to find comps.
  - What the shortage indicates about the market.

- Is the market stable?
  - Solid, strong
    - Example: No houses have been listed or sold within five miles of the comp. Although there are many homes, they rarely go on the market, and there is no foreclosure or short sale activity.

- If there is a shortage of comps, the appraiser may have to select dated or older comparables, or look to a nearby, competing market.
  - Similarities between the subject and comp should be highlighted.
  - Explaining why certain comps were not chosen can be insightful.

- Use outside resources to confirm the information the appraisal reports.
  - http://www.listingbook.com/home
  - http://www.netronline.com
Unacceptable practices in choosing comparable properties.

- Misrepresentation of comp’s physical characteristics.
- Selection or use of inappropriate comps.
- Failure to use comps that are locationally and physically most similar to the subject property.
- Use of comps even though the appraiser has not personally inspected the exterior of the comps by at least driving by them.
- See Fannie Selling Guide §B4-1.1-04.

General comparison selection requirements include:

- Comps should come from an area within the neighborhood/market area impacted by the same market forces.
- If there are adverse conditions noted on the first page of the appraisal form, at least one comp should be impacted by the same or similar condition.
  - If subject is on a busy street, or dump-adjacent, one or more comps should have a similar influence.
  - Look for both disadvantages in the subject’s location or advantages in the comps’ locations.

Review the map carefully

- Look for the neighborhood boundaries reported in the appraisal report.
- Does the location map support the appraiser’s comments?
  - Do the distances make sense?
  - Have natural boundaries been crossed?
    - Waterways, Highways, Large Parks, Railroad Tracks, etc.
- Compare the map included with the appraisal to other maps
  - Map Web Sites: Google Earth, Yahoo! Maps, or MapQuest.
  - School and municipality maps.
Distance and Location
- While there is no distance rule, the distance must make sense.
  - **Urban Location**
    - Highly, densely populated.
    - Comps should be close by, often within one mile, and within the same market area.
      - In some instances, one mile might be too far!
    - Areas with unique issues, such as rapid gentrification, may require “block by block” selection of comps.
  - **Suburban Location**
    - No set distance rule, but it needs to make sense.
    - Tract homes in subdivisions would likely not be compared to a free standing custom built home.
    - Look for subdivision boundaries (see below), school district lines and distance to shopping and employment.
  - **Rural Location**
    - Often there are not many nearby recent sales or home, so miles away may still be a similar market.
    - Genworth offers training specifically covering rural property appraisals, including a pre-recorded Webinar.
- Regardless of where the property is located, there is no “set” distance rule.
- The distance must make sense for where the subject property is located.
- Be aware, on higher LTV loans where MI is needed, there may be additional scrutiny of the appraisal report.
  - MI companies typically want to see comps within one mile in urban and suburban areas.
- The appraiser’s explanation is the key to understanding why the chosen comps are the best indicators of value for the subject.
- Subject located in a subdivision, condominium or PUD project
  - **Established** (resale market)
    - All comparables should be from within the project
    - Institutional or investor sellers/buyers may require outside comparables as well
  - **New** (builder/developer still selling)
    - At least one comp from within the project
Appraisal Underwriting

- At least one comp from a nearby competing project
  - Appraiser should note the nearby project is unrelated to subject’s builder/developer
- If there are no contract sales for new subdivisions, new PUDS or new Condominiums, appraisers may develop an appraisal report with all comparable sales from outside the new subdivision or project.
  - Appraisers can use two pending sales in lieu of one closed sale in the subject subdivision or project in the event a closed sale is not yet available. (Three closes sales are still required in addition to the pending sales)
  - Appraisers must comment on marketability of the new development or project and justify and support the use of the comparables sales from outside the new subdivision or project
  - Appraisers may use comparable sales that are older than 12 months as long as the appraiser can justify and support such use in the appraisal report

Bracketing

- Bracketing means the subject is not the best or worst in any characteristic category, when compared to the comparable sales in the appraisal report.
  - At least one comp is superior, and one inferior, to the subject.
- The comps should “bracket” the subject in as many features as possible, including:
  - Unadjusted Sales Price
  - Gross Living Area (GLA)
  - Lot Size
  - Adjusted Sales Price
  - Other Major Characteristics
- While bracketing is not a guideline, it is a best practice.
  - It provides a more accurate picture of the value of the subject.
  - The range or spread between the properties is tightened, because there are both upward and downward adjustments in each field.
  - A subject compared to all more expensive properties can result in an inflated value conclusion.
  - Bracketing size and actual age helps support that the home conforms to the neighborhood and is marketable.
Size (GLA) and Bedroom Count
- The appraiser should provide comparables that are similar in size to the subject.
- Differences in square footage of 100 sq or less are commonly not adjusted, unless the subject/comps have smaller living area, such as being smaller than 1,500 square feet.
- If the subject is a two bedroom home, the appraiser MUST provide at least one or more comparables with two bedrooms.
  - There may be a significant difference in market appeal between two and three bedroom homes.
  - It is common to see appraisers compare three and four bedroom homes.
    - In many areas, there is no significant market reaction between three and four bedroom layout utility.

Declining Markets
- Detailed comments from the appraiser are required if the appraiser cannot provide recent closed sales for comparables.
  - Check applicable guidelines for timeframe, which may be as few as three months.
- Many lenders require a minimum of one, and preferably two, listing(s) and/or pending sales.
- Days on market must be reported for the subject and all comparable sales, per the UAD requirements.
- Downward market adjustments (time) adjustments may be necessary for the comparables if older comparables are provided and the market conditions have deteriorated.
  - See the Value Adjustments section of this manual for additional information about Time Adjustments.

Photographs and Resources
- Review the subject and comp pictures looking for similarities.
  - Photographs should capture all mentioned updates, remodels and repairs.
- Use outside resources to confirm information.
  - [http://www.realtor.com](http://www.realtor.com) provides information about listings (subject) and recent sales (comps) for most of the country.
  - Most map sites allow access to aerial pictures. (MapQuest, Google Earth)
  - Local real estate tax records and school district maps help you understand neighborhoods.
Analyzing the Sales Comparison Grid

This section provides information about reading the Sales Comparison grid; evaluating value adjustments and Uniform Appraisal Dataset (UAD) impacted fields.

- Sales Comparison Grid Reading Basics
  - Including How and Why Adjustments are Made
- Field-by-Field review of the grid
  - Non-Value Adjustment Fields
  - Value Adjustment Fields
  - Best Practices for Analyzing Adjustments and UAD Requirements
### Sales Comparison Grid Basics

#### Adjustments are based on the value a feature contributes to property.
- Not on building cost.
- These can differ by market area.
- All adjustments must be supported, justified and explained by information in the appraiser’s work file. In some cases, the appraiser should provide summary support for an adjustment in the appraisal report.
- The adjustments must make sense.

#### The appraiser adjusts at least three comps and analyzes the Adjusted Sales Prices in the Summary of Sales Comparison.
- The appraiser provides written rational for arriving at the Indicated Value for the subject property.
- The written rational must make sense and be justified.
- The Indicated Value is not calculated by taking the average of the Adjusted Sales Prices.
Non-Value Adjustment, or Identifier, Fields

- **Address**
  - Ensure the subject’s address matches the application.
  - Addresses of existing homes can be confirmed using the Zip Code Finder at [http://www.usps.com](http://www.usps.com).

- **Proximity to Subject**
  - The distance, in miles, per two decimal points, and direction are reported.
  - Distances are measured “as the crow flies.”
  - Directions are measured from the subject to the comparable.

- **Sale Price**
  - For purchase transactions, the subject’s contract price is reported.
  - For refinances, the subject’s field is left blank.
  - For closed sale comparables, the sales price is reported.
  - For listing and pending sale comps, the offering or contract price is reported.
  - Whole number dollar amounts are used.

- **Price per Gross Living Area (P/GLA)**
  - Also called Price per Square Foot.
  - This can help a reviewer gauge whether the subject and comparables are similar properties.
    - When the subject and a comp differ by more than 10%, it can be an indicator that the properties are dissimilar.
    - Unexplained differences (in other words, differences that cannot easily be discerned by looking at the sales comparison grid and make sense) may indicate superior building supplies and quality.

- **Data and Verification Sources**
  - The **Data Source** reports where the appraiser obtained the data used for the appraisal.
  - The **Verification Source** is where the appraiser verified the data is correct.
  - Examples of acceptable data sources include Multiple Listings Service (MLS), deed records, tax records, Realtors®, builders, appraisers, appraiser’s files and the Internet.
    - The appraiser must specifically state the data source.
    - Broad categories, such as “public records” are not acceptable.
    - The data source must be reliable for the area in which the property is located.
Acceptable “Verification Sources” include the buyer, seller, listing agent, selling agent and closing documents in certain situations.

When comparable sales data is provided by parties that have a financial interest in either the sale or financing of the subject property, the appraiser must verify the data with a party that has no financial interest in the subject transaction.

- Example: If the data comes from the real estate agent, the Verification Source should not be the seller.

The Days on Market (DOM) must be provided for each comp, no matter the source of the data.

If an MLS is used for the data or verification source, the specific MLS needs to be identified and the listing number reported.

**Value Adjustment Fields – Adjustment Overview**

**Across the Board, or Across the Line, Adjustments**

- The subject has a feature and the comps do NOT or vice versa!
- Typically these are seen with swimming pools, basements, outbuildings or storage sheds.
  - Just a few examples but keep in mind, each market is different.
- These types of adjustments are problematic because you don’t know if the market really will pay for this feature without a comparable that has it.
- You also don’t know how much value this feature adds, if any.
- Request the appraiser provide an older or distant comparable that has the feature.
  - This helps demonstrate the market will pay and accepts this amenity.

**Field Specific Adjustments and Guidelines**

**Sales and Financing Concessions**

- See the following additional resources:
  - Fannie Mae Selling Guide §B4-1.3-09, Adjustments to Comparable Sales.
  - See Fannie Mae and Freddie Mac Uniform Appraisal Dataset Specification, Field-Specific Standardization Requirements (Appendix D), Sales Comparison Approach Section.
For each comp, the first line reports the sales type.

- Sales types are REO Sale, Short Sale, Court Ordered Sale, Estate Sale, Relocation Sale, Non Arms-Length Sale, Arms-Length Sale and Listing.
- If more than one applies, the appraiser reports the type that appears first on the list.
- Different sale types may impact sales price and market value differently.

For each comp, the second line reports the financing type and amount of any concessions.

- Possible financing types are FHA, VA, Conventional, Seller, Cash, USDA-Rural Housing or Other.
- If "Other" financing is reported, the appraiser must explain.
- Be on the lookout for below-market financing, which can have an impact on the sales price and market value.
Financing Concessions, Sales Concessions and Interested Party Contributions

- When Concessions are present within the transaction, evaluate the concessions and determine the type.
- The appraiser should adjust for the impact, if any, on the sales price as a result of the seller paid concessions.
- Fannie Mae has clarified that appraisers may use dollar for dollar adjustments for financing or sales concessions when such an adjustment approximates the local market’s response to these types of concessions.

**Financing Concessions**

- Are they within the limits based on LTV & Occupancy Type?
- Is an adjustment required or at a minimum is a narrative included?
- Has the sales price been inflated by the inclusion of concessions?
  - In general, seller paid concessions will impact the sales price, and in many cases on a near dollar-for-dollar basis.
  - If seller paid concessions are present on a comparable sale but are not adjusted, the appraisal should provide logical support for the lack of adjustment.
- Even if a seller paid concession is common for the market, it is not appropriate to exclude an adjustment on that basis alone.

**Sales Concessions**

- Have the non-realty items been deducted from the sale price & the LTV recalculated?
- Have the excessive financing concessions been deducted from the sale price?

**Interested Party Contributions (IPC)**

- Fannie Mae considers the following financing/sales concessions IPCs:
  - Funds that are paid directly from the interested party to the borrower;
  - Funds that flow from an interested party through a third-party organization, including nonprofit entities, to the borrower;
  - Funds that flow to the transaction on the borrower’s behalf from an interested party, including a third-party organization or nonprofit agency; and
  - Funds are donated to a third party, which then provides the money to pay some or all of the closing costs for a specific transaction.
If the subject property or any comps are located in new projects, a simple Internet search (Yahoo!, Google, etc.) can help identify concessions being offered to purchasers.

- Ex: Builder advertisements, real estate listings.

Payment abatements of any kind are prohibited, except for certain condominium dues that must be included as interested party contributions.

**Date of Sale/Time**

- The status of each comp is reported.
  - Possible status types are Active, Contract, Expired, Withdrawn or Settled Sale.
- The settlement date should be reported, followed by the contract date, if known.
  - Otherwise, the date of listing withdrawal or expiration should be reported.
  - If contract date unknown, “Unk” reported.
  - See Appendix D for specific reporting format.
- Market condition adjustments may be warranted if the market has changed significantly since the contract date of the comparable sale.
  - Appraiser explanation is required.
  - The adjustment is measured from the date of the comp’s contract, not closing date.

**Location**

- The appraisal reports the impact on value for the location (rating), and identifies the one or two most influential location characteristics (factors).
  - The location’s impact can be Neutral (N), Beneficial (B) or Adverse (A).
  - The factors explain what influences the value impact.
  - See Appendix D for location factor abbreviations.
- Value adjustments may be warranted when otherwise similar properties have different types of locations.
Site

- The site/parcel size is reported.
  - Less than one acre is reported in square feet.
  - One acre and larger is reported in acreage, to two decimal points.
- The entire site must be appraised; partial sites are unacceptable for loans sold to the GSEs.
- The subject and comps should have similarly sized lots.
- Any adjustments for lot value differences should be:
  - Consistent with the lot’s value shown in the Cost Approach Section of the appraisal.
  - Supported with market data.

View

- The appraisal reports the impact on value for the view (rating), and identifies the one or two most influential view characteristics (factors).
  - The view’s impact can be Neutral (N), Beneficial (B) or Adverse (A).
  - The factors explain what influences the value impact.
  - See Appendix D for view factor abbreviations.
- Value adjustments may be warranted when otherwise similar properties have different types of locations.
- See the Location section of this manual for addition explanation.

Design (Style)

- Attachment type
  - Attached (AT); Detached (DT); Semi-detached (SD)
- Number of stories
- The architectural design/style descriptor is reported.
  - Mid-Century Modern, Craftsman Bungalow, Ranch, Cape Cod, etc.
- Non-architectural descriptors, such as “average” or “brick” are unacceptable.
  - An appraisal which includes an adjustment for design/style should also contain sufficient explanation regarding the basis for the adjustment.
Quality of Construction

- A quality rating is reported for the subject and each comp.
- See Appendix D for more complete definitions.
  - Q1: Unique, architecturally significant structures.
  - Q2: Custom design for individual properties.
  - Q4: Meet or exceed applicable building codes.
  - Q5: Economy of construction, basic functionality.
  - Q6: Basic quality, lower cost.
- The quality rankings should be reviewed to ensure they make sense.
  - Compare the rating to the photos provided to the descriptions found in Appendix D.
  - Read all comments provided.
  - Do any value adjustments made for quality make sense?
  - If there is no adjustment for a subject and comp of different quality, has the appraiser provided reasoning for the lack of adjustment?

Actual Age

- Reported for the subject and comps, to three digits.
- If the actual age is unknown, the estimated age is reported with the tilde (~) sign.
- Look for the comps ages to bracket the subject.
  - An unbracketed subject may be a unique home for that market.
  - Any adjustments should be fully explained.
  - Be sure, if there are adjustments here, that the same characteristic is not being adjusted in the condition field, too.
Condition

- A quality ranking is reported for the subject and each comp
- See Appendix D for more complete definitions
  - C1: New properties
  - C2: No deferred maintenance, little or no physical depreciation and recent updates
  - C3: Well maintained, with normal wear and tear and, perhaps, some updated features
  - C4: Minor deferred maintenance requiring only minimal repairs
  - C5: In need of significant repairs
    - Some investors will not accept C5; check guidelines
  - C6: Substantial damages or significant need for major repairs
    - This rating includes properties with conditions affecting safety, soundness or structural integrity
    - Properties with these issues must be appraised "subject-to" needed repairs
    - Those repairs must be completed prior to delivery to the GSE
- Important Note: The subject’s condition rating is reported on the first page of the appraisal and auto-populates into the sales comparison section
  - Look to see if the condition rating is subject to repair or the present condition

Above Grade Room Count (Bedrooms, Bathrooms) and Gross Living Area

- Total Rooms and Bedrooms are reported as whole numbers
- Bath(s) are reported with two numbers to the left and two to the right of a decimal point
  - The first two numbers are full and three-quarter baths
  - The second two numbers are half baths
  - Example: 2.1 are two full or three-quarter baths and one half bath
- Gross Living Area (GLA)
  - Look for similar square foot adjustments on all comps
  - It is common for an appraisal not to include an adjustment for gross living area when the difference in size is less than 100 square feet
    - However, on a smaller dwelling (e.g. less than 1,200 square feet), an adjustment might be included on differences less than 100 square feet
Basement

- The first line of the basement field reports the total square footage, the finished square footage and the access.
  - Example: The sample appraisal subject shows “1200sf600sfwo” meaning there is a total of 1,200 sq/ft of basement, of which 600 sq/ft are finished, and there is walk-out access to the outside.
  - Possible basement access types are walk-out (wo), walk-up (wu) and interior only (in).

- The second line of the basement field reports the number of rooms by type of finished rooms.
  - Example: The sample appraisal shows “3rr1br1.1ba0o” meaning there are three recreation rooms, one bedroom, one full bath, one half bath, and no other rooms.

- Areas that are fully or partially below grade (finished or unfinished) should not be included in the above grade living area calculations.
  - See Fannie Mae Selling Guide §§B4-1.3-05 for additional information.

- Be sure value given to basement space and finished versus unfinished basement makes sense and that any value adjustments for basement room count make sense.
Other Value Adjustment Fields

- **Functional Utility**
  - If adjusted, the appraiser must explain.

- **Heating/Cooling, Energy Efficient Items, Garage/Carport, Porch/Patio/Deck and Fireplace**
  - Review any adjustments to be sure they make sense and are consistently applied within each comp.
  - Check the subject and comp pictures to ensure features that should be observable are there.

- **Other**
  - If there are features or characteristics not reportable in the pre-printed fields, the appraisal may show them in the blank boxes below the “Fireplace” field.
  - Examples: Swimming Pools, Barns, Accessory Units.
  - Look for at least one comp that shares the “Other” item to ensure it is acceptable and marketable in the subject’s area.
  - Any adjustments on these lines must make sense and include an explanation of what they are for and how they were calculated.
**Previous Sale and Transfer History**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>SUBJECT</th>
<th>COMPARABLE SALE #1</th>
<th>COMPARABLE SALE #2</th>
<th>COMPARABLE SALE #3</th>
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</thead>
<tbody>
<tr>
<td>Date of Sale/Transfer</td>
<td>05/29/2014</td>
<td>Triangle MLS &amp; Realquest</td>
<td>Triangle MLS &amp; Realquest</td>
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<td>Price of Sale/Transfer</td>
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<td>09/15/2015</td>
<td>09/15/2015</td>
<td>09/15/2015</td>
</tr>
</tbody>
</table>

The subject last sold on 5/29/2014 for $213,000. This appeared to be a market transaction with reasonable exposure to the open market. The comparable sales have not sold or transferred in the past 3 years.

**Sale or Transfer History**

- The appraisal reports the previous sale and transfer history for the subject and each comp.
  - Three years for the subject.
  - One year for each comp.
- The previous sale and transfer history can help the reviewer determine:
  - If the property might be a "flip" or previously been "flipped."
  - If the property is possibly in a declining market.
  - If any repairs or improvements must be documented to explain increases in value.
  - If the subject may have been purchased at below market value.
    - Foreclosures, non arms-length transactions or divorce situations.
- The Uniform Standards of Professional Appraisal Practice (USPAP) and the GSEs require the analysis and reporting of a three year sale history for the subject.
- In addition, the GSEs specifically require the analysis and reporting of a one year sale history for each comparable property.
Summary of/Indicated Value by Sales Comparison

<table>
<thead>
<tr>
<th>Summary of Sales Comparison Approach</th>
<th>All three sales offer good value measure for the subject property and represent recent market competition. All three sales offer similar quality of construction, design appeal, and amenities. Sales 1 and 2 are given the most weight due to their overall similarity and similar overall condition. Sale 3 offers additional support. It is a slightly larger home that has received updates to the bathroom and new interior paint and floor coverings. All three sales are located on the subject street and offer similar location and view appeal.</th>
</tr>
</thead>
</table>

| Indicated Value by Sales Comparison Approach | $218,000 |

Summary of Sales Comparison Approach

- The appraiser discusses how he/she weighted each comparable and arrived at the indicated value.
- The arrived at conclusion should be:
  - Consistent with the data provided in the report.
  - All comments provided by the appraiser.
  - All data sources used to verify the report.

Indicated Value by Sales Comparison Approach

- Should be supported by everything on the appraisal.
Reconciliation

The sales comparison approach is given the most weight in the analysis since it emulates buyer decisions and there is sufficient and reliable data. The cost approach offers additional support but is given less weight due to the age of the home and the difficulty accurately estimating accrued depreciation. The income approach offers additional support but is given minimal weight due to the paucity of rental data.

This appraisal is made ☑ "As Is", ☐ subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, ☐ subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or ☐ subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require attention or repair. The appraisal is completed as-is.

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 [name] opinion of the market value, as defined, of the real property that is the subject of this report is $218,000, as of 04/22/2016, which is the date of inspection and the effective date of this appraisal.

The Appraisal is Made “As Is”

- If any other box is checked, the appraiser or a subject matter expert will have to inspect the property after work is completed.

Last Line

- Appraised Value
- Appraisal Date
  - Inspection Date
  - Good for twelve months

- If more than four months old on note date, appraiser must provide Appraisal Update and/or Completion Report (Form 1004D).

Comments

Read the Comments Section Carefully

- If the appraiser takes the time to write comments, the reviewer needs to take the time to read the comments.
- Look for anything impacting value, structural integrity and/or marketability.
- Not everything that could impact the value fits nicely or neatly into a checkbox or data field.
Cost Approach

Cost Approach values the property by calculating the cost to build the property.

- Not required by Fannie Mae.
  - Is required for new construction and manufactured homes.
- Not required by Freddie Mac for attached, PUD or Condominium Units.
  - Is required for manufactured homes.
  - The appraiser must develop and report the result of any approach to value that is applicable and necessary for an appraisal, even if the Seller did not request it.
  - The approach may be appropriate especially when appraising properties that are:
    - New or proposed construction
    - Under renovation
    - Unique because of their styles or construction methods, or
    - Have functional obsolescence not typical for the market

- **Reproduction:** Reflects the cost to reproduce the property with the original quality and using materials, construction practices and functional utility that matches the current structure.
- **Replacement Cost New:** Reflects the cost to replace the structure with similar quality and using modern materials, construction practices, and functional utility.
- The appraiser uses resources like Marshall & Swift Residential Cost Handbook, as well as the appraiser’s own knowledge, to estimate materials costs.
Income Approach

- **Opinion of Site Value**
  - Excessive site value, as a percentage of the appraised value, may indicate a lot loan is necessary, instead of a residential mortgage.

**Values the property based on rent that could be received.**
- Typically not required to be completed unless it is a valid approach to value in the subject’s market.

<table>
<thead>
<tr>
<th>Estimated Monthly Market Rent</th>
<th>$1600</th>
<th>X Gross Rent Multiplier</th>
<th>135</th>
<th>= $216,000</th>
<th>Indicated Value by Income Approach</th>
</tr>
</thead>
</table>

Summary of Income Approach (including supporting market rent and GPM)

The rental figures were obtained from a review of current rent offerings and actual rents of properties competing with the subject. There were six rental comps with rents ranging from $1,500 to $1,700.
Project Information for PUDs

First line is completed if the property is located in a Planned Unit Development (PUD)

- The rest of the section is only completed if:
  - The developer/builder is in control of the HOA, and
  - The units are attached.

- Even if the rest of the section is not completed, check for guideline restrictions if the developer/builder is in control of the HOA.

- If the section is completed, verify project compliance with specific investor guidelines.

- If applicable, check for lender/investor/GSE project approval.
STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS: The appraiser’s certification in this report is subject to the following assumptions and limiting conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it, except for information that he or she became aware of during the research involved in performing this appraisal. The appraiser assumes that the title is good and marketable and will not render any opinions about the title.

2. The appraiser has provided a sketch in this appraisal report to show the approximate dimensions of the improvements. The sketch is included only to assist the reader in visualizing the property and understanding the appraiser’s determination of its size.

3. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in this appraisal report whether any portion of the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law.

5. The appraiser has noted in this appraisal report any adverse conditions (such as needed repairs, deterioration, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the research involved in performing the appraisal. Unless otherwise stated in this appraisal report, the appraiser has no knowledge of any hidden or inapparent physical deficiencies or adverse conditions of the property (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, this appraisal report must not be considered as an environmental assessment of the property.

6. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that the completion, repairs, or alterations of the subject property will be performed in a professional manner.
### Appraiser/Supervisory Appraiser Signatures

<table>
<thead>
<tr>
<th>APPRAISER</th>
<th>SUPERVISORY APPRAISER (ONLY IF REQUIRED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signature</td>
<td></td>
</tr>
<tr>
<td>Name: Joe Appraiser</td>
<td>Name</td>
</tr>
<tr>
<td>Company Name: The Sample Appraisal Company</td>
<td>Company Name</td>
</tr>
<tr>
<td>Company Address: 11111 Anytown Street</td>
<td>Company Address</td>
</tr>
<tr>
<td>Spearmen, NC</td>
<td>Telephone Number</td>
</tr>
<tr>
<td>Telephone Number: 111-111-XXXX</td>
<td>Email Address</td>
</tr>
<tr>
<td>Email Address: <a href="mailto:XXXX.XXXXX@XXXXX.net">XXXX.XXXXX@XXXXX.net</a></td>
<td>Date of Signature and Report</td>
</tr>
<tr>
<td>Effective Date of Appraisal</td>
<td>04/23/2016</td>
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<td>State Certification #</td>
<td>A48TTZ</td>
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<tr>
<td>or State License #</td>
<td></td>
</tr>
<tr>
<td>or Other (describe)</td>
<td>State #</td>
</tr>
<tr>
<td>State: NC</td>
<td>Expiration Date of Certification or License</td>
</tr>
</tbody>
</table>

### ADDRESS OF PROPERTY APPRAISED
- Address: 2800 Circle Drive
- Location: Durham, NC 27701

### APPRAISED VALUE OF SUBJECT PROPERTY $ 248,000

### LENDER/CLIENT
- Name: No AMC
- Company Name: Friendly Bank
- Company Address: 120X Main Street, Anytown, TX 785XX
- Email Address: xxxxx.xxxxxxx@xxxx.com

### Subject Property
- Did not inspect subject property
- Did inspect exterior of subject property from street
- Did inspect interior and exterior of subject property

### Comparable Sales
- Did not inspect exterior of comparable sales from street
- Did inspect exterior of comparable sales from street

---

**Be sure Appraiser completed the signature section.**

- Compare this information to the copy of the Appraiser’s license included with the appraisal.
- You can check if the appraiser’s license is valid on the Appraisal Subcommittee Website:
  - [https://www.asc.gov/National-Registry/FindAnAppraiser.aspx](https://www.asc.gov/National-Registry/FindAnAppraiser.aspx)

**Supervisory Appraiser**

- When an appraiser is a trainee, a supervisory appraiser must review and sign off on the appraisal.
- The supervisory appraiser does not need to actually inspect the property unless required by local law or a specific guideline.
  - Ex: Guidelines often require the supervisory appraiser to inspect the property if the subject is a Unique Property or the transaction is a Jumbo Loan.
Some Appraisal Red Flags Commonly Noted by Underwriters

See the Genworth Appraisal Review Checklist or the 2-4 Unit Appraisal Review Checklist for Additional Guidance

- Choosing dated comps, in the absence of sufficient explanation, particularly when there are more recent comps available.
- Not relying upon the indicated value from the most similar comparable property.
  - Closest.
  - Most recent sale.
  - Most similar property.
- Indicated value outside the predominant range for the neighborhood.
- High land to value percentage without explanation.
- Photos show a feature/situation not reflected in the appraisal.
  - Major Farm structures or livestock may evidence farm use.
  - Appraisers should explain unusual circumstances and confirm that the land is used solely residentially.
- Gross adjustments in excess of 25% of the original sales price on several comps without sufficient explanation and justification.
- Not identifying an area as declining when credible evidence suggests a decline.
- Lack of bracketing for price, age and/or square footage.
- Lack of comments from the appraiser relating to the property, comps, market or trends in the area.
- Boilerplate appraiser statements, such as “best comps” were selected or “there are no additional comps available.”
Sales Comparison Considerations: Underwriting Loans for Genworth MI Coverage

- Genworth Appraisal Guidelines can be found online, at https://new.mi.genworth.com/guidelines, under the “Underwriting and Guides” tab.
- “Value Not Supported by Comparables” has been cited on Genworth’s “Delegated Underwriting MI Decision Tips” as a common underwriting issue.
- Genworth follows Agency Appraisal Standards and Uniform Standards of Professional Appraisal Practice (USPAP) guidelines.
- When Genworth’s underwriting manual is “silent” and does not address a guideline, the lender must follow Agency Standard guidelines.
  - See the “Delegated MI Underwriting Decision Tips” flier for additional information.

Legal Disclaimer

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Resources

The full sample appraisal used in this manual for XXX Oriole Drive can be found starting on the next page.
APPRAISAL OF REAL PROPERTY

LOCATED AT
XXXX Oriole Drive
Durham, NC 27701
Block 5, Lot A at Anytown Estates

FOR
Friendly Bank
12XX Main Street, Anytown, TX 276XX

OPINION OF VALUE
218,000

AS OF
04/22/2016

BY
Joe Appraiser
The Sample Appraisal Company

111.111.XXXX
XXXX.XXXX@XXXXX.net
The purpose of this summary appraisal report is to provide the lender/underwriter with an accurate and adequately supported opinion of the market value of the subject property.

**Property Address:** XXXX Olive Drive

**City:** Durham  
**State:** NC  
**Zip Code:** 27701

**Borrower:** Bob Smith & Jill Smith  
**Owner of Public Record:** Jane Doe  
**County:** Durham

**Assessor’s Parcel #:** 12x-25A-4356-7811-XX  
**Tax Year:** 2015  
**R.E. Taxes:** $2,860

**Neighborhood:** Atenwood, Texas  
**Ap. Reference:** 20050  
**Census Tract:** 0

**Currently Owned By:** Resolution  
**Year:** 2013  
**Special Assessments:** $1,000  
**Type:** Purchase Transaction  
**Amount:** $0

**Property Rights:** Prior Owner  
**Property Type:** Sale  
**Reason:** Improvements

**Agent/Realtor:** Zach Smith  
**Address:** 12XX Main Street, Anytown, TX 763XX  
**Real Estate:** Yes  
**Lease:** No

**Zoning:** Yes  
**Market:** Yes  
**Neighborhood:** Yes

**Description of Subject Property:**

- **Property:** A single-family residence with four bedrooms and three bathrooms.
- **Location:** Close to downtown Durham and major highways.
- **Features:** New construction with high-quality finishes and energy-efficient appliances.
- **Market:** Competitive with similar properties in the area.

**Note:** The above summary is based on the information provided and does not include all details.

---

**Uniform Residential Appraisal Report**

**File #** Sample Appraisal

**Domestic Bank**

**Address:** 12XX Main Street, Anytown, TX 763XX  
**Lease:** No  
**Owner:** Yes

**Contract Price:** $218,000  
**Date of Contract:** 03/02/2016  
**Proposed Sale Date:** 05/01/2016

**Accessibility:**

- **Roads:** All public  
- **Drains:** Natural  
- **Utilities:** All public

**Location:** Durham, NC  
**Elevation:** Flat

**Description:** The subject is located in Durham, NC offering local employment, schools, and shopping. Durham is located in an urban county with suburban areas surrounding the city. The subject neighborhood is comprised of average quality ranch and split level style homes that were constructed by Aspen Bank. The neighborhood is fully developed and is comprised exclusively of single family dwellings.

**Market Conditions:**

- **Sales:** Generally stable with median property values of $215,000 and a stable trend showing moderate seasonal fluctuation. Local employment is available and the unemployment rate is 4.5% with a historical range of 4% to 6%. Demand for housing is good and some new housing and commercial/retail is being built throughout the town.

**Specific Listing Details:**

- **Features:** New construction with high-quality finishes and energy-efficient appliances.

**Pricing:**

- **List Price:** $218,000  
- **Selling Price:** $220,000  
- **% Market Value:** 100%

**Note:**

- **Race and the racial composition of the neighborhood are not appraisal factors.**

---

**General Description:**

- **Ownership:** Single Family
- **Exterior:** Brick/Vinyl Siding
- **Interior:** Carpet

**Foundation:**

- **Type:** Concrete
- **Material:** Block

**Exterior:**

- **Windows:** 12 Total
- **Doors:** 3 Total

**Electricity:**

- **Service:** 100 Amps  
- **Wiring:** Modern

**Water Supply:**

- **Type:** City Water  
- **Connection:** Metered

**Heating and Cooling:**

- **Heating:** Electric  
- **Cooling:** Yes

**Appliances:**

- **Refrigerator**  
- **Washer/Dryer**  
- **Other**

**Floor Area:** 2,244 square feet

**Additional Features:**

- **Fireplace**  
- **Garage**

---

**Description:**

- **Property:** A single-family residence with four bedrooms and three bathrooms.
- **Location:** Close to downtown Durham and major highways.
- **Features:** New construction with high-quality finishes and energy-efficient appliances.
- **Market:** Competitive with similar properties in the area.

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---

Form 1004AD—"TOTAL" appraisal software by alamode, inc. -1-800-ALAMODE
<table>
<thead>
<tr>
<th>FEATURE</th>
<th>SUBJECT</th>
<th>COMPARABLE SALE #1</th>
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<td>09/15/2015</td>
<td>09/15/2015</td>
</tr>
<tr>
<td>Price of Prior Sale/Transfer</td>
<td>$213,000</td>
<td>$220,000</td>
<td>$220,000</td>
<td>$220,000</td>
</tr>
<tr>
<td>Adjusted Price</td>
<td>$220,000</td>
<td>$220,000</td>
<td>$220,000</td>
<td>$220,000</td>
</tr>
<tr>
<td>Adjusted Price/Net Adjustment (Total)</td>
<td>$220,000</td>
<td>$220,000</td>
<td>$220,000</td>
<td>$220,000</td>
</tr>
</tbody>
</table>

---

**Uniform Residential Appraisal Report**

**My research**

**Did Source(s)**

**My research**

**Did Source(s)**

---

**Comparable Sales**

---

**Summary of Sales Comparison Approach**

All three sales offer good value measure for the subject property and represent recent market competition. All three sales offer similar quality of construction, design appeal, and amenities. Sales 1 and 2 are given the most weight due to their overall similarity and similar overall condition. Sale 3 offers additional support. It is a slightly larger home that has received updates to the bathroom and new interior paint and floor coverings. All three sales are located on the subject street and offer similar location and view appeal.

---

**Adjusted Value by Sales Comparison Approach**

$218,000

---

**Report**

The appraisal is completed as-is.
The appraisal is completed as-is.

### Cost Approach

**The site value was obtained from an analysis of six vacant site sales that have occurred in the area in the past 24 months. The sale prices range from $40,000 to $55,000 for parcel sizes of 18,000 square feet to 31,000 square feet.**

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of Units</th>
<th>Source of Estimate</th>
<th>Date of Estimate</th>
<th>Comments on Cost Approach (gross living area calculations, depreciation, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Square Foot Calculations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site</td>
<td>2,244 Sq. Ft.</td>
<td>$85.00</td>
<td>3/1/2016</td>
<td></td>
</tr>
<tr>
<td>Deck &amp; Fireplace</td>
<td>488 Sq. Ft.</td>
<td>$35.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Depreciation Calculations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>82,249</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Value of Site Improvements</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of Site Improvements</td>
<td>164,523</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Estimate Remaining Economic Life (HUD and VA only)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>40 Years</td>
<td>45,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Indicated Value by Cost Approach</strong></td>
<td></td>
<td>219,523</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income Approach</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income Approach to Value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Summary of Income Approach</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The rental figures were obtained from a review of current rent offerings and actual rents of properties competing with the subject. There were six rental comps with rents ranging from $1,500 to $1,700.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Project Information for PUDs (if applicable)

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes/No/No Data Source</th>
<th>Source of Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the developer/builder in control of the Homeowners' Association (HOA)</td>
<td>Yes/No/No Data Source</td>
<td>Source of Information</td>
</tr>
<tr>
<td>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.</td>
<td>Yes/No/No Data Source</td>
<td>Source of Information</td>
</tr>
<tr>
<td>Unit Name at Project</td>
<td></td>
<td>Source of Information</td>
</tr>
<tr>
<td>Total number of units</td>
<td></td>
<td>Source of Information</td>
</tr>
<tr>
<td>Data sources</td>
<td></td>
<td>Source of Information</td>
</tr>
<tr>
<td>Does the project contain any multi-dwelling units?</td>
<td>Yes/No/No Data Source</td>
<td>Source of Information</td>
</tr>
<tr>
<td>Are the units, common elements, and recreation facilities completed?</td>
<td>Yes/No/No Data Source</td>
<td>Source of Information</td>
</tr>
<tr>
<td>Describe common elements and exceptional facilities</td>
<td></td>
<td>Source of Information</td>
</tr>
</tbody>
</table>
This report form is designed to report an appraisal of a one-unit property or a one-unit property with an accessory unit; including a unit in a planned unit development (PUD). This report form is not designed to report an appraisal of a manufactured home or a unit in a condominium or cooperative project.

This appraisal report is subject to the following scope of work, intended use, intended user, definition of market value, assumptions and limiting conditions, and certifications. Modifications, additions, or deletions to the intended value, or assumptions and limiting conditions are not permitted. The appraiser may not constitute material alterations to this continuing education or membership in an appraisal organization, are permitted.

SCOPE OF WORK: The scope of work for this appraisal is defined by the complexity of this appraisal assignment and the reporting requirements of this appraisal report form, including the following definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser must, at a minimum: (1) perform a complete visual inspection of the interior and exterior areas of the subject property; (2) inspect the neighborhood; (3) inspect each of the comparable sales from at least the street, (4) research, verify, and analyze data from reliable public and/or private sources; and (5) report his or her analysis, opinions, and conclusions in this appraisal report.

INTENDED USE: The intended use of this appraisal report is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction.

INTENDED USER: The intended user of this appraisal report is the lender/client.

DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implied in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS: The appraiser's certification in this report is subject to the following assumptions and limiting conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it, except for information that he or she became aware of during the research involved in performing this appraisal. The appraiser assumes that the title is good and marketable and will not render any opinions about the title.

2. The appraiser has provided a sketch in this appraisal report to show the approximate dimensions of the improvements. The sketch is included only to assist the reader in visualizing the property and understanding the appraiser's determination of its size.

3. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in this appraisal report whether any portion of the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law.

5. The appraiser has noted in this appraisal report any adverse conditions (such as needed repairs, deterioration, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the research involved in performing the appraisal. Unless otherwise stated in this appraisal report, the appraiser has no knowledge of any hidden or unapparent physical deficiencies or adverse conditions of the property (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, this appraisal report must not be considered as an environmental assessment of the property.

6. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that the completion, repairs, or alterations of the subject property will be performed in a professional manner.
I, the Appraiser, certify and agree that:

1. I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in this appraisal report.

2. I performed a complete visual inspection of the interior and exterior areas of the subject property. I reported the condition of the improvements in factual, specific terms. I identified and reported the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.

3. I performed this appraisal in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.

4. I developed my opinion of the market value of the real property that is the subject of this report based on the sales comparison approach to value. I have adequate comparable market data to develop a reliable sales comparison approach for this appraisal assignment. I further certify that I considered the cost and income approaches to value but did not develop them, unless otherwise indicated in this report.

5. I researched, verified, analyzed, and reported on any current agreement for sale for the subject property, any offering for sale of the subject property in the twelve months prior to the effective date of this appraisal, and the prior sales of the subject property for a minimum of three years prior to the effective date of this appraisal, unless otherwise indicated in this report.

6. I researched, verified, analyzed, and reported on the prior sales of the comparable sales for a minimum of one year prior to the date of sale of the comparable sale, unless otherwise indicated in this report.

7. I selected and used comparable sales that are locationally, physically, and functionally the most similar to the subject property.

8. I have not used comparable sales that were the result of combining a land sale with a contract purchase price of a home that has been built or will be built on the land.

9. I have reported adjustments to the comparable sales that reflect the market's reaction to the differences between the subject property and the comparable sales.

10. I verified, from a disinterested source, all information in this report that was provided by parties who have a financial interest in the sale or financing of the subject property.

11. I have knowledge and experience in appraising this type of property in this market area.

12. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located.

13. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable sources that I believe to be true and correct.

14. I have taken into consideration the factors that have an impact on value with respect to the subject neighborhood, subject property, and the proximity of the subject property to adverse influences in the development of my opinion of market value. I have noted in this appraisal report any adverse conditions (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property that I became aware of during the research involved in performing this appraisal. I have considered these adverse conditions in my analysis of the property value, and have reported on the effect of the conditions on the value and marketability of the subject property.

15. I have not knowingly withheld any significant information from this appraisal report and, to the best of my knowledge, all statements and information in this appraisal report are true and correct.

16. I stated in this appraisal report my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the assumptions and limiting conditions in this appraisal report.

17. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in this appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.

18. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not conditioned on any agreement or understanding, written or otherwise, that I would report (or present analysis supporting) a predetermined specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific subsequent event (such as approval of a pending mortgage loan application).

19. I personally prepared all conclusions and opinions about the real estate that were set forth in this appraisal report. If I relied on significant real property appraisal assistance from any individual or individuals in the performance of this appraisal or the preparation of this appraisal report, I have named such individual(s) and disclosed the specific tasks performed in this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in this appraisal report; therefore, any change made to this appraisal is unauthorized and I will take no responsibility for it.

20. I identified the lender/client in this appraisal report who is the individual, organization, or agent for the organization that ordered and will receive this appraisal report.
21. The lender/client may disclose or distribute this appraisal report to: the borrower; another lender at the request of the borrower; the mortgagor or its successors and assigns; mortgage insurers; government sponsored enterprises; other secondary market participants; data collection or reporting services; professional appraisal organizations; any department, agency, or instrumentality of the United States; and obtain the appraiser’s or supervisory appraiser’s (if applicable) consent. Such consent must be obtained before this appraisal report may be disclosed or distributed to any other party (including, but not limited to, the public through advertising, public relations, news, sales, or other media).

22. I am aware that any disclosure or distribution of this appraisal report by me or the lender/client may be subject to certain laws and regulations. Further, I am also subject to the provisions of the Uniform Standards of Professional Appraisal Practice that pertain to disclosure or distribution by me.

23. The borrower, another lender at the request of the borrower, the mortgagor or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties.

24. If this appraisal report was transmitted as an “electronic record” containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

25. Any intentional or negligent misrepresentation(s) contained in this appraisal report may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq., or similar state laws.

SUPERVISORY APPRAISER’S CERTIFICATION: The Supervisory Appraiser certifies and agrees that:

1. I directly supervised the appraiser for this appraisal assignment, have read the appraisal report, and agree with the appraiser’s analysis, opinions, statements, conclusions, and the appraiser’s certification.

2. I accept full responsibility for the contents of this appraisal report including, but not limited to, the appraiser’s analysis, opinions, statements, conclusions, and the appraiser’s certification.

3. The appraiser identified in this appraisal report is either a sub-contractor or an employee of the supervisory appraiser (or the appraisal firm), is qualified to perform this appraisal, and is acceptable to perform this appraisal under the applicable state law.

4. This appraisal report complies with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.

5. If this appraisal report was transmitted as an “electronic record” containing my "electronic signature." as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

APPRAISER

Name: Joe Appraiser

Company Name: The Sample Appraisal Company

Company Address: 11111 Anytown Street

Spearman, NC

Telephone Number: 111.111.XXXX

Email Address: XXXX.XXXX@XXXX.net

Date of Signature and Report: 05/18/2016

Effective Date of Appraisal: 04/22/2016

State Certification #: A48TTZ

or State License #: 1

State: NC

Expiration Date of Certification or License: 01/01/2019

ADDRESS OF PROPERTY APPRAISED

XXX Oriole Drive

Durham, NC 27701

APPRaised VALUE OF SUBJECT PROPERTY $ 218,000

LENDER/CLIENT

Name: No AMC

Company Name: Friendly Bank

Company Address: 12XX Main Street, Anytown, TX 276XX

SuperVisory appraiser (OnLy IF REQUIRED)

Signature

Name:

Company Name:

Company Address:

Telephone Number:

Email Address:

Date of Signature and Report

State Certification #

or State License #

Expiration Date of Certification or License

SUBJECT PROPERTY

Did not inspect subject property

Did inspect exterior of subject property from street

Date of Inspection

Did inspect interior and exterior of subject property

Date of Inspection

COMPARABLE SALES

Form 1004UD-"TOTAL" appraisal software by alamode, inc. - 1-800-ALAMODE
Did not inspect exterior of
comparable sales from street
Did inspect exterior of
comparable sales from street
Date of Inspection

Joe Appraiser
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: XXXX Oriole Drive
City: Durham
State: NC
ZIP Code: 27701

Borrower: Bob Smith & Jill Smith

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 represented in the neighborhood section of the appraisal report. The appraiser must list all information to the extent it is available and reliable and must provide an explanation as indicated below. If any required data is unavailable or is considered unreliable, the appraiser must provide an explanation. It is recognized that not all data sources will be able to provide data for the shaded area below if it is available; however, the appraiser must include the data in the analysis. If data sources provide the required information as an average instead of the median, 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 factors, new construction, foreclosures, etc.

<table>
<thead>
<tr>
<th>Inventory Analysis</th>
<th>Prior 7-12 Months</th>
<th>Prior 4-6 Months</th>
<th>Current - 3 Months</th>
<th>Overall Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of Comparable Sales (Settled)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>Increasing Stable Declining</td>
</tr>
<tr>
<td>Absorption Rate [Total Sales/Months]</td>
<td>.17</td>
<td>.67</td>
<td>1.00</td>
<td>Increasing Stable Declining</td>
</tr>
<tr>
<td>Total # of Comparable Active Listings</td>
<td>11.8</td>
<td>4.5</td>
<td>2.0</td>
<td>Declining Stable Increasing</td>
</tr>
<tr>
<td>Months of Housing Supply [Total Listings/No Sales]</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>Declining Stable Increasing</td>
</tr>
</tbody>
</table>

Median Sales/List Price, DOW, Sold/List %

<table>
<thead>
<tr>
<th>Prior 7-12 Months</th>
<th>Prior 4-6 Months</th>
<th>Current - 3 Months</th>
<th>Overall Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Comparable Sales Price</td>
<td>210,000</td>
<td>214,000</td>
<td>Increasing Stable Declining</td>
</tr>
<tr>
<td>Median Comparable Sales Days on Market</td>
<td>95</td>
<td>90</td>
<td>92</td>
</tr>
<tr>
<td>Median Comparable list Price</td>
<td>210,000</td>
<td>215,000</td>
<td>Increasing Stable Declining</td>
</tr>
<tr>
<td>Median Comparable Listing Days on Market</td>
<td>85</td>
<td>78</td>
<td>82</td>
</tr>
<tr>
<td>Median Sales Price % of List Price</td>
<td>85</td>
<td>96</td>
<td>94</td>
</tr>
</tbody>
</table>

Spearman MLS

<table>
<thead>
<tr>
<th>Are foreclosure sales (W/O sales) a factor in the market?</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>If yes, explain (including the trends in listings and sales of foreclosed properties)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Seller concessions are generally <3% of the purchase price.

<table>
<thead>
<tr>
<th>Are foreclosure sales (W/O sales) a factor in the market?</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>If yes, explain (including the trends in listings and sales of foreclosed properties)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cite data source for above: Spearman MLS

<table>
<thead>
<tr>
<th>Are foreclosure sales (W/O sales) a factor in the market?</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>If yes, explain (including the trends in listings and sales of foreclosed properties)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Good market, good demand, stable.
**Form 1004MC2**

- **TOTAL** appraisal software by alamode, inc. - 1-800-ALAMODE

<table>
<thead>
<tr>
<th><strong>Signature</strong></th>
<th><strong>Appraiser Name</strong></th>
<th><strong>Company Name</strong></th>
<th><strong>Company Address</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Joe Appraiser</td>
<td>The Sample Appraisal Company</td>
<td>11111 Anytown Street, Spearman, NC</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>State</strong></th>
<th><strong>License/Certification #</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>NC</td>
<td>A48TTZ</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Email Address</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><a href="mailto:XXXXXX.XXXX@XXXXX.net">XXXXXX.XXXX@XXXXX.net</a></td>
</tr>
</tbody>
</table>

---

Freddie Mac Form 71  March 2009  Page 1 of 1  Fannie Mae Form 1004MC  March 2009
**Building Sketch**

**Borrower**: Bob Smith & Jill Smith

**Property Address**: XXXX Oriole Drive

**City**: Durham  **County**: Durham  **State**: NC  **Zip Code**: 27701

**Lender/Client**: Friendly Bank

---

**Area Calculations Summary**

<table>
<thead>
<tr>
<th>Area</th>
<th>Calculation Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Living Area</strong></td>
<td></td>
</tr>
<tr>
<td><strong>First Floor</strong></td>
<td></td>
</tr>
<tr>
<td>2244 Sq ft</td>
<td>24 x 16.5 = 396</td>
</tr>
<tr>
<td>20 x 66 = 1200</td>
<td></td>
</tr>
<tr>
<td><strong>Total Living Area (Rounded)</strong></td>
<td>2344 Sq ft</td>
</tr>
<tr>
<td><strong>Non-Living Area</strong></td>
<td></td>
</tr>
<tr>
<td><strong>2 Car Attached</strong></td>
<td>487.75 Sq ft</td>
</tr>
<tr>
<td>22.12 x 22 = 486.64</td>
<td></td>
</tr>
<tr>
<td>0.5 x 22.12 x 9.1 = 1.11</td>
<td></td>
</tr>
</tbody>
</table>
Subject Photo Page

Borrower: Bob Smith & Jill Smith
Property Address: XXXX Oriole Drive
City: Durham
County: Durham
Lender/Client: Friendly Bank

<table>
<thead>
<tr>
<th>Subject Front</th>
</tr>
</thead>
<tbody>
<tr>
<td>XXXX Oriole Drive</td>
</tr>
<tr>
<td>Sales Price: 218,000</td>
</tr>
<tr>
<td>Gross Living Area: 2,244</td>
</tr>
<tr>
<td>Total Rooms: 7</td>
</tr>
<tr>
<td>Total Bedrooms: 3</td>
</tr>
<tr>
<td>Total Bathrooms: 2.5</td>
</tr>
<tr>
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Subject Interior Photo Page

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Subject Interior

Subject Interior

Subject Interior

Form PICPIX-SI - "TOTAL" appraisal software by a la mode, inc. - 1-800-ALAMODE
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### Subject Interior

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Subject Interior

XXXX Oriole Drive
Sales Price 218,000
Gross Living Area 2,244
Total Rooms 7
Total Bedrooms 3
Total Bathrooms 2.5
Location N:Res;
View N:Res;
Site 20000 sf
Quality Q4
Age 51

Subject Interior

Subject Interior

Subject Interior
Comparable 1
23XX Oriole Dr
Prox. to Subject 0.17 miles W
Sale Price 223,000
Gross Living Area 1,996
Total Rooms 7
Total Bedrooms 3
Total Bathrooms 2.0
Location N:Res;
View N:Res;
Site 20038 sf
Quality Q4
Age 50

Comparable 2
39XX Hope Valley Rd
Prox. to Subject 0.15 miles SE
Sale Price 220,000
Gross Living Area 2,156
Total Rooms 7
Total Bedrooms 3
Total Bathrooms 2.5
Location N:Res;
View N:Res;
Site 21562 sf
Quality Q4
Age 45

Comparable 3
39XX Hope Valley Rd
Prox. to Subject 0.15 miles S
Sale Price 215,000
Gross Living Area 2,250
Total Rooms 7
Total Bedrooms 3
Total Bathrooms 2.5
Location N:Res;
View N:Res;
Site 20000 sf
Quality Q4
Age 56
UNIFORM APPRAISAL DATASET (UAD) DEFINITIONS ADDENDUM
(Source: Fannie Mae UAD Appendix D: UAD Field-Specific Standardization Requirements)

Condition Ratings and Definitions

C1
The improvements have been recently constructed and have not been previously occupied. The entire structure and all components are new and the dwelling features no physical depreciation.

Note: Newly constructed improvements that feature recycled or previously used materials and/or components can be considered new dwellings provided that the structure is placed on a 100 percent new foundation and the recycled materials and the recycled components have been rehabilitated/manufactured into like-new condition. Improvements that have not been previously occupied are not considered "new" if they have any significant physical depreciation (that is, newly constructed dwellings that have been vacant for an extended period of time without adequate maintenance or upkeep).

C2
The improvements feature no deferred maintenance, little or no physical depreciation, and require no repairs. Virtually all building components are new or have been recently repaired, refinished, or rehabilitated. All outdated components and finishes have been updated and/or replaced with components that meet current standards. Dwellings in this category are either almost new or have been recently completely renovated and are similar in condition to new construction.

Note: The improvements represent a relatively new property that is well maintained with no deferred maintenance and little or no physical depreciation, or an older property that has been recently completely renovated.

C3
The improvements are well maintained and feature limited physical depreciation due to normal wear and tear. Some components, but not every major building component, may be updated or recently rehabilitated. The structure has been well maintained.

Note: The improvement is in its first cycle of replacing short-lived building components (appliances, floor coverings, HVAC, etc.) and is being well maintained. Its estimated effective age is less than its actual age. It also may reflect a property in which the majority of short-lived building components have been replaced but not to the level of a complete renovation.

C4
The improvements feature some minor deferred maintenance and physical deterioration due to normal wear and tear. The dwelling has been adequately maintained and requires only minimal repairs to building components/mechanical systems and cosmetic repairs. All major building components have been adequately maintained and are functionally adequate.

Note: The estimated effective age may be close to or equal to its actual age. It reflects a property in which some of the short-lived building components have been replaced, and some short-lived building components are at or near the end of their physical life expectancy; however, they still function adequately. Most minor repairs have been addressed on an ongoing basis resulting in an adequately maintained property.

C5
The improvements feature obvious deferred maintenance and are in need of some significant repairs. Some building components need repairs, rehabilitation, or updating. The functional utility and overall livability is somewhat diminished due to condition, but the dwelling remains usable and functional as a residence.

Note: Some significant repairs are needed to the improvements due to the lack of adequate maintenance. It reflects a property in which many of its short-lived building components are at the end of or have exceeded their physical life expectancy but remain functional.

C6
The improvements have substantial damage or deferred maintenance with deficiencies or defects that are severe enough to affect the safety, soundness, or structural integrity of the improvements. The improvements are in need of substantial repairs and rehabilitation, including many or most major components.

Note: Substantial repairs are needed to the improvements due to the lack of adequate maintenance or property damage. It reflects a property with conditions severe enough to affect the safety, soundness, or structural integrity of the improvements.

Quality Ratings and Definitions

Q1
Dwellings with this quality rating are usually unique structures that are individually designed by an architect for a specified user. Such residences typically are constructed from detailed architectural plans and specifications and feature an exceptionally high level of workmanship and exceptionally high-grade materials throughout the interior and exterior of the structure. The design features exceptionally high-quality exterior refinements and ornamentation, and exceptionally high-quality interior refinements. The workmanship, materials, and finishes throughout the dwelling are of exceptionally high quality.

Q2
Dwellings with this quality rating are often custom designed for construction on an individual property owner's site. However, dwellings in this quality grade are also found in high-quality tract developments featuring residences constructed from individual plans or from highly modified or upgraded plans. The design features detailed, high-quality exterior ornamentation, high-quality interior refinements, and detail. The workmanship, materials, and finishes throughout the dwelling are generally of high or very high quality.
Quality Ratings and Definitions (continued)

Q3
Dwellings with this quality rating are residences of higher quality built from individual or readily available designer plans in above-standard residential tract developments or on an individual property owner's site. The design includes significant exterior ornamentation and interiors that are well finished. The workmanship exceeds acceptable standards and many materials and finishes throughout the dwelling have been upgraded from "stock" standards.

Q4
Dwellings with this quality rating meet or exceed the requirements of applicable building codes. Standard or modified standard building plans are utilized and the design includes adequate fenestration and some exterior ornamentation and interior refinements. Materials, workmanship, finish, and equipment are of stock or builder grade and may feature some upgrades.

Q5
Dwellings with this quality rating feature economy of construction and basic functionality as the main considerations. Such dwellings feature a plain design using readily available or basic floor plans featuring minimal fenestration and basic finishes with minimal exterior ornamentation and limited interior detail. These dwellings meet minimum building codes and are constructed with inexpensive, stock materials with limited refinements and upgrades.

Q6
Dwellings with this quality rating are of basic quality and lower cost; some may not be suitable for year-round occupancy. Such dwellings are often built with simple plans or without plans, often utilizing the lowest quality building materials. Such dwellings are often built or expanded by persons who are professionally unskilled or possess only minimal construction skills. Electrical, plumbing, and other mechanical systems and equipment may be minimal or non-existent. Older dwellings may feature one or more substandard or non-conforming additions to the original structure.

Definitions of Not Updated, Updated, and Remodeled

Not Updated
Little or no updating or modernization. This description includes, but is not limited to, new homes.
Residential properties of fifteen years of age or less often reflect an original condition with no updating, if no major components have been replaced or updated. Those over fifteen years of age are also considered not updated if the appliances, fixtures, and finishes are predominantly dated. An area that is 'Not Updated' may still be well maintained and fully functional, and this rating does not necessarily imply deferred maintenance or physical/functional deterioration.

Updated
The area of the home has been modified to meet current market expectations. These modifications are limited in terms of both scope and cost.
An updated area of the home should have an improved look and feel, or functional utility. Changes that constitute updates include refurbishment and/or replacing components to meet existing market expectations. Updates do not include significant alterations to the existing structure.

Remodeled
Significant finish and/or structural changes have been made that increase utility and appeal through complete replacement and/or expansion.
A remodeled area reflects fundamental changes that include multiple alterations. These alterations may include some or all of the following: replacement of a major component (cabinet(s), bathtub, or bathroom tile), relocation of plumbing/gas fixtures/appliances, significant structural alterations (relocating walls, and/or the addition of square footage). This would include a complete gutting and rebuild.

Explanation of Bathroom Count
Three-quarter baths are counted as a full bath in all cases. Quarter baths (baths that feature only a toilet) are not included in the bathroom count. The number of full and half baths is reported by separating the two values using a period, where the full bath count is represented to the left of the period and the half bath count is represented to the right of the period.

Example:
3.2 indicates three full baths and two half baths.
### Abbreviations Used in Data Standardization Text

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<td>Acres</td>
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### Other Appraiser-Defined Abbreviations

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*UNIFORM APPRAISAL DATASET (UAD) DEFINITIONS ADDENDUM*

(Source: Fannie Mae UAD Appendix D: UAD Field-Specific Standardization Requirements)