

TRANSMITTAL (05/20/99)

1. This transmits:

A new Handbook 4150.2, Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings. This handbook replaces and supersedes most of the provisions of Handbook 4150.1 REV-1, identified below under the heading of "HANDBOOKS."

2. Explanation of Materials Transmitted:

This handbook reflects policy clarifications and improvements since March 15, 1990 on valuation requirements for existing, proposed and new construction of one- to four-family units for mortgage insurance purposes. The new Handbook incorporates and updates the sections of Mortgagee Letters and other HUD Handbooks that are relevant to appraisals. The following section identifies those Mortgagee Letters and Handbooks.

MORTGAGEE LETTERS

These Mortgagee Letters have been incorporated in part or in full into the Handbook:

97-46	Appraisal Management Firms
97-41	Clarification of 97-22 Regarding New Construction in Floodplains
97-22	FHA New Construction, Inspection and Appraisal Requirements Sections: Cost Approach, Valuation Conditions, Appraisal Form
96-29	Paperwork Reduction, Lead-Based Paint Disclosure Section: Lead-based Paint
96-26	Appraiser Standards
96-5	Elimination of the Fee Panel and Mortgagee Staff Appraiser Designations
95-40	Revisions to the 203(k) Rehabilitation Mortgage Insurance Program
95-34	Testing of and On-Site Well/Septic System Inspections (Web)
94-54	Procedures for Lenders to Use to Select Their Own Appraisers Sections III and IV
94-36	Clarification of ML 92-18: Testing of Individual Wells
94-26	HUD Reorganization
94-11	Revisions to the 203k Rehabilitation Insurance Program Item 18
94-6	Processing Sec 248 -- Indian Reservations Item 1-10
94-3	Revised Appraisal Report Forms
92-18	Single-Family Loan Production -- Acceptance of Individual Residential Water Purification Equipment; Section 3.6.1.6
91-1	Implementation of Certain Provisions of the 1990 Housing Legislation Section X

HANDBOOKS

The following chapters/paragraphs for the handbook identified below have been incorporated into the new Handbook 4150.2. The information has been updated to reflect the newest policies and procedures. Because these Handbooks were written primarily for lenders, builders or HUD staff, the instruction relevant to the appraiser has been extracted. The portions of these documents relevant to lender requirements have not been superseded.

4000.2 REV-2 Mortgagees' Handbook Application through Insurance (Single-Family)

Paragraph 2-8	--	General Acceptability Standards for Property
Paragraph 2-12	--	The Appraisal Package

Paragraph 2-15	--	Review of the Appraisal
Paragraph 2-18	--	Compliance Inspection
Paragraph 2-19	--	Satisfying Repair Requirements
Paragraph 2-20	--	Section 223(e)
Paragraph 2-23	--	Delivery of Statement of Appraised Value
Paragraph 4-3	--	Reconsideration: Changes Involving Property
Paragraph 6-5	--	Section 203(k)

4000.4 REV-1 Single-Family Direct Endorsement Program

Paragraph 1-6	--	Minimum Property Standards
Paragraph 1-7	--	Eligibility of Condominium Projects
Paragraph 3-3	--	Property Valuation Procedures
Paragraph 3-14	--	Lead-Based Paint Hazard
Paragraph 4-9D	--	Postendorsement Technical Review

4020.1 HUD-FHA Underwriting Analysis

Paragraph 1-8	--	Instruction for the Selection and Approval of Fee Personnel
Paragraph 1-11	--	Training
Paragraph 3-6	--	Differentiation between Valuation and Mortgage Risk Analysis
Chapter 4	--	Eligibility Requirements

4125.1 Underwriting -- Technical Direction for Home Mortgage Insurance

Paragraph 1-13	--	Field Review
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4150.1 Valuation Analysis for Home Mortgage Insurance

All Chapters have been incorporated except for the following; they are to remain in place for lender instructions as outstanding policy and procedures for valuation analysis.

Paragraph 4-12	--	Study Of Future Utility Of Property
Chapter 6, Section 4	--	Modified Cost
Chapter 6, Section 5	--	Leaseholds
Paragraph 8-4	--	Reconsideration Of Appraised Value
Paragraph 10-5	--	Processing Individual Lot Applications
Paragraph 10-6	--	Undeveloped Lot
Paragraph 10-9	--	Processing Foreclosed Manufactured Home Sites
Chapter 11	--	Condominiums And Planned Unit Developments
Paragraph 12-3	--	Claims Without Conveyance Of Title (CWCOT)
Paragraph 12-5	--	Mortgage Credit Requests For Appraisal
Paragraph 12-6	--	Existing Houses Being Moved To New Foundations
Paragraph 12-7	--	HUD Acceptance Of VA Certification Of Reasonable Value (CRV)
Paragraph 12-8	--	Application for Operative-Builder Commitments
Paragraph 12-11	--	Soil Treatment With Individual Water Systems

Paragraph 12-12	--	Estimate OF Value Of Fragmental Properties
Paragraph 12-16	--	Water And Sewage Systems
Paragraph 12-17	--	Shared Wells
Paragraph 12-18	--	Earth Sheltered Housing
Paragraph 12-19	--	Dome Homes

4240.4 Rehabilitation Home Mortgage Insurance, Section 203(k)

Paragraph 3-2	--	Step-by-step Procedures: Appraiser Responsibilities
Chapter 2	--	Valuation Procedures

4260.1 Miscellaneous Type Home Mortgage Insurance, Sec. 223(a), (e), and (d)

Paragraph 3-1e	--	Administrative Instructions
Paragraph 4-4	--	Insurance in Older Declining Urban Areas

4265.1 Home Mortgage Insurance Condominium Units

Paragraph 10-2a	--	Data Needed for Valuation
Paragraph 10-2b	--	Approach to Value
Paragraph 12-12d	--	Processing the Unit

4910.1 Minimum Property Standards for Housing, 1994 Edition

Appendix K	--	Minimum Property Standards for property which is not multifamily or care-type
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3. Effective Date: July 1, 1999
4. Filing Instructions:
5. Insert

Handbook 4150.2, dated May 20, 1999

William C. Apgar
Assistant Secretary for Housing -
Federal Housing Commissioner

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/FOREWORD (05/99)

FOREWORD (05/99)

PURPOSES OF HANDBOOK

These are the purposes of this Handbook:

- Provide guidance for appraisers on how to appraise existing, proposed and new construction of one- to four-family homes for which mortgages are to be insured by FHA.
- Introduce appraisers to the environment of greater accountability associated with recent HUD reforms.

HOMEBUYER PROTECTION PLAN

On June 1, 1998, HUD launched the *HomeBuyer Protection Plan*. The Plan reforms the appraisal process to ensure that homebuyers seeking FHA-insured mortgages receive accurate and complete appraisals of the homes they seek to purchase. If homebuyers do not receive adequate appraisals, they may have to make extensive repairs to make their homes habitable. As a result of the additional financial burden, they may default on their FHA-insured mortgages.

THE NEW HUD VALUATION CONDITIONS FORM

As part of the *HomeBuyer Protection Plan*, HUD has revised the Valuation Conditions (VC) Form. This new form:

- Requires submission of valuation condition information for all appraisals
- Transforms the former VC form into a series of "yes-or-no questions" based on readily observable physical conditions of the subject property
- Summarizes the information on the physical condition of the property for the Homebuyer

THE PERFORMANCE MEASUREMENT FRAMEWORK

Another significant change reflected in this Handbook is the introduction of performance measures for appraisers. The performance measurement framework is designed to achieve improvements in the performance and professionalism of appraisers on the FHA Register.

HUD will measure appraiser performance in the following five performance categories:

- Appraisal process
- Appraisal reporting
- Valuation conditions
- Maintaining state licensure
- Responsiveness to field review

As part of this new framework, HUD will develop statistical indicators to identify poor appraisals and appraisers, and will inform appraisers of its enforcement efforts

ENFORCEMENT AND SANCTIONS

In addition to providing clear sanctions, HUD has enhanced enforcement efforts by creating an Enforcement Center. The Enforcement Center will provide administrative support for the management of the sanction process.

RESOURCES

Questions and comments can be sent electronically to REAC's Internet website at reacone@hud.gov

The Help Desk will be available beginning on May 5, 1999 Monday through Friday from 7:30 a.m. to 8:00 p.m. EST for questions. The telephone number is (888) 245-4860.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/1: SELECTION OF APPRAISER (05/99)/1-0: INTRODUCTION (05/99)

1-0: INTRODUCTION (05/99)

The success of the FHA insurance program and HUD's ability to protect its financial interest begins with selecting

qualified and knowledgeable appraisers. This chapter presents the minimum requirements that appraisers must meet to be placed on the FHA Register.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/1: SELECTION OF APPRAISER (05/99)/1-1: FHA REGISTER (05/99)/1-1: FHA REGISTER (05/99)

1-1: FHA REGISTER (05/99)

The FHA Register lists appraisers who are eligible to perform FHA single-family appraisals. To conduct an appraisal for FHA insurance endorsement, the appraiser must be on the FHA Register.

Appraiser achieves necessary credentials	Appraiser applies to HUD	HUD reviews application	Appraiser placed on FHA Register
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FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/1: SELECTION OF APPRAISER (05/99)/1-1: FHA REGISTER (05/99)/1-1, A.: APPRAISER CREDENTIALS (05/99)

1-1, A.: APPRAISER CREDENTIALS (05/99)

To be eligible for placement on the FHA Register, all appraisers must be state-licensed or state-certified and must not be listed on any of these:

- GSA's Suspension and Debarment List (the governmentwide list of parties excluded from federal procurement or nonprocurement programs)
- HUD's Limited Denial of Participation List
- HUD's Credit Alert Interactive Voice Response System (CAIVRS)

To be eligible to perform appraisals for FHA, the appraiser must also pass a HUD/FHA test on appraisal methods and reporting, which focuses on applied knowledge of the new Handbook 4150.2.

A uniform national examination will be available June 1, 1999. The examination contains fifty questions in a multiple-choice format. The test will be administered by a national provider and the cost paid by the appraiser. Appraisers currently on the FHA Register will be grandfathered until January 30, 2000.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/1: SELECTION OF APPRAISER (05/99)/1-1: FHA REGISTER (05/99)/1-1, B.: REGISTER APPLICATION PROCESS (05/99)

1-1, B.: REGISTER APPLICATION PROCESS (05/99)

The application process is the first screening of the appraiser's qualifications to perform HUD/FHA appraisals. To apply, appraisers must submit the following to FHA:

- Updated form HUD-92563 "Register Appraiser Designation Application"
- A copy of a current valid appraisal license and/or certification verification that the appraiser has passed the FHA Examination

HUD will review this information to determine the appraiser's eligibility for the FHA Register.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/1: SELECTION OF APPRAISER (05/99)/1-1: FHA REGISTER

1-1, C.: APPLICANT REVIEW (05/99)

To verify that the appraiser is eligible to perform HUD/FHA appraisals, REAC performs a detailed review of the appraiser's professional qualifications and checks for any negative information. The review does the following:

- verifies that the appraiser is state-licensed or state-certified under the Appraisal Qualifications Board (AOB) criteria
- verifies that the appraiser has passed the FHA Appraisals Methods and Procedures test
- prescreens the appraiser's social security number in the HUD/FHA Credit Alert Interactive Voice Response System (CAIVRS)
- reviews HUD records to ensure that the appraiser has no pending suspensions, disqualifications or debarments
- verifies with the appraiser's signature that there are no actions or pending judgments against the appraiser for waste, fraud, abuse or breach of professional ethics or standards
- reviews the previous period's performance, if applicable.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/1: SELECTION OF APPRAISER (05/99)/1-1: FHA REGISTER (05/99)/1-1, D.: DESIGNATION TO THE FHA REGISTER (05/99)

1-1, D.: DESIGNATION TO THE FHA REGISTER (05/99)

When the review of the application is complete, the appraiser is designated to the FHA Register. New appraisers recently added to the FHA Register may be monitored and reviewed more frequently to ensure that their performance is consistent with HUD/FHA guidelines and to monitor training needs.

Because the initial application to the FHA Register will occur after the appraiser has become state-licensed or state-certified, the first term will coincide with the remaining period of state licensing for the home state. After this initial period, the FHA Register period will be consistent with the home state license period.

Each period, every appraiser must reapply to the FHA Register, concurrent with the appraiser's application for state licensing and/or recertification. HUD reviews the appraiser's performance and compliance with new testing requirements and verifies that the appraiser is state-certified or state-licensed.

For more information on the review process, see Chapter 6 of this Handbook.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/1: SELECTION OF APPRAISER (05/99)/1-2: LENDER SELECTION OF THE APPRAISER (05/99)/1-2: LENDER SELECTION OF THE APPRAISER (05/99)

1-2: LENDER SELECTION OF THE APPRAISER (05/99)

Lender selects appraiser	Lender assigns appraiser	Lender transmits case #, if available	Appraiser performs appraisal	Lender reviews appraisal
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When the lender selects an appraiser from the FHA Register, the FHA Connection processes a case number for the lender. The lender may assign the appraiser before receiving the case number, but the case may not be submitted for endorsement without the case number. The case number must be placed on all copies of the URAR as well as the VC form and summary. The mortgagee will give the appraiser:

- the property address
- type of construction
- number of units
- other information necessary for the assignment

If the property is a condominium or a Planned Unit Development (PUD), the lender will verify that it is HUD-approved before ordering a case number or having an appraisal performed. The lender will give the appraiser the project name and ID number and all available property information. If it is proposed construction for a PUD or Condominium, it must be FHA-approved before ordering a case number. The name of the Condominium or PUD must be given.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/1: SELECTION OF APPRAISER (05/99)/1-2: LENDER SELECTION OF THE APPRAISER (05/99)/1-2, A.: NONDISCRIMINATION POLICY (05/99)

1-2, A.: NONDISCRIMINATION POLICY (05/99)

The Department's regulations on choosing appraisers state that there shall be no discrimination on the basis of race, color, religion, national origin, sex, age or disability.

HUD expects lenders to comply with antidiscrimination requirements and affirmatively select female and minority appraisers for a fair share of appraisals commensurate with their representation on the FHA Register. HUD will monitor lenders' choice of appraisers by their sex and race.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/1: SELECTION OF APPRAISER (05/99)/1-2: LENDER SELECTION OF THE APPRAISER (05/99)/1-2, B.: CONTRACTUAL RESPONSIBILITY OF APPRAISERS (05/99)

1-2, B.: CONTRACTUAL RESPONSIBILITY OF APPRAISERS (05/99)

The appraiser is hired by the lender, and therefore has a contractual responsibility to the lender. However, the appraiser provides services for HUD programs, and therefore, has an obligation to perform these services commensurate with the standards and requirements of HUD. This dual responsibility of the appraiser is recognized in the review and reporting requirements of HUD. The lender and the appraiser must meet their respective obligations as prescribed by HUD/FHA. Therefore, the intended user of the appraisal report is also HUD. These contractual obligations to the lender and HUD/FHA are in addition to the appraiser's legal obligations to his or her credentialing state.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/1: SELECTION OF APPRAISER (05/99)/1-2: LENDER SELECTION OF THE APPRAISER (05/99)/1-2, C.: COMMUNICATION WITH APPRAISERS (05/99)

1-2, C.: COMMUNICATION WITH APPRAISERS (05/99)

HUD/FHA mortgage insurance is initiated when a lender selects an appraiser from the FHA Register. Once the appraiser agrees to perform the appraisal, the appraiser is in a contractual relationship with the lender. The appraiser will send the completed appraisal directly to the lender. HUD advises the appraiser to discuss the appraisal only with the underwriter. No other individual should contact the appraiser before the appraisal has been completed. Real estate brokers and agents should consider the lender their sole source of information on the appraisal and all matters related to the appraisal.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/1: SELECTION OF APPRAISER (05/99)/1-2: LENDER SELECTION OF THE APPRAISER (05/99)/1-2, D.: APPRAISAL FEES (05/99)

1-2, D.: APPRAISAL FEES (05/99)

The appraiser and the lender will negotiate the price and due date. HUD does not establish fees or due dates. The fee is paid for market value estimate based on guidelines consistent with HUD policy and procedure established in this Handbook. The fee is not based on a requested minimum valuation, a specific valuation or the approval of a loan. Lenders may charge the borrower only what is customary and reasonable in the area to obtain an appraisal.

Appraisal management firms may charge the mortgagor a fee for the appraisal that may encompass fees for services performed by the firm as well as fees for the appraisal itself. However, the total of these fees is limited to the customary and reasonable fee for an appraisal in the market area where the appraisal is performed. Such arrangements must comply with all aspects of the Real Estate Settlement Procedures Act (RESPA) and its implementing regulations, including restrictions against:

- kickbacks and referral fees
- charges for settlement services that were not actually performed
- payments in affiliated business arrangements other than return on ownership

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-0: INTRODUCTION (06/99)

2-0: INTRODUCTION (06/99)

This Chapter addresses the site requirements for FHA-insured mortgages. Before the valuation process can begin, subject properties must meet specific site requirements. The appraisal process is the lender's tool for determining if a property meets the minimum requirements and eligibility standards for a FHA-insured mortgage. In addition, these standards provide a context for the appraiser in performing the physical inspection of the property.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1: SITE REQUIREMENTS (06/99)

2-1: SITE REQUIREMENTS (06/99)

The purpose of site analysis is to identify the various site characteristics that affect the marketability and the value of the subject property. Site analysis requires the following:

- determining the desirability and utility of the site
- determining the degree and extent to which the site, because of external influences, shares in the market for comparable and competitive sites in the community
- forecasting the likely changes at the site because of justifiable future trends
- appraising the current situation and knowledge of the various trends that could affect the valuation of the real property

The principal of change is fundamental to appraising real estate and to properly analyzing a site. Value is created and modified by economic, social and governmental changes that occur outside the property. Evaluate the direction of these trends and determine their effect, if any, on the current value of the subject property.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, A.: NEIGHBORHOOD DEFINITION (06/99)

2-1, A.: NEIGHBORHOOD DEFINITION (06/99)

The appraiser must clearly define the boundaries -- north, south, east and west -- of the subject neighborhood. By

defining the neighborhood, the appraiser can extract pertinent information on which to base valuation conclusions.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, B.: COMPETITIVE SITES (06/99)

2-1, B.: COMPETITIVE SITES (06/99)

Sites are competitive when they are improved with, or appropriate for, residential properties that are similar in accommodations and sales price or rental range for similar residents or prospective occupants. Compare features of the subject site with the same features of competitive sites within the community. An acceptable site must be related to the needs of the prospective occupants and to the alternatives available to them in other competitive locations.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, C.: DEFINITIONS -- CONSTRUCTION STATUS (06/99)

2-1, C.: DEFINITIONS -- CONSTRUCTION STATUS (06/99)

Proposed -- No concrete or permanent material has been placed. Digging of footing and placement of rebar is not considered permanent.

Under Construction -- From the first placement of concrete (permanent material) to 100% completion. Finalized and ready to occupy.

Existing -- 100% complete and has occupancy permit.

Existing less than one year -- Appraisal performed less than one year since receipt of final occupancy permit issued. For model homes, age begins with issuing of permit to use as a model.

For any home less than 2 years old, list month and year completed in the age box on the URAR.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, D.: ECONOMIC TRENDS (06/99)

2-1, D.: ECONOMIC TRENDS (06/99)

The appraiser must give consideration to, and include in the value analysis, the economic trends of a neighborhood and the general area, including:

- price and wage levels (the purchasing power of community occupants)
- employment characteristics
- the current supply and demand for residential dwellings, including projects under construction
- taxation levels
- building costs
- population changes
- activity of real estate sales market and mortgage interest rates

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, E.: LAND USE RESTRICTIONS (06/99)/2-1, E.: LAND USE RESTRICTIONS (06/99)

2-1, E.: LAND USE RESTRICTIONS (06/99)

Site analysis determines the effects of actual and potential neighborhood land use on the subject site. The following factors form patterns for present and future land uses:

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, E.: LAND USE RESTRICTIONS (06/99)/2-1, E., 1.: ZONING (06/99)

2-1, E., 1.: ZONING (06/99)

The appraiser should consider the effect on the value of appropriate and well-drawn zoning ordinances. Land-use controls that receive public approval and are strictly enforced protect residential sites from adverse influences that diminish the desirability of sites. This must be noted on the URAR, and its effect must be quantified in the valuation analysis.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, E.: LAND USE RESTRICTIONS (06/99)/2-1, E., 2.: PROTECTIVE EASEMENT/COVENANTS (06/99)

2-1, E., 2.: PROTECTIVE EASEMENT/COVENANTS (06/99)

Properly drawn protective covenants have proven more effective than zoning regulations in providing protection from adverse environmental influences. When combined with proper zoning ordinances, these covenants provide the maximum legal protection to ensure that a developed residential area will maintain desirable characteristics or that a proposed or partially built-up neighborhood will develop in a desirable manner. Protective easements and covenants should be superior to any mortgage and should be binding to all parties and all persons claiming under them. These must be noted on the URAR and its effect must be quantified in the Valuation Analysis.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, E.: LAND USE RESTRICTIONS (06/99)/2-1, E., 3.: INHARMONIOUS LAND USES (06/99)

2-1, E., 3.: INHARMONIOUS LAND USES (06/99)

The appraiser must identify all inharmonious land uses in a neighborhood that affect value. Clearly define the current and long-term effect that inharmonious uses will have on the market value and the economic life of the subject property. If inharmonious land use represents a serious detriment to either the health or safety of the occupants or to the economic security of the property, clearly note this on the VC and URAR. Recommend that the property be rejected by the Lender.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, E.: LAND USE RESTRICTIONS (06/99)/2-1, E., 4.: NATURAL PHYSICAL FEATURES (06/99)

2-1, E., 4.: NATURAL PHYSICAL FEATURES (06/99)

The appraiser must consider favorable and underlying topography and site features, including pleasing views, wood lots, broad vistas and climatic advantages. Streets that are laid out with proper regard to drainage, land contours and traffic flow show good design and increase the desirability of the neighborhood. This must be noted on the URAR and its effect must be quantified in the valuation analysis.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, E.: LAND USE RESTRICTIONS (06/99)/2-1, E., 5.: ATTRACTIVENESS OF

2-1, E., 5.: ATTRACTIVENESS OF NEIGHBORHOOD BUILDINGS (06/99)

The overall appeal of a neighborhood is strengthened if the buildings in a neighborhood harmonize with each other and their physical surroundings. A pleasing variety that results in harmoniously blended properties is desirable but not mandatory. The age of the structure is not in itself an important consideration; however, the maintenance of the structure over time has an important impact. Consider the amount of rehabilitation that has taken place or is taking place in a neighborhood. This must be noted on the URAR and its effect must be quantified in the valuation analysis.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, E.: LAND USE RESTRICTIONS (06/99)/2-1, E., 6.: NEIGHBORHOOD CHARACTER (06/99)

2-1, E., 6.: NEIGHBORHOOD CHARACTER (06/99)

Mobility and economic growth can alter neighborhood patterns. Shopping, recreation, places of worship, schools and places of employment should be easily accessible. This must be noted on the URAR and its effect must be quantified in the valuation analysis.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, E.: LAND USE RESTRICTIONS (06/99)/2-1, E., 7.: CHARACTER OF NEIGHBORHOOD STRUCTURES (06/99)

2-1, E., 7.: CHARACTER OF NEIGHBORHOOD STRUCTURES (06/99)

The appraiser must carefully analyze the age, quality, obsolescence and appropriateness of typical properties in a neighborhood. Take into account the attitude of the user group as well as the alternative choices available to the specific market under consideration. This must be noted on the URAR and its effect must be quantified in the valuation analysis.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, F.: COMMUNITY SERVICES (06/99)

2-1, F.: COMMUNITY SERVICES (06/99)

Community services include commercial, civic and social centers. For a neighborhood to remain stable and retain a high degree of desirability, it should be adequately served by elementary and secondary schools, neighborhood shopping centers, churches, playgrounds, parks, community halls, libraries, hospitals and theaters. A lack of services in the community should be noted and quantified in the valuation analysis. The appraiser must note a change in these services and quantify the effect on value.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, G.: TRANSPORTATION (06/99)

2-1, G.: TRANSPORTATION (06/99)

Ready access to places of employment, shopping, civic centers, social centers and adjacent neighborhoods is a requisite of neighborhood stability. The appraiser must take into consideration the transportation requirements of the typical family and quantify the effect on value.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-

2-1, H.: UTILITIES AND SERVICES (06/99)

The appraiser must consider these utilities and neighborhood services: police and fire protection, telephone services, electricity, natural gas, garbage disposal, street lighting, water supply, sewage disposal, drainage, street improvements and maintenance. Public services and utilities can affect value and must be quantified. A lack of these services should be noted and quantified in the valuation analysis.

2-1, I.: NEIGHBORHOOD CHANGE CONSIDERATIONS (06/99)

As time passes, desirability changes residential areas in any location. Therefore, give special consideration to the following:

- infiltration of commercial, industrial or nonconforming use
- positive and negative effect on value of gentrification
- changes in the mobility of people (employment shifts)
- weakly enforced zoning regulation or covenants

2-1, J.: MARKETABILITY (06/99)

The demand for homeownership in a neighborhood is directly related to the marketability of the homes in the neighborhood or in competitive neighborhoods. Homeownership rates, vacancies and the marketing time of dwellings in a neighborhood help the appraiser determine the strength of market demand and the extent of supply.

2-1, K.: SMALL COMMUNITY MARKET PREFERENCES (06/99)

A small town may have its own set of standards in architectural design, livability, style of mechanical equipment, lot size, placement of structures, nature of street improvements and in all features of the physical property and environment. Judge each in light of local standards and preferences.

2-1, L.: OUTLYING SITES AND ISOLATED SITES (06/99)

The segment of the market interested in purchasing homes in these sites compares the advantages and disadvantages of other outlying or isolated locations.

2-1, M.: STUDY OF FUTURE UTILITY (06/99)

The study of future utility is typically covered in the appraiser's Highest and Best Use Analysis and includes:

- selecting possible uses
- rejecting uses that are obviously lower or higher than the most probable use
- analyzing differing motives of those buyers

The study of the future uses and utility of a particular property will lead the appraiser to the property's Highest and Best Use.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, N.: CONSIDERATION OF GENERAL TAXES AND SPECIAL ASSESSMENTS (06/99)/2-1, N.: CONSIDERATION OF GENERAL TAXES AND SPECIAL ASSESSMENTS (06/99)

2-1, N.: CONSIDERATION OF GENERAL TAXES AND SPECIAL ASSESSMENTS (06/99)

When estimating value, account for general taxes and special assessments:

- General real estate taxes related to specific sites are a recurring periodic expense in the ownership of taxable real property and must be accounted for in the value estimate.
- Special assessments of various types are frequently an additional expense of ownership and must similarly be accounted for in the value estimate.

Determine the relative effect of the real estate tax and/or special assessment's burden on the desirability of the site. Enter this information on the URAR.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, N.: CONSIDERATION OF GENERAL TAXES AND SPECIAL ASSESSMENTS (06/99)/2-1, N., 1.: ASSESSMENT (06/99)

2-1, N., 1.: ASSESSMENT (06/99)

The real estate tax liability is computed by multiplying the assessed value by the tax/mileage rate, which is typically expressed in dollars per hundred or dollars per thousand of assessed value. In the addendum to the VC, state the assessment, real estate tax liability and tax year. State the assessed market value of the subject property in the addenda.

- > If there is no method to relate the assessment to market value, such as new construction where reasonable assessment may not exist, mark the assessed market value response as "N/A."

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-1: SITE REQUIREMENTS (06/99)/2-1, N.: CONSIDERATION OF GENERAL TAXES AND SPECIAL ASSESSMENTS (06/99)/2-1, N., 2.: SPECIAL ASSESSMENT (06/99)

2-1, N., 2.: SPECIAL ASSESSMENT (06/99)

A special assessment can be calculated in two ways:

- the same way as real estate taxes, or

- on a prorated basis

Determine how the special assessment is calculated and report the special assessment liability on the URAR.

- > If the property does not have special assessment, mark the URAR "N/A."

For example: An organization that services a community creates an annual operating budget. Each property becomes liable for its percentage of that budget based on the percentage of front feet their property has compared to the total amount of front feet as a special assessment in this community.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)

2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)

Physical conditions in some neighborhoods are hazardous to the personal health and safety of residents and may endanger physical improvements. These conditions include unusual topography, subsidence, flood zones, unstable soils, traffic hazards and various types of grossly offensive nuisances.

When reporting the appraisal, consider site hazards and nuisances.

- > If site hazards exist and cannot be corrected but do not meet the level of unacceptability, the appraisal must be based upon the current state.
- > If the hazard and/or nuisance endangers the health and safety of the occupants or the marketability of the property, mark "YES" in VC-1 and return the unfinished appraisal to the lender.

The lender, who is ultimately responsible for rejecting the site, relies on the appraiser's site analysis to make this determination. Guidelines for determining site acceptability follow. The appraiser is required to note only those *readily observable* conditions.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, A.: UNACCEPTABLE SITES (06/99)

2-2, A.: UNACCEPTABLE SITES (06/99)

FHA guidelines require that a site be rejected if the property being appraised is subject to hazards, environmental contaminants, noxious odors, offensive sights or excessive noises *to the point of endangering the physical improvements or affecting the livability of the property, its marketability or the health and safety of its occupants.* Rejection may also be appropriate if the future economic life of the property is shortened by obvious and compelling pressure to a higher use, making a long-term mortgage impractical.

These considerations for rejection apply on a case-by-case basis, taking into account the needs and desires of the purchaser. For example, a site should not be considered unacceptable simply because it abuts a commercial use; some commercial uses may not appeal to a specific market segment while other commercial uses may.

If the condition is clearly a health and safety violation, reject the appraisal and return it to the lender. If there is any doubt as to the severity, report the condition and submit the completed report. The lender must clear the condition and may require an inspection or reject the property. For those conditions that cannot be repaired, such as site factors, the appraised value is based upon the existing conditions.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, B.: TOPOGRAPHY (06/99)

2-2, B.: TOPOGRAPHY (06/99)

There are special hazards caused by unique topography. For example, denuded slopes, soil erosion and landslides often adversely affect the marketability of hillside areas. When evaluating the site, consider earth and mud slides from adjoining properties, falling rocks and avalanches. These occurrences are associated with steep grades and must be considered in the site analysis.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, C.: SUBSIDENCE (06/99)

2-2, C.: SUBSIDENCE (06/99)

Danger of subsidence is a special hazard that may be encountered under a variety of circumstances:

- where buildings are constructed on uncontrolled fill or unsuitable soil containing foreign matter such as organic material
- where the subsoil is unstable and subject to slippage or expansion

In mining areas, consider the depth or extent of mining operations and the site of operating or abandoned shafts or tunnels to determine if the danger is imminent, probable or negligible.

The appraiser must note any readily observable conditions, which indicate potential problems. Signs include fissure or cracks in the terrain, damaged foundations, sinkholes or settlement problems.

If there is a danger of subsidence, the specific site will be deemed ineligible unless complete and satisfactory evidence can be secured to establish that the probability of any threat is negligible.

- > If there is evidence of subsidence, the property is ineligible. Mark the "YES" column in VC-1 under subsidence.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, D.: OPERATING AND ABANDONED OIL OR GAS WELLS (06/99)/2-2, D.: OPERATING AND ABANDONED OIL OR GAS WELLS (06/99)

2-2, D.: OPERATING AND ABANDONED OIL OR GAS WELLS (06/99)

Operating and abandoned oil and gas wells pose potential hazards to housing, including potential fire, explosion, spray and other pollution.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, D.: OPERATING AND ABANDONED OIL OR GAS WELLS (06/99)/2-2, D., 1.: EXISTING CONSTRUCTION (06/99)

2-2, D., 1.: EXISTING CONSTRUCTION (06/99)

No existing dwelling may be located closer than 300 feet from an active or planned drilling site. Note that this applies to the site boundary, not to the actual well site.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, D.: OPERATING AND ABANDONED OIL OR GAS WELLS (06/99)/2-2, D., 2.: NEW OR PROPOSED CONSTRUCTION (06/99)

2-2, D., 2.: NEW OR PROPOSED CONSTRUCTION (06/99)

If an operating well is located in a single-family subdivision, no new or proposed construction may be built within 75 feet of the operating well unless mitigation measures are taken. This measure is designed to:

- avoid nuisance during maintenance
- diminish noise levels caused by pumping
- reduce the likelihood of contamination by potential spills

The appraiser must examine the site for the existence of or any readily observable evidence of a well.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, D.: OPERATING AND ABANDONED OIL OR GAS WELLS (06/99)/2-2, D., 3.: ABANDONED WELL (06/99)

2-2, D., 3.: ABANDONED WELL (06/99)

A letter may be obtained from the responsible authority in the state government stating that the subject well was safely and permanently abandoned.

- When such a letter is provided, a dwelling may be located no closer than 10 feet from the abandoned well.
- When a letter is not provided, the dwelling must be located at least 300 feet from the abandoned well.

The lender is responsible for obtaining the letter; the appraiser must note the location of the well and verify the existence of the letter.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, D.: OPERATING AND ABANDONED OIL OR GAS WELLS (06/99)/2-2, D., 4.: SPECIAL CASE -- PROPOSED, EXISTING OR ABANDONED WELLS (06/99)

2-2, D., 4.: SPECIAL CASE -- PROPOSED, EXISTING OR ABANDONED WELLS (06/99)

Hydrogen sulfide gas emitted from petroleum product wells is toxic and extremely hazardous. Minimum clearance from sour gas wells may be established only after a petroleum engineer has assessed the risk and state authorities have concurred on clearance recommendations for petroleum industry regulation and for public health and safety.

- > If there is readily observable evidence that the conditions exist, mark the "YES" column in VC-1 under operating and abandoned wells.
- > If an inspection by a qualified person verifies that the condition exists and is acceptable based on the standards defined above, account for the presence of wells in the valuation of the property.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, E.: SLUSH PITS (06/99)

2-2, E.: SLUSH PITS (06/99)

A slush pit is a basin in which drilling "mud" is mixed and circulated during drilling to lubricate and cool the drill bit and to flush away rock cuttings. Drilling mud normally contains large quantities of bentonite -- a very expansive soil material. This results in a site with the potential for great soil volume change and, therefore, damage to structures.

To be eligible for FHA mortgage insurance, all unstable and toxic materials must be removed and the pit must be filled with compacted selected materials.

- > If a property is proposed near an active or abandoned well, call for a survey to locate the pits and their impact on the subject property.
- > If there is any readily observable evidence of slush pits, mark the "YES" column in VC-1.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, F.: HEAVY TRAFFIC (06/99)

2-2, F.: HEAVY TRAFFIC (06/99)

Close proximity to heavily traveled roadways can have a negative effect on the marketability and value of sites because of excess noise and danger. Properties backing to freeways or other thoroughfares that are heavily screened or where traffic is well below grade and at a sufficient distance from the property may not affect value. For detailed noise acceptance levels, reference 24 CFR 51.103.

- > If there is significant noise or unsafe traffic conditions that endanger the occupants or affect the marketability of the property, mark "YES" in VC-1.

Typically, traffic hazards cannot be corrected. Therefore, the appraiser must quantify the effect on value if the property is marketable. This adjustment should be supported by comparable transactions. This condition could be the reason that a lender ultimately rejects the property. Do not reject existing properties only because of heavy traffic if there is evidence of acceptance within the market and if use of the dwelling is expected to continue.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, G.: AIRPORT NOISE AND HAZARDS (06/99)

2-2, G.: AIRPORT NOISE AND HAZARDS (06/99)

Sites near an airport may be subjected to the noise and hazards of low-flying aircraft. Appraisers must identify affected properties, review airport contour maps and condition the appraisal accordingly.

Do not reject existing properties only because of airport influences if there is evidence of acceptance within the market and if use of the dwelling is expected to continue. HUD's position is that because the properties are in use and are expected to be in use into the near future, their marketability should be the strongest indicator of their acceptability. Marketability should account for the following considerations:

- plans for future expansion of airport facilities
- prospective increases in the number of planes or flights using the field or specific runways
- the timing and frequency of the volume of flights
- any other factors that may increase the annoyance of having the airport nearby
- excessive noise

If changes are likely, the appraiser must anticipate any adverse effect that these changes are likely to have on the marketability of the property. The appraiser should judge each situation on its merits. Compare the effect of aircraft activity on the desirability of a particular site with other sites that are:

- improved with similar structures
- considered competitive with those located in the subject neighborhood

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, H.: SPECIAL AIRPORT HAZARDS (06/99)/2-2, H.: SPECIAL AIRPORT HAZARDS (06/99)

2-2, H.: SPECIAL AIRPORT HAZARDS (06/99)

HUD requires that the buyer of a property located in a Runway Clear Zone/Clear Zone is advised that the property is located in such a zone and of the implications associated with that site. This includes the possibility that the airport operator could acquire the property in the future.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, H.: SPECIAL AIRPORT HAZARDS (06/99)/2-2, H., 1.: NEW AND PROPOSED CONSTRUCTION (06/99)

2-2, H., 1.: NEW AND PROPOSED CONSTRUCTION (06/99)

New and proposed construction within Runway Clear Zones (also known as Runway Protection Zones) at civil airports or within Clear Zones at military airfields are ineligible for home mortgage insurance.

Properties located in Accident Potential Zone I at military airfields may be eligible for FHA insurance provided that the property is compatible with Department of Defense guidelines. For more information, see 24 CFR 51.303(b).

If new or proposed construction lies within these zones, mark "YES" in VC-1.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, H.: SPECIAL AIRPORT HAZARDS (06/99)/2-2, H., 2.: EXISTING CONSTRUCTION (06/99)

2-2, H., 2.: EXISTING CONSTRUCTION (06/99)

Existing dwellings more than one year old are eligible for FHA mortgage insurance if the prospective purchaser acknowledges awareness that the property is located in a Runway Clear Zone/Clear Zone. The lender will furnish this disclosure form to the buyer. For a sample of the buyer's acknowledgment certification, see HUD Handbook 4150.1, REV-1, Chapters 4-26 (a) and (b).

> Note whether the property is in a Clear Zone and condition the appraisal on the buyer's acknowledgment.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, I.: PROXIMITY TO HIGH PRESSURE GAS (06/99)

2-2, I.: PROXIMITY TO HIGH PRESSURE GAS (06/99)

A dwelling or related property improvement near high-pressure gas, liquid petroleum pipelines or other volatile and explosive products -- both above ground and subsurface -- must be located outside of the outer boundary of the pipeline easement.

> If the property is less than ten feet away, mark "YES" in VC-1.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, J.: OVERHEAD HIGH-VOLTAGE TRANSMISSION LINES (06/99)

2-2, J.: OVERHEAD HIGH-VOLTAGE TRANSMISSION LINES (06/99)

No dwelling or related property improvement may be located within the engineering (designed) fall distance of any pole, tower or support structure of a high-voltage transmission line, radio/TV transmission tower, microwave relay dish or tower or satellite dish (radio, TV cable, etc.). For field analysis, the appraiser may use tower height as the fall distance.

For the purpose of this Handbook, a High-Voltage Electric Transmission Line is a power line that carries high voltage between a generating plant and a substation. These lines are usually 60 Kilovolts (kV) and greater, and are considered hazardous. Lines with capacity of 12 -60 kV and above are considered high voltage for the purpose of this Handbook. High voltage lines do not include local distribution and service lines.

Low voltage power lines are distribution lines that commonly supply power to housing developments and similar facilities. These lines are usually 12 kV or less and are considered to be a minimum hazard. These lines may not pass directly over any structure, including pools, on the property being insured by HUD.

- > If the property is within the unacceptable distance, mark "YES" in VC-1.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, K.: SMOKE, FUMES, OFFENSIVE NOISES AND ODORS (06/99)

2-2, K.: SMOKE, FUMES, OFFENSIVE NOISES AND ODORS (06/99)

Excessive smoke, fog, chemical fumes, noxious odors, stagnant ponds or marshes, poor surface drainage and excessive dampness are hazardous to the health of neighborhood occupants and adversely affect the market value of the subject property.

- > If these conditions threaten the health and safety of the occupants or the marketability of the property, mark "YES" in VC-1. If, however, the extent of the hazard is not dangerous, account for its effect in the valuation of the property.
- > Include other factors that may affect valuation such as offensive odors and unsightly neighborhood features such as stables or kennels.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, L.: FLOOD HAZARD AREAS (06/99)/2-2, L.: FLOOD HAZARD AREAS (06/99)

2-2, L.: FLOOD HAZARD AREAS (06/99)

Designation of Special Flood Hazard Areas

The Federal Emergency Management Agency (FEMA) determines Special Flood Hazard Areas nationwide, (SFHA). FEMA issues Flood Hazard Boundary Maps to designate these areas in a community. A special flood hazard may be designated as Zone A, AO, AH, AI-30, AE, A99, VO or VI-30, VE or V.

- Only those properties within zones 'A' and 'V' require flood insurance.
- Zones 'B' or 'C' do not require flood insurance because FEMA designates only zones 'A' and 'V' as "Special Flood Hazard Areas."

An appraisal report with a positive indication in a Special Flood Hazard Area (SFHA) activates a commitment requirement for flood insurance coverage. The appraiser must quantify the effect on value, if any, for properties within a designated flood map.

A lender shall reject a property in any of these circumstances:

- if the property is subject to frequently recurring flooding
- if there is any potential hazard to life or safety
- if escape to higher ground would not be feasible during severe flooding conditions

FEMA Maps

For copies of FEMA's Flood Hazard Boundary Maps and Flood Insurance Rate Maps, contact:

Federal Emergency Management Agency (FEMA)
FEMA Map Service Center
PO Box 1038
Jessup, MD 20794-1038
Phone: 1-800-358-9616
Fax: 1-800-358-9620

Eligibility of Properties for FHA Insurance

The lender is responsible for determining the eligibility of properties in Flood Zones, and relies on the appraiser's notation on the URAR.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, L.: FLOOD HAZARD AREAS (06/99)/2-2, L., 1.: NEW AND PROPOSED CONSTRUCTION (06/99)

2-2, L., 1.: NEW AND PROPOSED CONSTRUCTION (06/99)

If any part of the property improvements essential to the property value and subject to flood damage are located within the 100-year floodplain, then the entire property, improved and otherwise, is ineligible for FHA mortgage insurance unless a Letter of Map Amendment (LOMA) or a Letter of Map Revision (LOMR) is submitted with the case for endorsement. Proposed construction where improvements are located, or to be located, within a designated Special Flood Hazard Area (SFHA) is ineligible for FHA insurance. This is true regardless of whether the property is covered or will be covered by flood insurance unless the lender can furnish evidence of a LOMA, a LOMR or evidence that the property is not in a SFHA.

For existing properties located in a SFHA, make the appropriate notation in the URAR.

- > If the proposed improvements are located in a SFHA and there is no LOMA or LOMR mark "YES" in VC-1 and return the unfinished appraisal to the lender until these documents are retrieved.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, L.: FLOOD HAZARD AREAS (06/99)/2-2, L., 2.: EXISTING CONSTRUCTION (06/99)

2-2, L., 2.: EXISTING CONSTRUCTION (06/99)

Market attitude and acceptance determine the eligibility of existing properties located in a designated SFHA. Flood insurance is required for properties accepted for mortgage insurance in a FEMA-designated SFHA.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, L.: FLOOD HAZARD AREAS (06/99)/2-2, L., 3.: CONDOMINIUM (06/99)

2-2, L., 3.: CONDOMINIUM (06/99)

The Homeowners Association is responsible for maintaining flood insurance on the project as a whole, not each individual unit. The appraiser must verify the location of a condominium in the floodplain and make the correct notation in the URAR.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/2: SITE ANALYSIS (06/99)/2-2: SPECIAL NEIGHBORHOOD HAZARDS AND NUISANCES (06/99)/2-2, M.: STATIONARY STORAGE TANKS (06/99)

2-2, M.: STATIONARY STORAGE TANKS (06/99)

Stationary Storage tanks containing flammable or explosive material pose potential hazards to housing, including hazards from fire and explosions.

- > If the property is within 300 feet of a stationary, storage tank containing more than 100 gallons of flammable or explosive material, the site is ineligible. Mark "YES" in VC-1 and return the unfinished appraisal to the lender.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-0: INTRODUCTION (05/99)

3-0: INTRODUCTION (05/99)

The FHA guidelines for property analysis include specific requirements to which appraisers must adhere for the appraisal to reflect an accurate valuation that will:

- denote any deficiencies in the subject property
- protect HUD's interest in that property

The property analysis includes General Acceptability Criteria for conducting the appraisal to address FHA minimum property requirements.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-1: APPRAISAL REQUIREMENTS (05/99)

3-1: APPRAISAL REQUIREMENTS (05/99)

- The appraiser must make a complete visual inspection of the subject property -- interior and exterior -- and complete the VC form.
- The appraiser must take photographs that show the sides, front and rear of the subject property and all improvements on the subject property with any contributory value. A photograph of the street frontage is also required.
- The appraiser is required to submit a single photograph of each comparable sale transaction in the addenda to the appraisal report.
- The map of proposed construction must clearly show proposed roadways.
- The appraiser must provide a copy of a local street map that shows the location of the property and each comparable sale.
- If the subject property is proposed construction and the improvement has not started, the appraiser should take a photograph that shows the grade of the vacant lot.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-2: ANALYSIS OF SITE (05/99)

3-2: ANALYSIS OF SITE (05/99)

For both proposed and existing construction, the appraiser must determine the present highest and best use for the site, disregarding improvements that may exist or are proposed for the site. This conclusion serves as the basis of comparison for estimating the market price of the land and discloses the extent to which the existing or proposed building improvements are appropriate or inappropriate for the site. This also forms the basis for

selecting comparable land sales.

The appraiser must analyze the site to:

- establish the basis for comparing the market estimates of sites in the estimate of replacement cost of the property
- determine suitability for the existing or proposed use

Carefully consider the topography, suitability of soil, off-site improvements, easements, restrictions or encroachments.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-2: ANALYSIS OF SITE (05/99)/3-2, A.: TOPOGRAPHY (05/99)

3-2, A.: TOPOGRAPHY (05/99)

Proper topography and site grading can be important elements in preventing wet basements, damp crawl spaces, erosion of soils, and overflowing sewage disposal systems. To ensure proper protection, the appraiser must analyze the relationship of street grades, floor elevations, and lot grades. If the foundation or its bearing soils may be affected by seepage or frost, the dwelling is unacceptable unless the surface and subsurface water is diverted from the structures to ensure positive drainage away from the foundation.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-2: ANALYSIS OF SITE (05/99)/3-2, B.: SUITABILITY OF SOIL (05/99)

3-2, B.: SUITABILITY OF SOIL (05/99)

Consider the readily observable soil and subsoil conditions of the site including the type and permeability of the soil, the location of the water table, surface drainage conditions, compaction, rock formations and other physical features that affect the value of the site or its suitability for development. Also observe the effects of the adverse features of the adjoining land.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-2: ANALYSIS OF SITE (05/99)/3-2, C.: OFF-SITE IMPROVEMENTS (05/99)

3-2, C.: OFF-SITE IMPROVEMENTS (05/99)

Consider the off-site improvements adjoining the subject property, including street surface, curbs, sidewalks, curb cuts, driveways, aprons, etc., that are not contained within the legal boundaries of the site but enhance the market acceptance and the use and livability of the property. Also consider these situations:

- Compare the subject property with the immediate neighborhood to determine the dominant off-site improvements required by the market. Note any necessary off-site improvements that are not in existence or are proposed for the subject property and adjust for them in the market value.
- Any proposals for installing off-site improvements and levying assessments by the local governing body in the near future may affect value. These proposals will necessitate a commitment condition that requires the installation of improvements and the payment of the assessment before or immediately after insurance endorsement.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-2: ANALYSIS OF SITE (05/99)/3-2, D.: EASEMENTS, RESTRICTIONS OR ENCROACHMENTS (05/99)

3-2, D.: EASEMENTS, RESTRICTIONS OR ENCROACHMENTS (05/99)

Consider all easements, restrictions or encroachments and their impact on the market value of the subject property and list them on the appraisal. These factors are often discovered during the survey and title report once the appraisal has begun. Perform limited due diligence to verify the existence of these types of significant limiting factors. Also record these items in the URAR which were considered in the value estimate.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-2: ANALYSIS OF SITE (05/99)/3-2, E.: ENCROACHMENTS (05/99)

3-2, E.: ENCROACHMENTS (05/99)

As a general rule, an encroachment will cause a property to be ineligible for FHA mortgage insurance. However, there are exceptions to this rule and further information can be found by calling the lender. The appraiser should identify any of these conditions:

- encroachment of a dwelling, garage, another physical structure or other improvement onto an adjacent property, right-of-way or utility easement
- encroachment of a dwelling, garage, another physical structure or improvements on the subject property
- encroachment of a dwelling, garage or another physical structure into the setback requirement

An encroachment may be acceptable if the adjoining landowner or the local governing authority provides a perpetual encroachment easement that is filed in the County Clerk and Recorder's Office. The Direct Endorsement underwriter will handle this issue under the General Waiver guidelines.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-3: ANALYSIS OF PHYSICAL IMPROVEMENTS (05/99)/3-3: ANALYSIS OF PHYSICAL IMPROVEMENTS (05/99)

3-3: ANALYSIS OF PHYSICAL IMPROVEMENTS (05/99)

Analysis of the physical improvements results in conclusions as to the desirability, utility and appropriateness of the physical improvements as factors in determining mortgage risk and the ultimate estimate of value.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-3: ANALYSIS OF PHYSICAL IMPROVEMENTS (05/99)/3-3, A.: GROSS LIVING AREA (05/99)

3-3, A.: GROSS LIVING AREA (05/99)

Gross Living Area is the total area of finished, above-grade residential space. It is calculated by measuring the outside perimeter of the structure and includes only finished, habitable, above-grade living space. Finished basements and unfinished attic areas are not included in total gross living area. The appraiser must match the measurement techniques used for the subject to the comparable sales. It is important to apply this measurement technique and report the building dimensions consistently because failure to do so can impair the quality of the appraisal report.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-3: ANALYSIS OF PHYSICAL IMPROVEMENTS (05/99)/3-3, B.: BASEMENT BEDROOMS, BASEMENT APARTMENTS (05/99)

3-3, B.: BASEMENT BEDROOMS, BASEMENT APARTMENTS (05/99)

As a rule basement space does not count as habitable space. If the bedroom does not have proper light and ventilation, the room cannot be included in the gross living area. The following requirements apply to the valuation

of below-grade rooms:

- The windowsill may not be higher than 44 inches from the floor.
- The windowsill must have a net clear opening (width x height) of at least 24 inches by 36 inches.
- The window should be at ground level; however, compensating factors may allow less.

In all cases, use reasonable care and judgment. If these standards are not substantially met, the basement area cannot be counted as habitable space.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-3: ANALYSIS OF PHYSICAL IMPROVEMENTS (05/99)/3-3, C.: DESIGN (05/99)

3-3, C.: DESIGN (05/99)

Design is the cohesive element that blends the structural, functional and decorative elements of a property into a whole. With good design, the property's parts will be in harmony (each part with all the other parts). The whole property, in turn, will be in harmony with its immediate site and environment.

Because good design is recognized and desired, the economic life of properties and neighborhoods will be extended and prices will typically exceed those for properties offering the same number of rooms and area but lacking good design. This competitive advantage usually continues through the entire economic life of the property.

The appraiser must recognize this demonstrable price differential and reflect it in the comparative adjustments of market data and the final finding of value.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-3: ANALYSIS OF PHYSICAL IMPROVEMENTS (05/99)/3-3, D.: CONFORMITY OF PROPERTY TO NEIGHBORHOOD (05/99)

3-3, D.: CONFORMITY OF PROPERTY TO NEIGHBORHOOD (05/99)

A residential property with good physical characteristics may not necessarily be good security for a mortgage loan, even if it is situated in a good location. The property may be entirely appropriate at another location, but not in its actual location. The property may be displeasing when viewed in relation to its surroundings, and it may not conform in other respects to the most marketable use in the particular neighborhood. When determining the effect of property-neighborhood relationships to marketability, consider elements other than similarity of physical characteristics.

Analysis of the Elements of Conformity. Analysis of Conformity requires consideration of Suitability of Use-Type, Appropriateness of Functional Characteristics, Harmony of Design and Relation of Expense of Ownership to Family Income Levels.

- *Suitability of Use-Type.* The term Use-Type refers to the use for which a dwelling is designed -- single-family, two-family, etc. In most neighborhoods only one use-type is suitable. In some neighborhoods, however, because of their heterogeneous development, several use-types may be found suitable.
- *Appropriateness of Functional Characteristics.* Functional Characteristics refer to the living facilities provided in a residential property. They relate to site use and to arrangement, number and size of rooms. Usually well-defined neighborhood market preferences are observable.

Nonconformity may exist because of the placement of the house on the site. Carefully consider any deviation from the accustomed or accepted placement to determine whether it adversely affects desirability.

If a site is substantially smaller than the size typical in the neighborhood, marketability may be limited. The shape or topography of a particular lot may make it less desirable than those typical of the area.

The number, arrangement and size of rooms frequently conform to definite preferences in given neighborhoods. In some localities where one-story dwellings dominate, a two-story dwelling may meet considerable market resistance.

- *Harmony of Design.* Conformity of the exterior design of a structure with other structures in the immediate neighborhood is not important unless it contrasts inharmoniously with them. There may be considerable variety in the exterior design of dwellings in a neighborhood and yet each may present a pleasing appearance when viewed in relation to its surroundings. On the other hand, a dwelling may be without any architectural faults and yet clash so violently with the design of neighboring properties that marketability may be seriously limited.
- *Relation of Ownership Expense to Family Incomes.* Families usually select homes in neighborhoods where typical occupants have financial means similar to their own. A home that is too costly for these families to purchase or maintain will have limited marketability.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-4: REMAINING ECONOMIC LIFE OF BUILDING IMPROVEMENTS (05/99)/3-4: REMAINING ECONOMIC LIFE OF BUILDING IMPROVEMENTS (05/99)

3-4: REMAINING ECONOMIC LIFE OF BUILDING IMPROVEMENTS (05/99)

Because a building is subject to physical deterioration and obsolescence, its period of usefulness is limited. As a building deteriorates or becomes obsolete, its ability to serve useful purposes decreases and eventually ends. This may occur gradually or rapidly.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-4: REMAINING ECONOMIC LIFE OF BUILDING IMPROVEMENTS (05/99)/3-4, A.: ECONOMIC LIFE VS. PHYSICAL LIFE (05/99)

3-4, A.: ECONOMIC LIFE VS. PHYSICAL LIFE (05/99)

- The *total physical life* of a building is the period from the time of completion until it is no longer fit or safe for use or when maintaining the building in a safe, usable manner is no longer practicable.
- The *total economic life* of a building is the period of time from its completion until it can no longer produce services or net returns over and above a return on the land value.

Economic life can never be longer than the physical life, but may be and frequently is shorter. A structure that is sound and in good physical condition with many years of physical life remaining may have reached the end of its economic life -- if its remaining years of physical usefulness will not be profitable.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-4: REMAINING ECONOMIC LIFE OF BUILDING IMPROVEMENTS (05/99)/3-4, B.: ESTIMATION OF REMAINING ECONOMIC LIFE (05/99)

3-4, B.: ESTIMATION OF REMAINING ECONOMIC LIFE (05/99)

In predicting the remaining economic life of a building, consider these factors:

- the economic background of the community or region and the need for accommodations of the type represented
- the relationship between the property and the immediate environment
- the architectural design, style and utility from a functional point of view and the likelihood of obsolescence attributable to new inventions, new materials and changes in tastes
- the trends and rate of change of characteristics of the neighborhood and their effect on land values

- workmanship, durability of construction and the rate with which natural forces cause physical deterioration
- the physical condition and probable cost of maintenance and repair, the maintenance policy of owners and occupants and the use or abuse to which structures are subjected

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-4: REMAINING ECONOMIC LIFE OF BUILDING IMPROVEMENTS (05/99)/3-4, C.: END OF USEFUL LIFE OF BUILDING IMPROVEMENTS (05/99)

3-4, C.: END OF USEFUL LIFE OF BUILDING IMPROVEMENTS (05/99)

The useful life of a building has come to an end:

- when the building can no longer produce annual income or services sufficient to offset maintenance expense, insurance and taxes to produce returns on the value of the land

AND

- when rehabilitation is not feasible

The improvements on the lot at the time have no more value than the amount obtainable from a purchaser who will buy them and remove them from the site.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-5: CODE ENFORCEMENT FOR EXISTING PROPERTIES (05/99)

3-5: CODE ENFORCEMENT FOR EXISTING PROPERTIES (05/99)

Local municipalities design local housing code standards; therefore, enforcement of such housing standards rests with the local authority. HUD does not have the authority or the responsibility for enforcing local housing codes except for mortgages on properties to be insured under Section 221(d)(2)-a program with mortgage limits at \$36,000. Loans insured under Section 221(d)(2) of the National Housing Act require code enforcement. The appraiser should contact the lender for further instructions if the mortgage is to be insured under Section 221(d)(2).

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)

3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)

These criteria define standards for existing properties to be eligible for FHA mortgage insurance. Underwriters bear primary responsibility for determining eligibility; however, the appraiser is the on-site representative for the lender and provides preliminary verification that these standards have been met. Many of the requirements are technical and beyond the expertise of the appraiser. They are presented here for reference, and the appraiser's responsibility is noted by category.

These criteria form the basis for identifying the deficiencies of the property that the appraiser must note in the VC form and that must be addressed by the lender before closing. When examination of existing construction reveals noncompliance with the General Acceptability Criteria, an appropriate specific condition to correct the deficiency is required if correction is feasible. If correction is not feasible and compliance can be effected only by major repairs or alterations, the lender will reject the property. The appraiser is only required to note conditions that are readily observable.

As-Repaired Appraisal. The appraiser prepares the valuation "as-repaired" subject to the conditions noted on the VC form. Those items not listed on the VC will form the basis of comparison to comparable properties for

physical conditions.

Required repairs are limited to those repairs necessary to preserve the continued marketability of the property and to protect the health and safety of the occupants.

Deferred Maintenance. Any operable or useful element that will have reached the end of its useful life within two years should be replaced. With respect to such deferred maintenance items, exercise good judgment in requiring repair.

Replacement Because of Age. If an element is functioning well, do not recommend replacement simply because of its age.

> If the septic system shows evidence of failure because of age, recommend a specific inspection.

Valuation Conditions. The Valuation Conditions Form and its protocol help the appraiser evaluate the standards required by the General Acceptability Criteria. The criteria are described below. The appraiser must ascertain if the condition called for exists and mark yes if it does.

> If the observed deficiencies exist, mark "YES" in the appropriate location on the Valuation Conditions Form, condition the appraisal on the requirement for repair or further inspection and prepare the appraisal "as-repaired" subject to the satisfaction of the condition.

The following guidelines are HUD's General Acceptability Criteria for existing properties. They provide general guidance for determining the property's eligibility for FHA mortgage insurance. For instructions on filling out the VC form, see the protocol in Appendix D.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)

3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)

These minimum requirements for existing housing apply to existing buildings and to the sites on which they are located. The buildings may be:

- detached
- semidetached
- multiplex
- row houses
- individual condominium units

These requirements also cover the immediate site environment for the dwelling, including streets, other services and facilities associated with the site.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 1.: SUBJECT PROPERTY (05/99)

3-6, A., 1.: SUBJECT PROPERTY (05/99)

The subject property must be adequately identified as a single, marketable real estate entity. However, a primary plot with a secondary plot for an appurtenant garage or for another use contributing to the marketability of the property will be acceptable if the two plots are contiguous and comprise a readily marketable real estate entity.

3-6, A., 2.: HAZARDS (05/99)

The property must be free of all known hazards and adverse conditions that:

- may affect the health and safety of the occupants
- may affect the structural soundness of the improvements
- may impair the customary use and enjoyment of the property

These hazards include toxic chemicals, radioactive materials, other pollution, hazardous activities, potential damage from soil or other differential ground movements, ground water, inadequate surface drainage, flood, erosion, excessive noise and other hazards on or off site.

- > If the property meets the acceptability guidelines in the VC protocol (Appendix D), quantify the deficiency's impact in the property valuation.
- > If the property does not meet the acceptability guidelines, note the appropriate hazard in VC-1 and explain.

In the appraisal of new and proposed construction, special conditions may exist or arise during construction that were unforeseen and necessitate precautionary or hazard mitigation measures. HUD will require corrective work to mitigate potential adverse effects from the special conditions as necessary. Special conditions include:

- rock formations
- unstable soils or slopes
- high ground water levels
- springs
- other conditions that may have a negative effect on the property value

The builder must ensure proper design, construction and satisfactory performance when any of these issues are present.

For specific instructions about noting this information in the VC form, see VC-1 in the protocol (Appendix D).

3-6, A., 3., a.: SEPTIC AND SEWAGE (05/99)

If a septic system is part of the subject property, the appraiser must determine whether the area is free of conditions that adversely affect the operation of the system. Consider the following:

- the type of system
- topography
- depth to ground water

- soil permeability
- the type of soil to a depth several feet below the surface

If in doubt about the operation of sewage disposal systems in the neighborhood, mark "YES" in VC-2, condition the appraisal on further inspection and prepare the appraisal "as-repaired" subject to satisfaction of the condition.

The lender will contact the local health authority or a professional to determine the viability of the system.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 3.: SOIL CONTAMINATION (05/99)/3-6, A., 3., b.: OTHER SOIL CONTAMINANTS (05/99)

3-6, A., 3., b.: OTHER SOIL CONTAMINANTS (05/99)

The following conditions may indicate unacceptable levels of soil contamination: pools of liquid, pits, ponds, lagoons, stressed vegetation, stained soils or pavement, drums or odors.

- > If there is evidence of hazardous substances in the soil, require further inspection. Mark "YES" in VC-2, condition the appraisal on further inspection and prepare the appraisal "as-repaired" subject to the satisfaction of condition.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 3.: SOIL CONTAMINATION (05/99)/3-6, A., 3., c.: UNDERGROUND STORAGE TANKS (05/99)

3-6, A., 3., c.: UNDERGROUND STORAGE TANKS (05/99)

During the site inspection, the appraiser must walk the property and search for readily observable evidence of underground storage tanks. Evidence would include fill pipes, pumps, ventilation caps, etc.

- > If there is evidence of underground storage tanks, require further analysis. Mark "YES" in VC-2, condition the appraisal on that requirement and prepare the appraisal "as-repaired" subject to the satisfaction of the condition.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 4.: DRAINAGE (05/99)

3-6, A., 4.: DRAINAGE (05/99)

The site must be graded to provide positive drainage away from the perimeter walls of the dwelling and to prevent standing water on the site. Signs of inadequate draining include standing water proximate to the structure and no mitigation measures such as gutters or downspouts.

For specific instructions about noting this information in the VC form, see VC-3 in the protocol (Appendix D).

- > If drainage is inadequate and needs improvement, mark "YES" in VC-3, make a repair requirement, condition the appraisal on that requirement and prepare the appraisal "as-repaired" subject to the satisfaction of the condition.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL

3-6, A., 5.: WATER SUPPLY AND SEWAGE SYSTEMS (05/99)

Each living unit must contain the following:

- domestic hot water
- a continuing and sufficient supply of potable water under adequate pressure and of appropriate quality for all household uses
- sanitary facilities and a safe method of sewage disposal

Connection must be made to a public water/sewer system or a community water/sewer system, if connection costs to the public or community system are reasonable (3% or less of the estimated value of the property). If connection costs exceed 3%, the existing on-site systems will be acceptable provided they are functioning properly and meet the requirements of the local health department.

- > If the correction is feasible, require connection. Mark "YES" in VC-4, condition the appraisal on the requirement and prepare the appraisal "as repaired" subject to the satisfaction of the condition.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 5.: WATER SUPPLY AND SEWAGE SYSTEMS (05/99)/3-6, A., 5., a.: INDIVIDUAL WATER SUPPLY AND SEWAGE DISPOSAL SYSTEMS (05/99)

3-6, A., 5., a.: INDIVIDUAL WATER SUPPLY AND SEWAGE DISPOSAL SYSTEMS (05/99)

If water and sewer systems are not connected to public systems, the water well and/or septic system must meet the requirements of the local health authority with jurisdiction. If the local authority does not have specific requirements, the maximum contaminant levels established by the Environmental Protection Agency (EPA) will apply. If the authority is unable to perform the water quality analysis in a timely manner, a private commercial testing laboratory or a licensed sanitary engineer acceptable to the authority may take and test water samples.

- Each living unit must be provided with a sewage disposal system that is adequate to dispose of all domestic wastes and does not create a nuisance or in any way endanger the public health.
- Individual pit privies are permitted where such facilities are customary and are the only feasible means of waste disposal and, if they are installed in accordance with the recommendations of the local Department of Health.
- > If there is a well or septic system on the property, mark "YES" in VC4, condition the appraisal on further inspection by the lender and prepare the appraisal "as-repaired" subject to satisfaction of the condition.

A domestic well must be a minimum of 50 feet from a septic tank, 100 feet from the septic tank's drain field and a minimum of 10 feet from any property line.

- > Clearly show the location of private wells and septic systems on the site sketch and note the distance between the two.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 5.: WATER SUPPLY AND SEWAGE SYSTEMS (05/99)/3-6, A., 5., b.: UNACCEPTABLE CONDITIONS (05/99)

3-6, A., 5., b.: UNACCEPTABLE CONDITIONS (05/99)

The following water well conditions are unacceptable and must be noted in VC-4:

- mechanical chlorinators
- water flow that decreases noticeably when simultaneously running water in several plumbing fixtures (the well may not be able to provide a continuous, adequate supply of water)
- properties served by dug wells unless a complete survey conducted by an engineer was delivered to the lender and subsequently given to the appraiser
- properties served by springs, lakes, rivers or cisterns

To be considered acceptable, the engineer's survey must include these items:

- a health report with no qualifications
 - indication that an inoperative well was cased, sealed and capped with concrete to a depth of at least 20 feet
 - a pump test indicating a flow of at least 3-5 gallons per minute supply for an existing well, and 5 gallons per minute for a new well
 - an acceptable septic report
 - no indication of exposure to environmental contamination, mechanical chlorination or anything else that adversely affects health and safety
- > If these requirements for individual wells or septic tanks are not met, note them in VC-4 and prepare the appraisal "as-repaired" subject to further inspection.

The lender will require the engineer's follow-up report and will arrange for any required corrective measures.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 6.: WOOD STRUCTURAL COMPONENTS: TERMITES (05/99)

3-6, A., 6.: WOOD STRUCTURAL COMPONENTS: TERMITES (05/99)

Termites can cause serious problems in the wood structural components of a house and may go undetected for a long period of time. FHA requires maximum assurances that a home is free of any infestation. A pest inspection is always required for:

- any structure that is ground level
- any structure where the wood touches ground

Structures in a geographic area with no active termite infestation may not require a pest inspection. However, the appraiser must always note:

- any infestation
- any damage resulting from previous infestation
- whether damage from infestation has been repaired or is in need of repair

Observe all areas of the property that have potential for termite infestation, including the bottoms of exterior doors and frames, and wood siding in contact with the ground and crawl spaces. Examine mud tunnels running

from the ground up the side of the house for possible evidence of termite infestation.

- > If there is any evidence of termite infestation, require an inspection by a reputable licensed termite company. Mark "YES" in VC-5, condition the appraisal on the requirement and prepare the appraisal "as-repaired" subject to the satisfaction of the condition.

For specific instructions on noting this information in the VC Form, see VC-5 in the protocol (Appendix D).

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 7.: STREETS (05/99)

3-6, A., 7.: STREETS (05/99)

Each property must be provided with safe and adequate pedestrian and vehicular access from a public or private street. Private streets must be protected by permanent recorded easements and have joint maintenance agreements or be owned and maintained by a HOA.

All streets must provide all-weather access to all buildings for essential and emergency use, including access for deliveries, service, maintenance and fire equipment. FHA defines *all-weather surface* as a road surface over which emergency vehicles can pass in all types of weather. Streets must either be:

- dedicated to public use and maintenance

OR

- retained as private streets protected by permanent recorded easements (when approved by HUD)
- > If these requirements are not met, mark "YES" in VC-6 and prepare the appraisal "as-repaired" subject to the correction of this deficiency.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 8.: DEFECTIVE CONDITIONS (05/99)

3-6, A., 8.: DEFECTIVE CONDITIONS (05/99)

A property with defective conditions is unacceptable until the defects or conditions have been remedied and the probability of further damage eliminated. Defective conditions include:

- defective construction
- poor workmanship
- evidence of continuing settlement
- excessive dampness
- leakage
- decay
- termites
- other readily observable conditions that impair the safety, sanitation or structural soundness of the dwelling

The items outlined in VC-7: Structural Conditions, are meant to alert the appraiser and the lender to the possibility of defective conditions. These items are readily identifiable characteristics that could indicate one of the defective

conditions.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 9.: VENTILATION (05/99)

3-6, A., 9.: VENTILATION (05/99)

Natural ventilation of structural space -- such as attics and crawl spaces -- must be provided to reduce the effect of excess heat and moisture that are conducive to decay and deterioration of the structure. All attics must have ventilation to allow moisture and excessive heat to escape. The appraiser must check the attic areas to determine whether the ventilation is adequate.

- > If ventilation is not provided, make a condition for repair, mark "YES" in VC-7 and prepare the appraisal "as-repaired" subject to the satisfaction of the condition.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 10.: FOUNDATIONS (05/99)

3-6, A., 10.: FOUNDATIONS (05/99)

All foundations must be adequate to withstand all normal loads imposed. Stone and brick foundations are acceptable if they are in good condition. The appraiser must review the conditions in VC-8 for evidence of conditions that could indicate safety or structural deficiencies that may require repair.

- > If the foundation is deficient, mark "YES" in VC-8 and prepare the appraisal "as-repaired" subject to the repair of the deficiencies.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 11.: CRAWL SPACE (05/99)

3-6, A., 11.: CRAWL SPACE (05/99)

To ensure against conditions that could cause the property to deteriorate and seriously affect the marketability of the property, it is required that:

- There must be adequate access to the crawl space; the appraiser must be able to access the crawl space for inspection. Access is defined as ability to visually examine all areas the crawl space. Specifically, the minimum distance is 18 inches.
 - The floor joists must be sufficiently above ground level to provide access for maintaining and repairing ductwork and plumbing.
 - The crawl space must be clear of all debris and trash and must be properly vented.
 - The crawl space must not be excessively damp and must not have any water ponding.
- > If these requirements are not met, mark "YES" in VC-8 and prepare the appraisal "as-repaired" subject to repair of the deficiency.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 12.: ROOF (05/99)

3-6, A., 12.: ROOF (05/99)

The covering must prevent moisture from entering and must provide reasonable future utility, durability and economy of maintenance. When reroofing is needed for a defective roof that has three layers of shingles, all old shingles must be removed before reroofing. The details of the process are provided in the protocol.

The appraiser must observe the roof to determine whether the deficiencies present a health and safety hazard or do not allow for reasonable future utility. The appraiser is only required to note readily observable conditions.

- > If the roof is deficient, mark "YES" in VC-9 and prepare the appraisal "as-repaired" subject to the repair of the deficiency.

Flat roofs typically have shorter life spans and therefore require inspection.

- > If there is a flat roof mark "YES" in VC-9 and prepare the appraisal "as-repaired" subject to further inspection.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 13.: MECHANICAL SYSTEMS (05/99)

3-6, A., 13.: MECHANICAL SYSTEMS (05/99)

These are the requirements for mechanical systems:

- must be safe to operate
- must be protected from destructive elements
- must have reasonable future utility, durability and economy
- must have adequate capacity and quality

The appraiser must observe the systems in VC-10 and determine if any of the conditions do not meet the above stated criteria.

- > If the systems require repair, mark "YES" in VC-10, condition the appraisal on the repair or further inspection and prepare the appraisal "as-repaired" subject to the satisfaction of the condition.
- > If systems could not be operated due to weather conditions, explain that in VC-10, condition the appraisal on assumed functionality, and make a note of this condition on the Homebuyer Summary -- Part 3 of the Comprehensive Valuation Package.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 14.: HEATING (05/99)

3-6, A., 14.: HEATING (05/99)

Heating must be adequate for healthful and comfortable living conditions:

- Dwellings that use wood-burning stoves or solar systems as a primary heat source must have permanently installed conventional heating systems that can maintain a temperature of at least 50 degrees F. in areas containing plumbing systems. These systems must be installed in accordance with the manufacturer's recommendations.
- Properties with electric heating sources must have an acceptable electric service that meets the general requirements of the local municipal standards.

- All water heaters must have a nonadjustable temperature and pressure-relief valve. If the water heater is in the garage, it must comply with local building codes.
- All nonconventional heating systems -- space heaters and others -- must comply with local jurisdictional guidelines.

Solar energy systems are discussed in Appendix B.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 15.: ELECTRICITY (05/99)

3-6, A., 15.: ELECTRICITY (05/99)

Electricity must be available for lighting and for equipment used in the living unit. Refer to the specific instructions in the protocol (Appendix D) for determining adequate electricity.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 16.: OTHER HEALTH AND SAFETY DEFICIENCIES (05/99)

3-6, A., 16.: OTHER HEALTH AND SAFETY DEFICIENCIES (05/99)

The appraiser must note and make a repair requirement for any health or safety deficiencies as they relate to the subject property, including:

- broken windows, doors or steps
- inadequate or blocked doors
- steps without a handrail
- others

The appraiser must operate a representative number of windows, interior doors and all exterior and garage doors, as well as verify that the electric garage door operator will reverse or stop when met with resistance during closing.

- > If conditions exist that require repair, mark "YES" in VC-11 and prepare the appraisal "as-repaired" subject to the satisfaction of the condition.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, A.: GENERAL ACCEPTABILITY CRITERIA (05/99)/3-6, A., 17.: LEAD-BASED PAINT AND OTHER HAZARDS (05/99)

3-6, A., 17.: LEAD-BASED PAINT AND OTHER HAZARDS (05/99)

If the home was built before 1978, the appraiser should note the condition and location of all defective paint in the home. Inspect all interior and exterior surfaces -- walls, stairs, deck porch, railing, windows and doors -- for defective paint (chipping, flaking or peeling). Exterior surfaces include those surfaces on fences, detached garages, storage sheds and other outbuildings and appurtenant structures.

- > If there is evidence of defective paint surfaces, condition the appraisal on their repair, mark "YES" in VC-12 and prepare the appraisal "as-repaired" subject to the satisfaction of the condition.

For condominium units, the appraiser needs to inspect only the exterior surfaces and appurtenant structures of the unit being appraised and address the overall condition, maintenance and appearance of the condominium project.

- > If the condominium project was built before 1978 and shows signs of excessive deferred maintenance or defective paint, mark "YES" in VC-13 and prepare the appraisal "as-repaired" subject to the satisfaction of the condition.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, B.: OTHER CRITERIA (05/99)/3-6, B.: OTHER CRITERIA (05/99)

3-6, B.: OTHER CRITERIA (05/99)

There are other eligibility criteria that are not part of the VC form. The lender bears primary responsibility for these; however, they are provided here so that the appraiser may reference them if questions arise during the property inspection.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, B.: OTHER CRITERIA (05/99)/3-6, B., 1.: PARTY OR LOT LINE WALL (05/99)

3-6, B., 1.: PARTY OR LOT LINE WALL (05/99)

There must be adequate space based upon market acceptability between buildings to permit maintenance of the exterior walls for detached homes.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, B.: OTHER CRITERIA (05/99)/3-6, B., 2.: SERVICE AND FACILITIES (05/99)

3-6, B., 2.: SERVICE AND FACILITIES (05/99)

Trespass. Each living unit must have the capacity to be maintained individually without trespassing on adjoining properties.

Utilities. Utilities must be independent for each living unit except that common services -- water, sewer, gas and electricity -- may be provided for living units under a single mortgage or ownership.

- Each unit must have separate utility service shut-offs.
- Each unit must have individual meters.
- For living units under separate ownership, common utility services may be provided from the main service to the building line when protected by an easement or covenant and maintenance agreement acceptable to HUD.
- Individual utilities serving a unit must not pass over, under or through another unit, unless:
 - Provisions have been made for repairing and maintaining those utilities without trespassing on adjoining properties.
 - OR
 - An easement of covenant is made for permanent right of access for maintenance and repair of utilities.
- If a single drain line in the building serves more than one unit, the building drain clean-outs must be

accessible from the exterior.

- Other facilities must be independent for each living unit, except common services, such as laundry and storage space or heating, may be provided for two- to four-living-unit buildings under a single mortgage.

Dedication. Utilities must be located on easements that have been permanently dedicated to the local government or appropriate public utility body. This information must be recorded on the deed record so that the utility services match the easement.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, B.: OTHER CRITERIA (05/99)/3-6, B., 3.: NONRESIDENTIAL USE DESIGN LIMITATIONS (05/99)

3-6, B., 3.: NONRESIDENTIAL USE DESIGN LIMITATIONS (05/99)

A qualified property must be predominantly residential in use and appearance. Any nonresidential use of the property must be subordinate to its residential use, character and appearance. A property, any portion of which is designed or used for nonresidential purposes, is eligible only if the type or extent of the nonresidential use does not impair and/or remove the property's residential character and appearance.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, B.: OTHER CRITERIA (05/99)/3-6, B., 4.: ACCESS ONTO PROPERTY (05/99)

3-6, B., 4.: ACCESS ONTO PROPERTY (05/99)

Access to the living unit must be provided without passing through any other living unit. Access to the rear yard must be provided without passing through any other living unit. For a row-type dwelling, the access may be by an alley, easement or passage through the dwelling.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, B.: OTHER CRITERIA (05/99)/3-6, B., 5.: SPACE REQUIREMENTS (05/99)

3-6, B., 5.: SPACE REQUIREMENTS (05/99)

Each living unit must have the space necessary to ensure suitable living, sleeping, cooking and dining accommodations and sanitation facilities.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, B.: OTHER CRITERIA (05/99)/3-6, B., 6.: BEDROOM EGRESS (05/99)

3-6, B., 6.: BEDROOM EGRESS (05/99)

All bedrooms must have adequate egress to the exterior of the home. If an enclosed patio (solid walls) covers the bedroom window, it is possible that the bedroom won't qualify as a habitable bedroom. Security bars are acceptable if they comply with local fire codes. Occupants of a bedroom must be able to get outside the home if there is a fire.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, B.: OTHER CRITERIA (05/99)/3-6, B., 7.: ENERGY EFFICIENCY (05/99)

3-6, B., 7.: ENERGY EFFICIENCY (05/99)

For new and proposed construction and properties less than one year old, all detached one- and two-family dwellings and one-family townhouses not more than three stories in height must comply with the CABO Model Energy Code, 1992 Edition, Residential Buildings, except for sections 101.3.1, 101.3.2, 104 and 105. These sections remain:

- Section 101.3.2.2, Historic Buildings
- The Appendix
- HUD Intermediate MPS Supplement 4930.2 Solar Heating and Domestic Hot Water Systems, 1989 edition

Valuation procedures for solar energy systems can be found in Appendix B.3.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, C.: CONDITIONS NOT REQUIRING REPAIRS (05/99)

3-6, C.: CONDITIONS NOT REQUIRING REPAIRS (05/99)

Conditions that do not ordinarily require repair include any surface treatment, beautification or adornment not required for the preservation of the property.

These are some examples:

- A wood floor's finish that has worn off to expose the bare wood must be sanded and refinished. However, a wood floor that has darkened with age but has an acceptable finish does not need polishing or refinishing.
- Peeling interior paint and broken or seriously cracked plaster or sheetrock require repair and repainting, but paint that is adequate though not fresh does not need to be redone.
- Missing shrubbery or dead grass on an existing property does not need to be replaced.
- Cleaning or removing carpets is required only when they are so badly soiled that they affect the livability and/or marketability of the property.
- Installing paved driveways or aprons should not be required if there is an otherwise acceptable surface.
- Installing curbs, gutters or partial street paving is not required unless assessment for the same is imminent.
- Complete replacement of tile floors is not necessary if some tiles do not match, etc.

Avoid unnecessary requirements because they increase housing cost without adding any basic amenities to the property.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/3: PROPERTY ANALYSIS (05/99)/3-6: GENERAL ACCEPTABILITY CRITERIA FOR FHA-INSURED MORTGAGES (05/99)/3-6, D.: REPAIR CONDITIONS FOR NEW/PROPOSED CONSTRUCTION (05/99)

3-6, D.: REPAIR CONDITIONS FOR NEW/PROPOSED CONSTRUCTION (05/99)

The appraiser must develop the cost approach for new or proposed construction and the normal site development costs must be included in the lot value. Where unusual cuts, fills, retaining walls, etc., are necessary to prepare the site for the proposed building improvements, estimate the amount by which the cost of the work exceeds the cost of preparing typical sites for similar structures from the Marshall and Swift Cost Handbook. This estimate supplements the estimate of the replacement cost of building improvements.

- When estimating the market price of a site with unusual site characteristics that must be corrected, assume that the site is in the condition that will exist after the corrective work is completed. Disregard the cost of the treatment, but use the value of the improved site in the estimate of the replacement cost of the property.
- Use the supplemental cost estimate to:
 - determine the extent to which the replacement cost of the property will exceed the cost of a substitute property produced by constructing identical improvements on a typical site
 - indicate the extent to which value may be less than the replacement cost for that part in excess of the cost of preparing the typical site
- Do not include the cost of treating unusual site characteristics in the estimate of replacement cost of building improvements. It is necessary to avoid including both the effect of site treatment and the cost of the work in the estimate of replacement cost of the property.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-0: INTRODUCTION (05/99)

4-0: INTRODUCTION (05/99)

This Chapter addresses the development of the three approaches to value:

- Sales Comparison Approach
- Income Capitalization Approach
- Cost Approach

It also addresses their impact in arriving at a final value conclusion that reflects the conditions denoted on the Valuation Conditions (VC) Form. These approaches form the foundation for developing a value and lead to the final reconciliation for an estimated market value.

The VC form identifies key components of the property analysis and requires the appraiser to:

- describe the results of the visual inspection
- identify known conditions, if any
- reconcile their findings with the approaches to value

This Chapter conforms to the current Uniform Standards of Professional Appraisal Practice (USPAP) and the requirements of the URAR. In developing and coming to a conclusion about value, the appraiser must be aware of and comply with all state and federal laws and requirements. Furthermore, strict compliance with USPAP is required for all FHA appraisals.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-1: MARKET VALUE ESTIMATES (05/99)/4-1: MARKET VALUE ESTIMATES (05/99)

4-1: MARKET VALUE ESTIMATES (05/99)

In accordance with HUD/FHA requirements, an appraiser must do the following:

- define the type of value being considered for the property appraisal
- ascertain the definition of market value appropriate for the appraisal
- indicate whether the estimate is the most probable price that the property will sell for on the open market

- > Follow the standards of USPAP. Key sections that are most applicable are provided below.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-1: MARKET VALUE ESTIMATES (05/99)/4-1, A.: DEFINITION OF MARKET VALUE (05/99)

4-1, A.: DEFINITION OF MARKET VALUE (05/99)

The definition of market value that applies to HUD/FHA is cited from the Uniform Standards of Professional Appraisal Practice. This is the definition of value which must be used for all appraisals performed for FHA-insured mortgages.

"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 and knowledgeably, and assuming the price is not affected by undue stimulus."

Implicit 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. The buyer and seller are typically motivated.
2. Both parties are well informed or well advised, and each is acting in what they consider their best interest.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash in United States Dollars or in terms of a financial arrangement comparable thereto.
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-1: MARKET VALUE ESTIMATES (05/99)/4-1, B.: PROPERTY RIGHTS APPRAISED (05/99)

4-1, B.: PROPERTY RIGHTS APPRAISED (05/99)

Identifying property rights to be valued determines the criteria for selecting market data and for comparable transactions. The following table is an example of property rights.

Property Type	Occupancy	Property Rights Appraised
Single-family	Owner	Fee Simple
Two- to Four-family	One unit owner-occupied, other units rented	Leased Fee
All property types	Ground lease	Leasehold Estate

The appraiser examines property rights to determine what rights, if any, the property owner has conveyed to others. The conveyance of rights to others impacts the value of the property. For example, a single-family owner-occupied property has fee simple property rights that are absolute and unencumbered -- unlike a leasehold estate where property rights are specified to use and occupancy for a stated term. The appraiser must determine to what extent, if any, the transfer of property rights impacts the property's value.

Fee Simple is defined as absolute ownership unencumbered by any other interest or estate.

Lease Fee is defined as an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; usually consists of the right to receive rent and the right to repossession at the termination of lease.

Leasehold Estate is defined as the right to use and occupy real estate for a stated term and under certain conditions that have been conveyed by a lease.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-1: MARKET VALUE ESTIMATES (05/99)/4-1, C.: PURPOSE (05/99)

4-1, C.: PURPOSE (05/99)

The purpose of an appraisal is the stated reason for performing an appraisal assignment. The purpose is typically stated as the basis for an underwriting decision. For HUD, the purpose is to determine market value for mortgage insurance purposes.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-1: MARKET VALUE ESTIMATES (05/99)/4-1, D.: INTENDED USE OF APPRAISAL/FUNCTION (05/99)

4-1, D.: INTENDED USE OF APPRAISAL/FUNCTION (05/99)

The intended use or function for all appraisals prepared for FHA is to support the underwriting requirements for an FHA-insured mortgage.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-1: MARKET VALUE ESTIMATES (05/99)/4-1, E.: USE OF THE APPRAISAL (05/99)

4-1, E.: USE OF THE APPRAISAL (05/99)

The use of the appraisal is to support FHA's decision to provide mortgage insurance on the real property that is the subject of the appraisal. Therefore, intended users include the lender and HUD.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-1: MARKET VALUE ESTIMATES (05/99)/4-1, F.: EFFECTIVE DATE OF VALUE (05/99)

4-1, F.: EFFECTIVE DATE OF VALUE (05/99)

The effective date of value is either the date when the appraiser physically inspects the subject property or another date specifically defined by the lender.

- > If another date is used as the effective date, indicate the alternative date and the date on which the subject property was physically inspected.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-1: MARKET VALUE ESTIMATES (05/99)/4-1, G.: SCOPE (05/99)

4-1, G.: SCOPE (05/99)

The appraiser must perform a complete appraisal as defined by USPAP, considering all of the applicable approaches to value and developing the appropriate approaches identified in this Handbook. Departure is not allowed.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-1: MARKET VALUE ESTIMATES (05/99)/4-1, H.: SPECIAL LIMITING CONDITIONS AND ASSUMPTIONS (05/99)

4-1, H.: SPECIAL LIMITING CONDITIONS AND ASSUMPTIONS (05/99)

The appraiser must adequately identify, report and quantify any extraordinary assumptions or limiting conditions that directly impact the valuation. Examples include:

- a negative external influence (proximity to a municipal landfill, for example)
- proposed road improvements
- a pending zone change

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-2: HUD/FHA REQUIREMENTS (05/99)

4-2: HUD/FHA REQUIREMENTS (05/99)

HUD/FHA requirements for market value estimates are as follows:

- The appraiser must appraise the property to determine market value under the requirements detailed in Chapter 4-1 of this Handbook.
 - The appraiser must evaluate the physical condition of the property and note it on the Valuation Conditions (VC) Form of the Comprehensive Valuation Package. Note any necessary repairs. If repairs are in process, disclose the extent or status of those repairs at the time of the appraisal. Always base the value on the completion of repairs and include this as a special limiting condition when repairs are required and expected to be completed.
 - The appraiser must evaluate whether the property is free of hazards, noxious odors, grossly offensive sights or excessive noises that may:
 - endanger the physical improvements
 - affect the livability of the property or its marketability
 - affect the health and safety of its occupants
- > If any of these conditions exist, recommend correction of the problem or rejection of the property and explain.

For more information, see Chapter 2-2 of this Handbook.

- The appraiser must determine if the subject property possesses sufficient remaining economic life to warrant a long-term mortgage, assuming a reasonable level of continued maintenance. If the property does not warrant a long-term mortgage it will be ineligible for FHA mortgage insurance.
- The appraiser must indicate if the property conforms to applicable Minimum HUD/VA Property Requirements detailed in Chapter 3.
 - > If the property does not conform to the Minimum Property Requirements, note it in the VC section of the appraisal report and require correction of the deficiency or rejection of the property and explain.
 - > If there are so many necessary repairs that an "as-repaired" value cannot be determined, or if correcting the deficiencies would require major rehabilitation/alterations, return the appraisal to the lender with a detailed explanation.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-3: NEW AND PROPOSED CONSTRUCTION REQUIREMENTS (05/99)/4-3: NEW AND PROPOSED CONSTRUCTION REQUIREMENTS (05/99)

4-3: NEW AND PROPOSED CONSTRUCTION REQUIREMENTS (05/99)

Before performing an appraisal for new or proposed construction, the appraiser must have the plans and specifications and a fully completed Builder's Certification. The lender must provide this information to the appraiser prior to issuing the assignment. Without these items, the property will not be acceptable for FHA insurance purposes.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-3: NEW AND PROPOSED CONSTRUCTION REQUIREMENTS (05/99)/4-3, A.: NEW CONSTRUCTION (05/99)

4-3, A.: NEW CONSTRUCTION (05/99)

The appraiser must develop the cost approach for new construction less than one year old. Appraise new construction in the same way that existing properties are valued under the specifications outlined in this chapter of the Handbook. Also, consider using the Gross Rent Multiplier method when developing the income approach for three- or four-unit buildings.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-3: NEW AND PROPOSED CONSTRUCTION REQUIREMENTS (05/99)/4-3, B.: PROPOSED CONSTRUCTION (05/99)

4-3, B.: PROPOSED CONSTRUCTION (05/99)

Appraise proposed construction consistent with the methodology presented in this chapter. USPAP requires that the appraiser be provided with written specifications of the proposed structure. Specifically, the Lender must provide the appraiser with these documents:

- builder's plans, specifications and construction documents
 - completed builder's certification (Form HUD-92541)
 - Builder's Warranty (Form HUD-92544)
 - the 10-year Warranty, when required (the Secretary has proposed a 1-year Homeowner Warranty period)
 - all reports and information available (i.e., sales agreement, title report, environmental assessments or studies and inspection reports)
- > If these documents are not provided, return the incomplete appraisal to the lender. Check the box stating that the valuation is subject to completion and that the value is contingent on the structure receiving a certificate of occupancy.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-4: UNIQUE PROPERTY APPRAISALS (05/99)

4-4: UNIQUE PROPERTY APPRAISALS (05/99)

Appraisers are sometimes faced with unique properties: a log home, an extra small home, lower than normal ceiling heights, etc. Eligibility of these properties depends on whether or not the property is structurally sound and readily marketable. If a property meets these criteria, the appraiser estimates market value. However, depending on the uniqueness of a property, the final determination to accept or reject the property is made by the lending institution's underwriter.

Excess land is another area in which to exercise caution. Land is considered to be excess if it is:

- larger than what is typical in the neighborhood

AND

- capable of a separate use
- > If there is excess land, describe it but do not value it. In this instance, the appraisal is based upon a hypothetical condition. A legal description of the portion being appraised is required.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-5: COST APPROACH (05/99)/4-5: COST APPROACH (05/99)

4-5: COST APPROACH (05/99)

The cost approach is an indication of value based on the premise that a buyer would not pay more for a property than the cost to construct a property of equal utility. The cost approach is not necessarily the best indication of market value for many properties, but it is often applicable for new(er) or proposed construction and special use properties. Such situations include the following for single-family one- to four-unit dwellings:

Property Age	Cost-Approach Requirement
Proposed Construction	Required
New Construction	Required
Existing, less than one year	Required
Existing, regardless of age	Market acceptability of cost as an indication of pricing and value

Unless the cost approach is deemed reliable on the above table or considered applicable in the appraiser's judgment, developing this approach is not required for a HUD/FHA appraisal. The reporting requirement of USPAP known as the departure rule does not apply because the appraiser must always use the cost approach to value when considered applicable.

USPAP Requirements

Strict compliance with USPAP standards is required for all FHA appraisals.

Reporting Requirements

- > If the cost approach was excluded, report it in the reconciliation and insert the rationale for its exclusion.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-5: COST APPROACH (05/99)/4-5, A.: COST APPROACH METHODOLOGY (05/99)/4-5, A., 1.: LAND VALUE ESTIMATE (05/99)

4-5, A., 1.: LAND VALUE ESTIMATE (05/99)

Standard Rule 1-3(b) of USPAP requires appraisers to "recognize that land is appraised as though vacant...." The appraiser estimates the value of the land because it is generally considered to be a permanent, nondepreciating asset. There are exceptions to this generally agreed upon premise, but the exceptions will rarely be a factor in FHA/HUD related appraisals. Exceptions may include land with an erosion problem or a polluted property.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-5: COST APPROACH (05/99)/4-5, A.: COST APPROACH METHODOLOGY (05/99)/4-5, A., 2.: EXCESS LAND (05/99)

4-5, A., 2.: EXCESS LAND (05/99)

Excess Land is defined as the area by which the plot exceeds the area of a readily marketable real estate entity.

This occurs when the subject lot is considerably larger than typical lots in the neighborhood and the excess is capable of separate use. Generally, the defining characteristic is an excess portion that can be subdivided and marketed as an individual parcel. However, in small communities and outlying areas, appraisers must use different criteria because the market may accept a wide variance in lot sizes. This segment of the market may show wide differences in lot use.

- > If the plot contains excess land, delineate and appraise separately the readily marketable real estate entity and the existing or proposed improvements. Describe the excess land but do not appraise it with the primary 1-4 family residential building that is subject to a mortgage.

The lender will require that the value of excess land be excluded from the maximum mortgage amount that will be calculated only on a reasonable amount of land and improvements.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-5: COST APPROACH (05/99)/4-5, A.: COST APPROACH METHODOLOGY (05/99)/4-5, A., 3.: SALES COMPARISON APPROACH FOR LAND VALUE (05/99)

4-5, A., 3.: SALES COMPARISON APPROACH FOR LAND VALUE (05/99)

In areas with an active real estate market, the sales comparison approach is generally the primary method used. This method allows for collecting, verifying and analyzing recent and similar land sales to be compared with the subject land. Before a conclusion is reached, the comparable land sales are adjusted for differences between the sales and the subject property.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-5: COST APPROACH (05/99)/4-5, A.: COST APPROACH METHODOLOGY (05/99)/4-5, A., 4.: ALLOCATION (05/99)

4-5, A., 4.: ALLOCATION (05/99)

In areas with a significant lack of comparable sales to develop the sales comparison approach, use the allocation method, which assumes a market-accepted ratio between land value and property value. Although the value estimate from this method is inherently less accurate than that of the sales comparison approach, it is still an acceptable approach.

- > The appraiser must document, support and justify the chosen allocation ratio.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-5: COST APPROACH (05/99)/4-5, A.: COST APPROACH METHODOLOGY (05/99)/4-5, A., 5.: EXTRACTION (05/99)

4-5, A., 5.: EXTRACTION (05/99)

Extraction is a method to deduct the depreciated contribution of the subject's improvement from the total sales price of the property. The remainder represents an estimate of land value. This approach is also inherently less accurate than the sales comparison approach.

- > The appraiser must document, support and justify the estimate of the depreciated contribution of the improvements.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-5: COST APPROACH (05/99)/4-5, B.: IMPROVEMENT COST ESTIMATE (05/99)

4-5, B.: IMPROVEMENT COST ESTIMATE (05/99)

Replacement cost is the preferred method for developing the Cost New of the subject improvements. Typically the

appraiser uses the Replacement Cost New and quantifies all forms of depreciation, except obsolescence. An alternative is the reproduction cost. HUD does not require a specific method.

The replacement cost of property is estimated to enable the application of the substitution principle. Estimates of the replacement/reproduction cost of property are not estimates of value, although they indicate the possibility that value, in an equivalent amount, may exist. Value depends entirely upon usefulness, not on the cost. Value tends to conform to cost, but this is not to imply that it is always equivalent to cost.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-5: COST APPROACH (05/99)/4-5, C.: TYPICAL REPLACEMENT COST (05/99)

4-5, C.: TYPICAL REPLACEMENT COST (05/99)

The replacement cost estimate must reflect the costs typically found in an area -- not necessarily the costs of a particular builder or owner. This method is typically preferred to the reproduction cost.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-5: COST APPROACH (05/99)/4-5, D.: UNUSUAL AND NONTYPICAL COSTS (05/99)

4-5, D.: UNUSUAL AND NONTYPICAL COSTS (05/99)

Some of the items or allowances in the cost estimate may not represent equivalent value in a particular case. An owner might erect a house that would cost more than the houses that generally characterize the neighborhood, but the value of the home to the typical prospective owner in that neighborhood might be less than the replacement cost of the property. The cost of construction also may be in excess of value at a given time. Under some circumstances, a reduction in cost may be in prospect. If construction costs decline, value may also decline if it was originally equal to cost.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-5: COST APPROACH (05/99)/4-5, E.: RECOMMENDED METHODOLOGIES (05/99)

4-5, E.: RECOMMENDED METHODOLOGIES (05/99)

Generally, the Marshall and Swift square foot method is the most applicable method for estimating the Replacement Cost New. This is a simplified procedure and all appraisers must have the knowledge and skill to apply this methodology. This method may not be used for custom-built homes or unique buildings that require the segregated cost method.

Typical residential construction with which HUD is involved should be rated "fair," "average" or "good" quality. Mass produced, tract-built homes are rated either "fair" or "average," meeting only the minimum construction requirements of lending institutions, mortgage insurance agencies and building codes. Appraisers must review the basic description to determine the correct construction type.

The appraiser will complete the cost approach for each proposed construction case based on the construction type and quality rating of the property as shown in the Marshall and Swift Cost Handbook.

- > Reference on the form the pages and revision date where the figures were obtained (usually two pages).
- > Include a marketing expense with the replacement cost of improvements and all applicable current multipliers.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-5: COST APPROACH (05/99)/4-5, F.: REMAINING ECONOMIC LIFE (05/99)

4-5, F.: REMAINING ECONOMIC LIFE (05/99)

Remaining economic life is an estimate of the remaining time period in which the improvements continue to contribute value to the property (building and improvements). The appraiser must consider the effect, if any, of modifications or renovations on the improvements. This effect is typically expressed in years.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-6: SALES COMPARISON APPROACH (05/99)/4-6: SALES COMPARISON APPROACH (05/99)

4-6: SALES COMPARISON APPROACH (05/99)

This is often the most applicable approach in estimating the market value of a single-family one- to four-unit property. This approach relies on:

- the availability of sales data
- the volume of transactions
- the reliability of reporting the transaction data confirmed and developed under this approach

When developing a value indication by the sales comparison approach, always include the assumptions and data from the other approaches on the VC form.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-6: SALES COMPARISON APPROACH (05/99)/4-6, A.: DATA REQUIREMENTS (05/99)/4-6, A., 1.: SALES DATA VS. COMPARABLE SALE (05/99)

4-6, A., 1.: SALES DATA VS. COMPARABLE SALE (05/99)

Any transaction in the market is a sale, but not all sales are *comparable*. Consider the type of transaction and physical characteristics of any sale before considering the sale a *comparable*.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-6: SALES COMPARISON APPROACH (05/99)/4-6, A.: DATA REQUIREMENTS (05/99)/4-6, A., 2.: SELECTION OF COMPARABLE SALES FOR ANALYSIS (05/99)

4-6, A., 2.: SELECTION OF COMPARABLE SALES FOR ANALYSIS (05/99)

Identify the relevant market based on the area in which the property competes and the forces/dynamics that affect the comparable sale properties. This is necessary in relating the sales to the subject.

Consider the amount of time that has elapsed between the sale date and the effective date of the appraisal. Sales data should not exceed six months between the date of the appraisal and the sale date of the comparable, and must not exceed twelve months. An explanation is required for sales dates in excess of six months.

Consider neighborhood and other external factors that influence property value, including real estate and non-real estate influences. For example, when most of the neighborhood's residents are employed by one major employer who is relocating out of the region, the neighborhood may experience a decline in values. The term "non-real estate influenced," however, must never include racial composition.

Consider the quality and quantity of data available for the given assignment. A lack of quality data in a market may force reliance on data in a similar market -- not necessarily the subject's immediate market area. However, clearly explain and justify any sales from outside the subject's immediate market area.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-6: SALES COMPARISON APPROACH (05/99)/4-6, A.: DATA REQUIREMENTS (05/99)/4-6, A., 3.: EXCLUDED

4-6, A., 3.: EXCLUDED SALES TRANSACTIONS (05/99)

When using conventional sales data, the appraiser must be aware of the terms of the sale and adjust the conventional sales price to reflect any unusual terms. For example, there are sales that must be excluded; however, some transactions may be included but adjusted for factors such as below-market financing to provide a cash equivalent sales price.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-6: SALES COMPARISON APPROACH (05/99)/4-6, A.: DATA REQUIREMENTS (05/99)/4-6, A., 4.: CURRENT OFFERINGS AND LISTINGS ANALYSIS (05/99)

4-6, A., 4.: CURRENT OFFERINGS AND LISTINGS ANALYSIS (05/99)

Using these types of sales are discouraged. However, under certain slow market conditions or in markets with rapidly increasing pricing, it may be acceptable to include properties offered for sale. Proceed with caution when analyzing and adjusting these offerings. Recognize the inherent negotiability in price between an offering and a consummated sale. Clearly label these comparables as offering, listing, under agreement, etc., but present them as additional comparable data only.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-6: SALES COMPARISON APPROACH (05/99)/4-6, A.: DATA REQUIREMENTS (05/99)/4-6, A., 5.: SALES IN ESCROW (05/99)

4-6, A., 5.: SALES IN ESCROW (05/99)

If a bona fide transaction is imminent, sales in escrow are considered to be reliable indications of market pricing. Exercise care in identifying the planned date of closure for the sale and any extraneous circumstances that may impede the closing on the projected date.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-6: SALES COMPARISON APPROACH (05/99)/4-6, A.: DATA REQUIREMENTS (05/99)/4-6, A., 6.: DISTRESSED SALES (05/99)

4-6, A., 6.: DISTRESSED SALES (05/99)

Using distressed sales is strongly discouraged because of the special circumstances surrounding these transactions.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-6: SALES COMPARISON APPROACH (05/99)/4-6, A.: DATA REQUIREMENTS (05/99)/4-6, A., 7.: RELOCATION SALES (05/99)

4-6, A., 7.: RELOCATION SALES (05/99)

Using relocation sales from a corporate seller at a below market value is strongly discouraged when the purchaser is the relocation company because of the unusual circumstances surrounding these transactions.

Both distressed and relocation sales are strongly discouraged because they fail to meet the test of "market value," particularly item No. 1: "The buyer and seller are typically motivated." However, these sales can exceed normal market transaction and affect market values.

4-6, A., 8.: CONFIRMATION OF SALES AND TRANSACTION INFORMATION (05/99)

The appraiser must verify all market and comparable information used in the appraisal process and is accountable for any information presented as "fact" used to develop the subject property's value estimate. Verification ensures that the information is accurate and meaningful and provides the appraiser with a firm understanding of market motivations and trends. The goal of the verification process is to ensure that only information that accurately reflects current market conditions and trends is presented and that meaningful conclusions can be reached from this information.

During the verification process, it is necessary for the appraiser to gain an understanding of the motivations surrounding the sale in order to:

- determine if the sale was arm's-length and not distressed
- understand current market conditions that influence value

Whenever possible, interview a party to the sale to determine the expectations and motivations for purchasing the property. Also, determine whether significant capital expenditures funded by the seller were made shortly after the transaction occurred. If so, determine whether the expenditure needs to be added back into the sale price to reflect the actual conditions surrounding the sale.

The appraiser must verify sale information with the buyer, the seller or one of their representatives (broker, lender, lawyer, etc.). If the sale cannot be verified with someone who has first-hand knowledge of the transaction, use public records. However, the appraiser must clearly state how the sale was verified and to what extent. Do not use or rely heavily on any sale that was not verified with an involved party or one of their representatives because concessions have become more common in the market.

4-6, B.: ADJUSTMENT PROCESS (06/99)

Other factors that affect the use of comparable sales must be considered. Account for differences between the subject property and each comparable sale. The analysis of sales includes both quantitative and qualitative factors. *Remember that the comparable data is adjusted to the subject property.* Present these adjustments as dollar amount figures and justify and explain the rationale for all adjustments. This information must be contained in the appraiser file. The sequence of adjustments should follow this format:

The sequence of adjustments are part of the URAR. All FHA appraisers should be familiar with the adjustment grid within the URAR. Adjustments are indicated as a dollar amount. If an adjustment is not necessary, the appraiser can either enter "equal" or \$0 as the adjustment.

An individual line item adjustment should not exceed +/- 10%. The total adjustments to the comparables should not exceed 15% net and 25% gross of the sales price. If adjustment exceeds a parameter, the appraiser must explain why as part of the appraisal report.

Adjustments to the sales include:

- Property Rights Conveyed. Refer to the property right appraised section of this chapter. This adjustment is always the first adjustment made to all sales.
- Sales or Financing Concessions. Account for and adjust for any special sale or financing terms, including sales

concessions, nonmarket financing terms, points, buydowns, closing terms and swaps/exchanges. The most common scenario involves the seller paying points in the form of settlement help to the buyer. To reflect the amount, adjust the sales price of the comparable sale downwards. Typically this amount will not exceed six percent of the sales price for typical transactions.

- Condition of Sale. Account for the conditions surrounding the sale, including foreclosure/distressed sale, purchased by an adjoining owner, sold between family members, auctioned or any unusual factor that could be reflected in the price paid.
- Market Conditions. Account for changes that have occurred or are occurring from the date of sale of the comparable transaction to the date of appraisal, including appreciation, new development, availability of financing, loan terms, supply and demand.
- Property Adjustments. These are required if the difference between the sale and the subject is quantifiable and supported by the market.

Site -- Account for site considerations.

Physical Characteristics -- Account for physical differences between the comparables and the subject, including condition, view, design/appeal and quality of construction. These are typically entered as individual categories.

Economic Characteristics -- Account for economic characteristics between the comparables and the subject, including occupancy, rent level, lease structure or terms.

- Nonrealty items. Nonrealty items, such as personal property, may be included in value. These items are deducted from or added to the total consideration to reflect the cash equivalent price paid for the real property only.
- Other adjustments. Include physical characteristics that can be based on a dollar amount. The quality and quantity of market data should guide the selection of the most applicable method.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-6: SALES COMPARISON APPROACH (05/99)/4-6, B.: ADJUSTMENT PROCESS (06/99)/4-6, B., 1.: SUPPORT FOR ADJUSTMENTS (06/99)

4-6, B., 1.: SUPPORT FOR ADJUSTMENTS (06/99)

Adjustments must be supported by the market. The appraiser must use caution in developing adjustments; not all differences between the sale properties and the subject property are recognized as price-influencing factors in the marketplace. Only those factors that are accepted as value-influencing factors warrant adjustments.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-6: SALES COMPARISON APPROACH (05/99)/4-6, B.: ADJUSTMENT PROCESS (06/99)/4-6, B., 2.: EXPLANATION OF ADJUSTMENTS (06/99)

4-6, B., 2.: EXPLANATION OF ADJUSTMENTS (06/99)

The appraiser must explain why an adjustment was made. If adjustments are made, the appraiser must explain the differences that support the adjustments made to each of the comparables as they relate to the subject property.

- > Report the explanation on the URAR and maintain it in the work papers.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-6: SALES COMPARISON APPROACH (05/99)/4-6, B.: ADJUSTMENT PROCESS (06/99)/4-6, B., 3.: RECONCILIATION OF ADJUSTED SALE PRICES (06/99)

4-6, B., 3.: RECONCILIATION OF ADJUSTED SALE PRICES (06/99)

The appraiser must consider the strengths and weaknesses of each of the comparable sales and develop this data into an indication of value by the sales comparison approach.

- > Report the final reconciled value indication by the sales comparison approach on the URAR.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-7: INCOME APPROACH (06/99)/4-7: INCOME APPROACH (06/99)

4-7: INCOME APPROACH (06/99)

When the motivations of the buyer and the marketability of the property are based on its income-producing potential, the income approach must be developed. This approach applies when the entire property or one or more of the units is leased, regardless of the rental amount and occupancy. The ability of the property to be attractive to a renter and/or investor supports the development of the income approach. Situations where the income approach applies are presented on the following chart.

Property	Occupancy	Applicability Test
Single-family	Owner-occupied	Market indication of highest and best use as improved (either for rental or for owner-occupancy)
Single-family	Vacant	Market indication of highest and best use as improved (either for rental or for owner-occupancy)
Two-family	One unit is owner-occupied; the other is vacant.	Optional, depending on the availability and reliability of market data
Two-family	One unit is owner-occupied; the other is rented.	Required if the property is located in a neighborhood with other rental properties; otherwise, optional, depending on the availability and reliability of market data
Three- to four-Family	One unit is owner-occupied; other units are rented.	Required
One- to four-Family	Leasehold Estate	Required
One- to four-Family	Leased Fee Estate	Required

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-7: INCOME APPROACH (06/99)/4-7, A.: DATA REQUIREMENTS (05/99)/4-7, A.: DATA REQUIREMENTS (05/99)

4-7, A.: DATA REQUIREMENTS (05/99)

The appraiser must choose similar market rentals to compare to the subject property. Consider the transaction and physical characteristics of a rental before considering the rental as *comparable*.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-7: INCOME APPROACH (06/99)/4-7, A.: DATA REQUIREMENTS (05/99)/4-7, A., 1.: CONFIRMATION OF LEASES AND TRANSACTION INFORMATION (05/99)

4-7, A., 1.: CONFIRMATION OF LEASES AND TRANSACTION INFORMATION (05/99)

The appraiser must verify all comparable information used in the appraisal process. The appraiser is liable and accountable for any information presented as a "fact" in developing the value estimate. This ensures that the information is accurate and meaningful and provides the appraiser with an understanding of market motivations and trends. The goals of the verification process are to ensure:

- that only the information that accurately reflects current market conditions and trends is presented
- that meaningful conclusions can be reached from this information

If possible, interview the lessee or the lessor to determine their expectations and motivation for entering into the lease.

Verify lease information with the lessor/lessee or one of their representatives (broker, agent, lawyer, etc.). If this verification is not possible, clearly state how the lease was verified and to what extent. Do not rely heavily on any lease that was not verified with an involved party or one of their representatives.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-7: INCOME APPROACH (06/99)/4-7, A.: DATA REQUIREMENTS (05/99)/4-7, A., 2.: ADJUSTMENT PROCESS (05/99)

4-7, A., 2.: ADJUSTMENT PROCESS (05/99)

The appraiser must consider other factors that affect the use of comparable leases. The appraiser must account for differences between the subject property and the comparable leases to reconcile the actual lease income. This selection of comparable rentals is significant because the gross income multiplier should not be adjusted, only the comparable rental rate. These adjustments are typically presented as percentage or dollar amount figures. The appraiser must be able to justify and explain the rationale behind all adjustments. The sequence of adjustments should follow the same format as that presented in the sales comparison approach section; however, tailor the categories to the comparable rentals.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-7: INCOME APPROACH (06/99)/4-7, A.: DATA REQUIREMENTS (05/99)/4-7, A., 3.: THE INCOME PROJECTION (05/99)

4-7, A., 3.: THE INCOME PROJECTION (05/99)

In developing the projected gross rent for the subject, the appraiser needs to review and analyze the leases in place on the effective date of the appraisal. Also, consider leases that will commence or terminate around the effective date of the appraisal and the impact, if any, on the property.

The appraiser must take appropriate steps to ensure that the development of the income approach reflects the actual conditions at the subject property. If the subject is new, consider when the property income will stabilize. Include the justification for any assumption made -- lease up time, for example. The income approach is typically based upon the "as stabilized" premises. Support this approach appropriately and clearly state the date when stabilized income will be achieved.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-7: INCOME APPROACH (06/99)/4-7, B.: DEVELOPMENT OF RATES (05/99)

4-7, B.: DEVELOPMENT OF RATES (05/99)

The Gross Rent Multiplier (GRM) is the ratio between the sales price of a property and its gross rental income. This method is used to develop indications of a property value. The appraiser must consider the strengths and weaknesses of each comparable rental and develop an estimated multiplier that adequately reflects the income-generating ability of the subject property. This ratio is applied to the estimated income for the subject to conclude an indication of value by the income approach.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-8: FINAL RECONCILIATION (05/99)

4-8: FINAL RECONCILIATION (05/99)

The final analytical step in the valuation process is to reconcile value indicators. In this step, the appraiser must measure the strengths and weaknesses of each of the applicable approaches performed and develop this data into a single value estimate.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/4: THE VALUATION PROCESS (05/99)/4-9: RECONSIDERATION OF APPRAISED VALUE (05/99)

4-9: RECONSIDERATION OF APPRAISED VALUE (05/99)

The underwriter may request reconsideration of the appraised value when new market data exists that may not have been reflected in the appraisal. The lender can select new comparables and request a reappraisal. This request from the lender must be in writing and maintained in the appraiser's work file. The appraiser must decide whether to use the new comparables and perform the reappraisal. If the comparables were available when the initial appraisal was performed, the lender may not offer pay for the reconsideration.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/5: REPORTING THE APPRAISAL (06/99)/5-0: INTRODUCTION (06/99)

5-0: INTRODUCTION (06/99)

Accurate and thorough appraisal reporting is critical to the accuracy of underwriting for the mortgage insurance process. The need for accuracy is greater for FHA-insured mortgages because buyers tend to have more limited income and lower equity in the properties. This chapter presents the requirements for reporting complete and accurate appraisal information to HUD. An appraisal performed for HUD/FHA purposes requires that all sections of the Comprehensive Valuation Package (CVP) must be completed. The CVP constitutes the reporting instrument to HUD for FHA-insured mortgages.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/5: REPORTING THE APPRAISAL (06/99)/5-1: REPORTING THE APPRAISAL (06/99)/5-1: REPORTING THE APPRAISAL (06/99)

5-1: REPORTING THE APPRAISAL (06/99)

When the appraisal is completed, submit the CVP and all required attachments -- maps, photographs, sketches, etc., to the lender. Also, for new and proposed construction, submit the plans, specifications, construction documents and the completed builder's certification (Form HUD-92541). Submit the original package and a complete copy to the lender.

The CVP is required for reporting the appraisal findings, analyses and conclusions about the observed conditions of the property. A complete HUD appraisal package includes three parts: the Uniform Residential Appraisal Report (URAR), the Valuation Conditions Form and the Homebuyer Summary. These are described below.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/5: REPORTING THE APPRAISAL (06/99)/5-1: REPORTING THE APPRAISAL (06/99)/5-1, A.: PART 1: UNIFORM RESIDENTIAL APPRAISAL REPORT (URAR) (06/99)/5-1, A.: PART 1: UNIFORM RESIDENTIAL APPRAISAL REPORT (URAR) (06/99)

5-1, A.: PART 1: UNIFORM RESIDENTIAL APPRAISAL REPORT (URAR) (06/99)

The URAR is the standard appraisal reporting form available through all lenders. The following are required in reporting appraisal findings on the URAR:

- All information must be reported consistently with the HUD protocol in Appendix D of this Handbook.

- All findings must be reported consistent with Standard 2 of USPAP for a summary report.
- All boxes must be filled in and relevant factual data included, unless specifically noted.
- All calculations must be verified.
- Consistency between the sections must be verified.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/5: REPORTING THE APPRAISAL (06/99)/5-1: REPORTING THE APPRAISAL (06/99)/5-1, A.: PART 1: UNIFORM RESIDENTIAL APPRAISAL REPORT (URAR) (06/99)/5-1, A., 1.: DEPARTURE FROM HUD REQUIREMENTS (06/99)

5-1, A., 1.: DEPARTURE FROM HUD REQUIREMENTS (06/99)

HUD requirements are presented in this Handbook. Any departure from these requirements must be explained in the URAR or as an attachment to the appraisal. Present the reasoning, the result of such departure and any additional limitations to the use of the appraisal or the reported value as a result of this departure. Departure from USPAP is not permitted for an appraisal submitted to HUD.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/5: REPORTING THE APPRAISAL (06/99)/5-1: REPORTING THE APPRAISAL (06/99)/5-1, A.: PART 1: UNIFORM RESIDENTIAL APPRAISAL REPORT (URAR) (06/99)/5-1, A., 2.: CERTIFICATION (06/99)

5-1, A., 2.: CERTIFICATION (06/99)

Within the URAR, the appraiser must certify that the reported value is an unbiased, independent valuation of the subject property. This certification is consistent with that required by USPAP. Of particular importance is the certification that the appraisal is not based on any of the following:

- a requested minimum value
- a specific value
- the approval of a loan as indicated

If the appraiser is subject to additional certifications in developing and reporting the appraisal, include them in the URAR report. Such additional certifications may be the result of state certification requirements in certain jurisdictions or of relationships with professional appraisal and real estate organizations.

The assigned appraiser is required to sign the report making him/her fully and wholly accountable for the information presented on the URAR and in developing the appraisal findings. If any party provided significant professional assistance, name this party on the certification and note the contribution.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/5: REPORTING THE APPRAISAL (06/99)/5-1: REPORTING THE APPRAISAL (06/99)/5-1, A.: PART 1: UNIFORM RESIDENTIAL APPRAISAL REPORT (URAR) (06/99)/5-1, A., 3.: STATEMENT OF LIMITING CONDITIONS (06/99)

5-1, A., 3.: STATEMENT OF LIMITING CONDITIONS (06/99)

For each appraisal, the URAR includes the standard limiting conditions. The appraiser must confirm these limiting conditions and strike any that do not apply.

Also, if there are additional limiting conditions, clearly state them. If the limiting conditions differ or are contrary to the limiting conditions stated on the URAR, fully disclose those limiting conditions and make them known in the value estimate. Cite any value-influencing limiting conditions with the report of the estimate of market value.

The repair conditions reported in the VC segment of the report constitute a limiting condition for the development of the appraisal because HUD appraisals estimate value "as-repaired." The reported estimate assumes that the noted deficiencies have been corrected. It is, therefore, important that the appraiser certify to testing specific systems and examining all areas of the house to note the deficiencies.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/5: REPORTING THE APPRAISAL (06/99)/5-1: REPORTING THE APPRAISAL (06/99)/5-1, B.: PART 2: VALUATION CONDITIONS FORM (06/99)

5-1, B.: PART 2: VALUATION CONDITIONS FORM (06/99)

The Valuation Conditions (VC) Form specifically addresses physical conditions of the property that may render the property uninhabitable or cause health and safety concerns. Note the conditions observed during the walk-through on the VC form as of the date of appraisal. A home inspection is not required to complete the VC. The VC form is divided into Site and Property Analysis as well as other property related information.

- VC-1 identifies the site hazards and nuisances that may render a location ineligible for FHA insurance.
- VC-2 through VC-11 identify the basic structural and mechanical components of the property and are the bases for determining if the property is habitable and eligible for FHA-insured financing.
- VC-12 and VC-13 provide further information on the property.
- The addenda include a provision for current market assessed value and a summary of estimated repair costs.

Each section must be completed entirely, based on the instructions in the protocol in Appendix D of this Handbook.

The appraiser must observe the property's components, test certain basic operations, view areas of the home that may include adverse conditions and report on readily observed adverse conditions. In all instances, the observations are as of the effective date of value, as identified in the VC and appraisal segments.

- For each item in VC-1, a "YES" renders the property ineligible for FHA mortgage insurance.
- For each specific item in VC-2 through VC-11, "YES" indicates a limiting condition on the appraisal subject to the repair of the deficiency or further inspection.
- For each specific item in VC-2 through VC-11, "NO" indicates that the appraiser did not observe a deficient condition.

The appraiser may encounter a negative physical condition that does not require repair or inspection. In this instance the appraisal is based upon the existing condition.

"NO" is not a substitute for a home inspection by a qualified professional home inspector, but merely indicates that the appraiser did not observe the condition during the property inspection for valuation purposes.

For both "YES" and "NO" responses, exercise care and judgment in reporting the extent and the magnitude of the observed condition. The mere presence of an item may not require an inspection or repair. Likewise, depending on the condition observed, a minor observation may prove to be significant to the soundness of the property. The property analysis relies heavily on the appraiser's judgment. It is important to note all considerations as comments for each Valuation Condition.

For detailed instruction regarding the Valuation Conditions Form, please see the protocol in Appendix D of this Handbook.

Appraisals performed for HUD/FHA are not intended to protect the buyer: they protect HUD. Many homebuyers mistakenly believe that a HUD appraisal and subsequent inspection is a guarantee that the property is free from defects when, in fact, the appraisal only establishes the value of the property for mortgage insurance purposes. Buyers need to secure their own home inspection through the services of a qualified inspector and satisfy themselves about the condition of the property. If available in a timely manner, home inspection reports should be sent to the appraiser; this affords the appraiser the opportunity to make valuation adjustments as needed.

5-1, C.: PART 1: HOMEBUYER SUMMARY (05/99)

This part summarizes required repairs from the appraiser's observation of the physical condition. The Homebuyer Summary intends to protect the homebuyer by informing him/her of any material conditions that typically make the property ineligible for FHA mortgage insurance.

- > If any of the VCs are marked "YES" in the VC form, the appraiser must denote it in the appropriate box of the Homebuyer Summary and explain, in detail, the nature of the problem.

The summary also includes a notice to the homebuyer regarding the value of securing a home inspection, by a qualified inspector.

5-2: ACCESS TO FORMS (05/99)

The Homebuyer Summary and Valuation Conditions Form are available electronically from the HUD Internet website: <http://www.hudclips.org/subscriber/html/forms.htm>.

5-3: RECORDKEEPING (05/99)

HUD reserves the right to request and review the appraiser's work files supporting an FHA-insured mortgage at any time and without prior notice. Appraisers on the FHA Register must comply with the recordkeeping and inspection requirements as a condition of performing appraisals for FHA-insured mortgages.

5-3, A.: MINIMUM TERM FOR RECORDKEEPING (05/99)

The appraiser is required to keep supporting documentation in addition to a copy of the CVP. These files must be maintained for five years after the date of preparation or at least two years after final disposition of any judicial proceeding in which testimony was given, whichever expires last. This is consistent with the Recordkeeping Rule of USPAP.

5-3, B.: DOCUMENTATION FILE REQUIREMENTS (05/99)

Although there is no prescribed file format or content, the appraiser's work files must include information to support all findings, observations and conclusions supporting the value estimate. The files must indicate the rationale for adjustments and the market data analyzed in the development of the appraisal report. The files must include documentation of the acceptance of the assignment and historical and factual information, such as photographs and maps. A sample documentation file index is provided below. This is not a comprehensive list of

information.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/5: REPORTING THE APPRAISAL (06/99)/5-3: RECORDKEEPING (05/99)/5-3, C.: SAMPLE DOCUMENTATION FILE (05/99)

5-3, C.: SAMPLE DOCUMENTATION FILE (05/99)

Section	Supporting Data
Acceptance of assignment	File memorandum
Property Description	Legal description Photographs Floor plans Tax map and information Field notes from inspection Listing information Offer to purchase
Neighborhood	Notes from the field visit Photographs Demographic data
Cost Approach (if applicable)	Relevant Marshall Swift Valuation information Calculations performed Land Sales detail
Sales Comparison Approach	Sale details and photographs Transaction information Derivation of adjustments Interview notes
income approach (if applicable)	Market rent comparable information Cap rate justification Historical financial statements
VC Conditions Noted	Photograph of condition Field notes Support for any assumed repairs Calculation of cost to repair a VC condition
Additional Information	Surveys Relevant market data Other sources of data

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/6: APPRAISAL AND APPRAISER MONITORING (05/99)/6-0: INTRODUCTION (05/99)

6-0: INTRODUCTION (05/99)

The review process is a critical quality control and performance monitoring mechanism for HUD. FHA will monitor appraisals and appraisers using statistical analysis and field reviews. Through analysis of performance measures, FHA will identify candidates for field reviews. By performing statistical analysis as well as field reviews, HUD maintains the capability to broadly track its portfolio and investigate it in greater depth.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/6: APPRAISAL AND APPRAISER MONITORING (05/99)/6-1: MONITORING AND STATISTICAL ANALYSIS (05/99)

6-1: MONITORING AND STATISTICAL ANALYSIS (05/99)

The Real Estate Assessment Center (REAC) will conduct statistical analysis to track the performance of appraisers and properties and to identify problematic appraisals for review. If the review and subsequent analysis indicate

behavior that is out of compliance with FHA guidelines, FHA may take enforcement action. The performance categories below will guide the monitoring and enforcement efforts.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/6: APPRAISAL AND APPRAISER MONITORING (05/99)/6-2: PERFORMANCE CATEGORIES (05/99)

6-2: PERFORMANCE CATEGORIES (05/99)

The following performance categories allow FHA to monitor each aspect of the appraiser's performance. The table below lists examples of performance measures for each category.

Performance Category	Performance Measure
Appraisal Process	Transaction quality Proof of analysis Relevance of data
Appraisal Reporting	Completeness Mathematical Accuracy
Valuation Conditions	Identified repairs
Maintenance of Professional Standards	Maintenance of state licensure Disciplinary actions
Field reviews	Supported findings Required recordkeeping Responsiveness to field review

HUD expects a high level of professionalism, customer service, technical expertise and recordkeeping from appraisers. The above measures demonstrate HUD's focus on:

- complete, justifiable and accurate appraisals
- qualified and competent appraisers
- professionalism
- accuracy

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/6: APPRAISAL AND APPRAISER MONITORING (05/99)/6-3: APPRAISAL REVIEW PROCESS (05/99)

6-3: APPRAISAL REVIEW PROCESS (05/99)

The oversight process includes statistical analysis of appraisals and field reviews. The reviews will be used to determine the reliability of the appraisal supporting FHA financing as well as the performance of the appraiser. To gauge an appraiser's performance, REAC will review a sample of appraisals performed for FHA over a specified time period and/or a specified number of appraisals performed.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-0: INTRODUCTION (05/99)

7-0: INTRODUCTION (05/99)

This chapter describes the regulatory environment in which FHA single-family appraisals are performed and the enforcement and sanctions that are available to HUD and other government entities in that environment. Appraisers are subject to:

- federal laws and regulations
- state licensing laws and regulations
- the requirements associated with any professional appraisal designations

This chapter enumerates these requirements and explains their connection to HUD's enforcement and sanctions processes.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-1: REGULATORY ENVIRONMENT (05/99)/7-1, A.: FINANCIAL INSTITUTIONS REFORM, RECOVERY, ENFORCEMENT ACT OF 1989 ('FIRREA') (05/99)

7-1, A.: FINANCIAL INSTITUTIONS REFORM, RECOVERY, ENFORCEMENT ACT OF 1989 ('FIRREA') (05/99)

FIRREA instituted reform and regulation of real estate appraising through Title XI, the Real Estate Appraisal Reform Amendments. The amendments achieved the following:

- established the Appraisal Foundation, comprising the Appraiser Qualifications Board (AOB) and the Appraisal Standards Board (ASB):
 - The AOB determines the minimum education, examination and experience requirements for state-certified and state-licensed appraisers.
 - The ASB promulgates the Uniformed Standards of Professional Appraisal Practice (USPAP).
- required that only a state-certified or state-licensed appraiser may perform appraisals for federally related transactions
- established that an appraiser trainee can sign an appraisal if a state-certified or state-licensed appraiser closely supervises the trainee, signs the appraisal report and inspects the property
- established the definition of a "state-certified real estate appraiser" as someone who has satisfied the requirements in a state or territory whose criteria for certification meets the minimum criteria for certification by the Appraiser Qualification Board of the Appraisal Foundation
- established the state agencies to license, certify and supervise appraisers

All appraisers performing services for FHA-insured mortgages must comply with USPAP in developing and reporting appraisals. Key aspects of USPAP include:

Standard	Citation
Ethics Rule	Conduct management, confidentiality and recordkeeping
Competency Rule	Full responsibility of appraiser to have the knowledge and experience to complete the assignment competently or disclose any discrepancy before acceptance and take all necessary steps to correct
Departure Rule ¹	Permits limited departures from acceptable portions of USPAP reducing the reliability of the valuation
Jurisdictional Exception	Individual portions of USPAP can be superseded by law or public policy
Standard 1	In developing a real estate property appraisal, an appraiser must be aware of, understand and correctly employ the recognized methods and techniques that are necessary to produce a credible appraisal
Standard 2	In reporting the results of a real estate property appraisal, an appraiser must communicate each analysis, opinion and conclusion in a manner that is not misleading

¹ FHA does not permit departure from USPAP.

In compliance with USPAP, unacceptable practices include:

- estimating a specified (predetermined) value determined by the lender
- fee splitting between lenders and appraisers
- other practices that do not comply with HUD's standards

Also, USPAP contains statements on appraisal standards that have the full weight of USPAP. These statements were issued to clarify the existing standards. The ASB has also issued advisory opinions that currently do not establish new standards but offer advice on complex technical issues.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-1: REGULATORY ENVIRONMENT (05/99)/7-1, B.: FEDERAL FINANCIAL INSTITUTION REGULATORY AGENCIES (05/99)

7-1, B.: FEDERAL FINANCIAL INSTITUTION REGULATORY AGENCIES (05/99)

The Federal Financial Institution Regulatory Agencies issued a final rule on appraisals in June 1994. In general, the threshold for requiring state-certified appraisers to perform appraisals on federally related transactions was raised to Two Hundred Fifty Thousand Dollars (\$250,000). However, FHA requires an appraisal for all applications for single-family mortgage insurance, regardless of transactional value.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-1: REGULATORY ENVIRONMENT (05/99)/7-1, C.: FALSE, FICTITIOUS OR FRAUDULENT CLAIMS (18 USC §287, 1001) -- CRIMINAL PENALTIES AND FINES (05/99)

7-1, C.: FALSE, FICTITIOUS OR FRAUDULENT CLAIMS (18 USC §287, 1001) -- CRIMINAL PENALTIES AND FINES (05/99)

These statutes prescribe criminal penalties for any person who knowingly files a false claim on or against any department or agency of the United States Government.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-1: REGULATORY ENVIRONMENT (05/99)/7-1, D.: FALSE, FICTITIOUS OR FRAUDULENT CLAIMS ON HUD (18 USC 1010, 1012) -- CRIMINAL PENALTIES AND FINES (06/99)

7-1, D.: FALSE, FICTITIOUS OR FRAUDULENT CLAIMS ON HUD (18 USC 1010, 1012) -- CRIMINAL PENALTIES AND FINES (06/99)

These statutes prescribe criminal penalties for any person who knowingly files a false claim on or against HUD.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-1: REGULATORY ENVIRONMENT (05/99)/7-1, E.: FEDERAL FALSE CLAIMS ACT (31 USC §3729) -- CIVIL FRAUD (06/99)

7-1, E.: FEDERAL FALSE CLAIMS ACT (31 USC §3729) -- CIVIL FRAUD (06/99)

The Federal False Claims Act defines the civil monetary damages imposed on any person who knowingly presents

or files a false claim that was paid or approved by the United States Government.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-1: REGULATORY ENVIRONMENT (05/99)/7-1, F.: 24 CFR PART 28 -- PROGRAM FRAUD CIVIL REMEDIES ACT (PFCRA) (06/99)

7-1, F.: 24 CFR PART 28 -- PROGRAM FRAUD CIVIL REMEDIES ACT (PFCRA) (06/99)

These regulations define the administrative procedures for imposing civil penalties and assessments by HUD officials against any person who makes or submits false claims or false statements to Federal authorities or to their agents.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-1: REGULATORY ENVIRONMENT (05/99)/7-1, G.: 24 CFR PART 30 -- CIVIL MONEY PENALTIES (06/99)

7-1, G.: 24 CFR PART 30 -- CIVIL MONEY PENALTIES (06/99)

These regulations define the money penalties that HUD may levy for submission of a false certification by another person -- for example, an appraiser who makes a false certification at the bottom of the USPAP appraisal form about the truth/correctness of the appraisal data.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-1: REGULATORY ENVIRONMENT (05/99)/7-1, H.: 24 CFR PART 24 -- ADMINISTRATIVE SANCTIONS (06/99)

7-1, H.: 24 CFR PART 24 -- ADMINISTRATIVE SANCTIONS (06/99)

These regulations define the administrative sanctions available to HUD officials for any person determined to have violated HUD regulations and policies.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-1: REGULATORY ENVIRONMENT (05/99)/7-1, I.: STATE LAWS AND PROFESSIONAL ORGANIZATIONS (06/99)/7-1, I.: STATE LAWS AND PROFESSIONAL ORGANIZATIONS (06/99)

7-1, I.: STATE LAWS AND PROFESSIONAL ORGANIZATIONS (06/99)

The appraiser must adhere to all state and local laws relating to appraisal, licensing and certification requirements. Also, as a voluntary member of an appraiser's professional organization, the FHA appraiser should adhere to that organization's guidelines on appraiser conduct. However, HUD has no enforcement powers in private organizations.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-1: REGULATORY ENVIRONMENT (05/99)/7-1, I., 1.: STATE LAWS AND PROFESSIONAL ORGANIZATIONS (06/99)/7-1, I., 1.: STATE CERTIFICATIONS (06/99)

7-1, I., 1.: STATE CERTIFICATIONS (06/99)

Appraisers on the FHA Register must be licensed, certified-residential or certified-general appraisers. To perform appraisals for FHA, appraisers must maintain and be able to prove that they are so certified. While some states do not require an appraiser to be certified, they provide a licensing program so appraisers can meet federal

guidelines.

Appraisers must comply with the practices of their state unless the requirements of the state contradict those of the federal government; federal requirements preempt any and all state requirements.

The appraiser must report to HUD any action or pending action that relates to appraisal reports prepared by the appraiser two years subsequent to the date on which the action was initiated. After disposition of any disciplinary action or adjudication of the action, the appraiser must provide HUD with the documentation and official findings within 14 days.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-1: REGULATORY ENVIRONMENT (05/99)/7-1, I.: STATE LAWS AND PROFESSIONAL ORGANIZATIONS (06/99)/7-1, I., 2.: PROFESSIONAL ORGANIZATIONS (06/99)

7-1, I., 2.: PROFESSIONAL ORGANIZATIONS (06/99)

The appraiser may be a member or hold designations in professional organizations. Such involvement is encouraged, but not required. If the appraiser is a member, candidate or associate of any organization, the appraiser must report any adjudicated actions resulting in the suspension of the appraiser to HUD within 14 days of such action. On disposition of the action or adjudication of the action, the appraiser must provide HUD with documentation and official findings. HUD reserves the right to suspend any appraiser found guilty of professional misconduct as adjudicated by the professional organization.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-2: ENFORCEMENT (06/99)/7-2: ENFORCEMENT (06/99)

7-2: ENFORCEMENT (06/99)

FHA intends to hold appraisers accountable for valuations that are inconsistent with USPAP or this Handbook. The Valuation Conditions Form must accurately reflect any site, structural or mechanical deficiencies. FHA recognizes that most appraisals are properly valued and do not indicate improper action. Accordingly, HUD emphasizes quality assurance, but will take enforcement action when necessary.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-2: ENFORCEMENT (06/99)/7-2, A.: STATE CERTIFICATION BOARDS (06/99)

7-2, A.: STATE CERTIFICATION BOARDS (06/99)

HUD will enforce actions against appraisers through existing state certification and licensing boards. HUD is required by law to refer appraisers to these boards if HUD considers the actions to be of such magnitude or frequency as to warrant such referral.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-2: ENFORCEMENT (06/99)/7-2, B.: PROFESSIONAL ORGANIZATIONS (06/99)

7-2, B.: PROFESSIONAL ORGANIZATIONS (06/99)

HUD will cooperate with and refer cases to the enforcement arms of all applicable professional organizations.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-3: APPLICABLE REMEDIES AND SANCTIONS (06/99)/7-3: APPLICABLE

7-3: APPLICABLE REMEDIES AND SANCTIONS (06/99)

FHA will review appraiser and appraisal performance data. In making any determination, the following will be considered:

- the seriousness and extent of the noncompliant action
- the degree to which the appraiser is responsible for that action
- the frequency of the action(s)
- any mitigating factors

HUD will impose sanctions on four tiers:

1. Notice of Appraisal Deficiencies and Remedial Education
2. Administrative Sanctions
3. Civil Sanctions
4. Criminal Sanctions

HUD expects that all appraisers performing appraisals for FHA are knowledgeable of HUD's policies and procedures. If, however, minor appraisal errors indicate lack of knowledge, HUD may require remedial education and training. For offenses arising from unethical behavior or for repeated offenses, HUD will apply more serious sanctions. All sanctions will be reported to the state regulatory agencies.

The following sections generally define the actions taken under each tier. Generally, these penalties will be expunged after three years. A table providing examples of offenses and possible sanctions is included at the end of this chapter.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-3: APPLICABLE REMEDIES AND SANCTIONS (06/99)/7-3, A.: NOTICE OF APPRAISAL DEFICIENCIES AND REMEDIAL EDUCATION (05/99)

7-3, A.: NOTICE OF APPRAISAL DEFICIENCIES AND REMEDIAL EDUCATION (05/99)

Education and training directives will be managed internally by HUD. If the evidence indicates that the appraisal deficiency is a matter of training, then the appraiser must undergo professional training. HUD will notify the appraiser and inform the appraiser of:

- the appraisal's deficiencies
- the findings that support the recommended training
- the recommended training
- the appraiser's right to refute the findings of the notice

The appraiser must appeal within 20 days from receipt of the notice if he or she disagrees with the findings. If the findings are adequately refuted, no action will be taken against the appraiser and the circumstances surrounding that particular incident will be noted in the appraiser's file. However, if the findings hold, the appraiser must comply with HUD's requirements for improved performance, including the type of training required and the time frame for completion. This action will go on record in the appraiser's file.

Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-3: APPLICABLE REMEDIES AND SANCTIONS (06/99)/7-3, B.: ADMINISTRATIVE SANCTIONS (05/99)

7-3, B.: ADMINISTRATIVE SANCTIONS (05/99)

Administrative sanctions will be managed internally by HUD and consist primarily of removal from the FHA Register for a specified time. Removal from the FHA Register can be imposed for noncompliance with FHA policies and requirements on appraisals. HUD will consider the seriousness of the appraiser's acts or omissions and any mitigating factors.

HUD/FHA will notify the appraiser of the alleged violation and pending sanction in writing. If the appraiser believes that removal from the FHA Register is unwarranted, the appraiser must appeal in writing within 20 days and may arrange a meeting or conference call with FHA at a mutually acceptable time. If there is evidence and documentation of unacceptable performance, appraisers will be removed from the FHA Register at HUD/FHA's sole discretion.

Upon any legally effected removal, HUD will notify the state licensing or certification agency in writing that such appraiser has been removed from the FHA Register. HUD will provide the state agency with:

- the state license or certification number of the appraiser
- the reason for removal
- copy of the original appraisal(s)
- copy of the review report

In addition to removal from the FHA Register, administrative sanctions include sanctions under 24 CFR Part 24, Debarment, Suspension and Limited Denials of Participation (LDP) from HUD and governmentwide programs.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-3: APPLICABLE REMEDIES AND SANCTIONS (06/99)/7-3, C.: CIVIL SANCTIONS (05/99)

7-3, C.: CIVIL SANCTIONS (05/99)

HUD will pursue civil sanctions by initiating an investigation of the alleged noncompliant action. A report containing the findings and conclusions of the investigation will be submitted to HUD's Office of the General Counsel or The Enforcement Center. If the Office of General Counsel or The Enforcement Center determines that the investigation report supports an action, the respective office will submit a written request to the Department of Justice for approval to pursue civil sanctions. Civil sanctions are pursuant to Part 24 CFR 28-PCRA and are described in Chapter 7-1.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-3: APPLICABLE REMEDIES AND SANCTIONS (06/99)/7-3, D.: CRIMINAL (05/99)

7-3, D.: CRIMINAL (05/99)

If the noncompliant action is so egregious as to violate criminal law, HUD's Office of General Counsel or the Inspector General will refer the case to the Attorney General at the U.S. Department of Justice.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-3: APPLICABLE REMEDIES AND SANCTIONS (06/99)/7-3, E.: PERFORMANCE VIOLATIONS AND LEVEL OF SANCTION (05/99)

7-3, E.: PERFORMANCE VIOLATIONS AND LEVEL OF SANCTION (05/99)

The following chart outlines the type of sanction to be levied by the type of performance violation. For example, the appraiser may receive a Notice of Appraisal Deficiencies for a square footage error of less than 10% as a first offense. However, repeatedly making this mistake will result in removal from the FHA Register. If the violation is repeated so that it constitutes a pattern of misconduct, it may be considered gross negligence. The offense could also be considered gross negligence if the offense is so obvious that it could not have reasonably been the result of simple error. In this example, the sanction for gross negligence includes removal from the FHA Register and may include a Limited Denial of Participation or Debarment.

Violations of intent include knowing and willful noncompliance with FHA/HUD requirements, as well as extensive or repeated intentional violations. In this example, the appraiser is guilty of intentional misconduct if he or she chooses to disregard the requirement. Sanctions at this level may include debarment and civil and/or criminal penalties. The Department may impose civil money penalties or other sanctions for minor violations if the Department determines that circumstances warrant.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/7: REGULATORY ENVIRONMENT, ENFORCEMENT AND SANCTIONS (05/99)/7-4: PERFORMANCE AND SANCTION MATRIX (05/99)

7-4: PERFORMANCE AND SANCTION MATRIX (05/99)

This is not an exhaustive list of violations. It is meant to highlight the ramifications for noncompliant performance. This does not preclude the Department from pursuing other remedies or related sanction(s); the Department reserves the right to take any such other actions and remedies in accordance with applicable law. Time frames are included for illustration and can vary depending on the degree of violation.

	Violation	Ordinary Negligence		Gross Negligence	Willingly or Knowingly	Maliciously or Repeatedly
		First Offense	Repeated Offense			
A P P R A I S A L P R O C E S S	Failure to obtain timely and suitable comparable data	Notice of Appraisal Deficiencies on file	Removal from FHA Register (up to 1 year)	Removal from FHA Register and/or LDP/Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Failure to correctly report form of ownership interest	Notice of Appraisal Deficiencies on file	Removal from FHA Register (up to 1 year)	Removal from FHA Register and/or LDP/Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Failure to provide complete appraisal as per USPAP Standard 1	Notice of Appraisal Deficiencies on file	Removal from FHA Register (up to 1 year)	Removal from FHA Register and/or LDP/Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Failure to visit the subject property or comparable				Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties

		Ordinary Negligence	Gross	Willingly	Maliciously
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	Violation	First Offense	Repeated Offense	Negligence	or Knowingly	or Repeatedly
A P P R A I S A L R E P O R T I N G	Failure to report accurate appraisal as per USPAP Standard 2	Notice of Appraisal Deficiencies on file	Removal from FHA Register (up to 1 year)	Removal from FHA Register and/or LDP/Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Value conclusion not supported by data and analysis in appraisal report	Notice of Appraisal Deficiencies on file	Removal from FHA Register (up to 1 year)	Removal from FHA Register and/or LDP/Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Sq. footage error of less than 10%	Notice of Appraisal Deficiencies on file	Removal from FHA Register (up to 6 m)	Removal from FHA Register and/or LDP/Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Sq. footage error of more than 10%	Removal from FHA Register (6 m to 1 year)	Removal from FHA Register and/or LDP/Debarment	Removal from FHA Register and/or Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties

	Violation	Ordinary Negligence		Gross Negligence	Willingly or Knowingly	Maliciously or Repeatedly
		First Offense	Repeated Offense			
A P P R A I S A L R E P O R T I N G	Overvaluation >5%	Removal from FHA Register (up to 1 year)	Removal from FHA Register and/or LDP/Debarment	Removal from FHA Register and/or Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Incomplete or inaccurate description of neighborhood	Notice of Appraisal Deficiencies on file	Removal from FHA Register (up to 1 year)	Removal from FHA Register and/or LDP/Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Appraisal has inconsistencies and calculation error	Notice of Appraisal Deficiencies on file	Removal from FHA Register (up to 1 year)	Removal from FHA Register and/or LDP/Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Incorrectly reports significant physical characteristics	Notice of Appraisal Deficiencies on file	Removal from FHA Register (3 to 6 m)	Removal from FHA Register and/or LDP/Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties

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	Violation	Ordinary Negligence		Gross Negligence	Willingly or Knowingly	Maliciously or Repeatedly
		First Offense	Repeated Offense			
REPAIR CONDITIONS	Failure to recognize termite, fire or flood damage	Notice of Appraisal Deficiencies on file	Removal from FHA Register (1 to 6 m)	Removal from FHA Register and/or LDP/ Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Failure to recognize property in Floodplain	Removal from FHA Register (3 to 6 m)	Removal from FHA Register and/or LDP/ Debarment	Removal from FHA Register and/or Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Failure to correctly identify public sewer vs. septic system	Removal from FHA Register (1 to 3 m)	Removal from FHA Register and/or LDP/ Debarment	Removal from FHA Register and/or Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Failure to identify housing type	Removal from FHA Register (6 m to 1 year)	Removal from FHA Register and/or LDP/ Debarment	Removal from FHA Register and/or Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties

	Violation	Ordinary Negligence		Gross Negligence	Willingly or Knowingly	Maliciously or Repeatedly
		First Offense	Repeated Offense			
REPAIR CONDITIONS	Failure to accurately report defects that adversely effect property and cost under \$5,000 to repair	Removal from FHA Register (6 m to 1 year)	Removal from FHA Register and/or LDP/ Debarment	Removal from FHA Register and/or LDP/ Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Failure to accurately report defects that adversely effect property that cost over \$5,000 to repair	Removal from FHA Register (6 m to 1 year)	Removal from FHA Register and/or LDP/ Debarment	Removal from FHA Register and/or LDP/ Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Failure to report major defects which may impair the health or safety of the property occupants	Removal from FHA Register (up to 6 m)	Removal from FHA Register and/or LDP/ Debarment	Removal from FHA Register and/or Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties

Violation	Ordinary Negligence		Gross Negligence	Willingly or	Maliciously or
	First	Repeated			

		Offense	Offense		Knowingly	Repeatedly
P R O F E S S I O N A L I S M	Failure to maintain files	Notice of Appraisal Deficiencies on file	Removal from FHA Register (up to 1 year)	Removal from FHA Register and/or Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Conflict of interest undisclosed	Removal from FHA Register (6 m to 1 year)	Removal from FHA Register and/or LDP/ Debarment	Removal from FHA Register and/or Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Failure to maintain good standing with appraisal licensing board	Removal from FHA Register (up to 1 year)	Removal from FHA Register and/or LDP/ Debarment	Removal from FHA Register and/or Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties
	Performing an appraisal in a jurisdiction where not licensed	Notice of Appraisal Deficiencies on file	Removal from FHA Register (up to 1 year)	Removal from FHA Register and/or LDP/ Debarment	Removal from FHA Register Debarment Civil Penalties	Removal from FHA Register Debarment Civil Penalties Criminal Penalties

Note: The Department may apply Civil Money Penalties for these violations.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/8: MANUFACTURED HOMES (06/99)/8-0: DEFINITION (06/99)

8-0: DEFINITION (06/99)

A Manufactured Home is a structure that is transportable in one or more sections. In traveling mode, the home is eight feet or more in width and forty feet or more in length. A Manufactured Home is designed and constructed to the Federal Manufactured Construction and Safety Standards and is so labeled. When erected on site, the home is:

- at least 400 square feet
- built and remains on a permanent chassis
- designed to be used as a dwelling with a permanent foundation built to FHA criteria

The structure must be designed for occupancy as a principal residence by a single family.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/8: MANUFACTURED HOMES (06/99)/8-1: PROPERTY STANDARDS FOR TITLE II MORTGAGE INSURANCE (06/99)

8-1: PROPERTY STANDARDS FOR TITLE II MORTGAGE INSURANCE (06/99)

The appraiser should be aware of the primary standards in this Handbook to prepare an appraisal for underwriting purposes. These are the key standards:

- The site must be served by permanent water and sewer facilities approved by the local municipal authority, if available at the site.

- An all-weather roadway must serve the site.
- The entire property must be taxed as real estate.
- The towing hitch or running gear must have been removed. The towing hitch or running gear must also have been removed for properties greater than one year.
- No part of the finished grade level under the home is below the 100-year flood level.
- Structural integrity must have been maintained during transportation and sufficient anchoring, support and stability must be evident.

All manufactured homes must have an affixed HUD seals(s) located on the outside of the home. If the home is a multiwide unit, each unit must have a seal. These seals will be numbered sequentially. If the tags are missing from the property, the appraiser must recommend rejection of the property and notify the lender.

In some states, a manufactured home may not be resold without a seal and homes without a HUD seal must be rejected. In states where resale without a HUD seal is permissible, a manufacturer's certification must be obtained verifying the date of the sale.

The certification label/seal shall be located at the tall-light end of each transportable section of the manufactured home approximately one foot up from the floor and one foot in from the road side, or as near that location on a permanent part of the exterior of the manufactured home unit as practicable. The roadside is the right side of the manufactured home when one views the manufactured home from the tow bar end of the manufactured home. (24 CFR 3280.11 (d))

- The home must be erected on a permanent foundation in compliance with the Permanent Foundation Guide for Manufactured Housing. All proposed or newly constructed manufactured homes must meet the standards set forth in the Permanent Foundation Guide. A licensed professional engineer's seal and signature (certification) is required to indicate compliance with the Foundation Guide. The lender should furnish the appraiser with a design engineer's inspection of the foundation prior to the appraisal.
- Existing manufactured homes in place over one year are to be inspected by the appraiser for evidence of permanent concrete footings with tie-downs anchored to the footings.
- The appraiser must inspect the crawl space for the following: poured in place concrete footings placed below the frost line supporting the manufactured home carriage frame, tie-downs anchored to the footings, protection from the elements and enclosed with material impervious to rot and infestation and perimeter foundation-type construction with footings extended below the frost line. The appraiser must require an engineering inspection if there is evidence of structural defects or other problems relating to the foundation or set-up of the home.
- The manufactured home must not have been constructed before June 15, 1976. The unit must have been built to the manufactured housing construction safety standards as evidenced by having a small, red metallic label attached to it. Any unit without this label is unacceptable. If it has been removed, it cannot be reattached to make it acceptable for FHA insurance.
- New, never occupied homes that are transported directly from the manufacturer or directly from the dealership to the site are eligible for insurance. For an existing manufactured home, evidence must be provided to verify that the home was assembled in accordance with the above paragraphs and has not been moved from its initial installation site.
- Additions or structural modifications may put the home at risk if changes were not performed in accordance with the HUD Manufactured Home Construction Safety and Standards. If the appraiser observes changes to the original home, an inspection by the State Administrative agency, which inspects manufactured homes for compliance, must be required. If there is no agency willing or able to inspect existing homes for compliance to the Manufactured Home Construction and Safety Standards, the manufactured home is unacceptable and should be rejected.

8-2: PROPERTY DESCRIPTION (06/99)

Measurement is based on the overall length, including living areas and other projections that are at least seven feet in height. Length and width should not include bay windows, roof overhangs, drawbars, couplings or hitches. Each manufactured home must have a data plate with the name of the manufacturer and the construction date.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/8: MANUFACTURED HOMES (06/99)/8-3: APPRAISER QUALIFICATIONS FOR MANUFACTURED HOMES CLASSIFIED AS PERSONAL PROPERTY (06/99)

8-3: APPRAISER QUALIFICATIONS FOR MANUFACTURED HOMES CLASSIFIED AS PERSONAL PROPERTY (06/99)

For all appraisals of manufactured homes classified as personal property, lenders must engage independent fee appraisers who have successfully completed a specialized course in manufactured home valuation based on the N.A.D.A. appraisal system. These independent fee appraisers must be knowledgeable in the business of manufactured home retail sales. Appraisal services may be obtained from an appraisal company if their appraisers meet these qualifications.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/8: MANUFACTURED HOMES (06/99)/8-4: MANUFACTURED HOME LOT APPRAISALS (06/99)/8-4: MANUFACTURED HOME LOT APPRAISALS (06/99)

8-4: MANUFACTURED HOME LOT APPRAISALS (06/99)

A manufactured home lot appraisal may be requested to estimate land value in determining the maximum loan proceeds allowable for a manufactured home lot loan or a combination loan (home and lot). A lot appraisal may also be requested to establish value for claim purposes on a foreclosed lot or manufactured home-and-lot combination.

When appraising manufactured housing, appraisers should use normal single-family residential appraisal techniques (see Chapter 4 of this Handbook). Give special consideration to other manufactured homes as comparables in appraising manufactured homes. This will provide a comparable value indication from which to make justifiable conclusions. Therefore, make all efforts to obtain such comparables even though their distance from the subject may be greater than normally desirable.

If there are no manufactured housing sales within a reasonable distance from the subject property, use conventionally built homes. Make the appropriate and justifiable adjustments for size, site, construction materials, quality, etc. As a point of reference, sales data for manufactured homes can usually be found in local transaction records.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/8: MANUFACTURED HOMES (06/99)/8-4: MANUFACTURED HOME LOT APPRAISALS (06/99)/8-4, A.: MANUFACTURED HOME LOT SITES (06/99)

8-4, A.: MANUFACTURED HOME LOT SITES (06/99)

A manufactured home lot may consist of:

- an interest in a manufactured home condominium project (including an undivided interest in the common areas)

OR

- a share in a cooperative association that owns and operates a manufactured home park

The lot may be located within Native American Trust Lands if the borrower owns or leases the lot.

8-4, B.: HOW TO PERFORM A MANUFACTURED HOME LOT APPRAISAL (06/99)

In addition to the single-family residential appraisal techniques (see Chapter 4 of this Handbook), the appraiser must take the following steps when performing manufactured home lot appraisals:

- The appraiser must obtain Form HUD-92802, Application and Request for Manufactured Home Lot and/or Site Preparation and the FHA case number from the mortgagee.
- The appraiser must receive a copy of the design engineer's inspection of the foundation from the mortgagee.
- The appraiser must estimate the value of the lot by comparison with other lots offering similar amenities.
- When the appraisal is complete, the appraiser must send the original and one copy of the appraisal report, a photograph of the lot and one photograph of each comparable to the lender for review.

9-0: PLANNED UNIT DEVELOPMENT (PUD) (05/99)

A PUD is defined as a mixed-use residential development of single-family dwellings in conjunction with rental, condominium, cooperative or town house properties. A residential development should be processed as a PUD if it has these minimum characteristics:

- a homeowner association that holds either title in fee or a lease of prescribed length on the common area
- mandatory membership of all unit owners (or units) in the association
- the right of all unit owners to participate by vote in the operation of the association
- lien supported assessment of the members to meet the association's budgeted operating costs (special assessments may be handled differently)

To be eligible for insurance endorsement, PUDs must be approved by HUD. The lender is responsible for obtaining a case number from HUD to ensure that the PUD is already approved. The appraiser should note whether there is a case number.

9-0, A.: APPROACH TO VALUE (05/99)

The approach to value for a PUD is the same as the approach to value for other types of developments (see Chapter 4 of this Handbook). Frequently, however, no valid comparisons are available that estimate market value. In these instances, appraisers should use the replacement cost estimate in valuation. Estimate the replacement cost of improvements, miscellaneous allowable costs and marketing expenses the same as any Section 203(b) case. If properties in similar developments in the area have been sold, then direct comparisons are possible and the Comparative Approach would be valid and should be used.

9-0, B.: ESTIMATE OF MARKET PRICE (05/99)

Estimating the market price of an equivalent site requires consideration of these factors not usually encountered in ordinary appraisals:

- Consider the size of individual sites when approaching the use of common areas and recreational facilities.
- If there are similar developments in the neighborhood, consider a comparison of common areas, including recreational amenities.
- If there are no similar developments, place more emphasis on the cost to produce a similar site with similar facilities and benefits.
- Distribute the pro rata supportable cost to maintain the common improvements, facilities and land owned by the homeowner's association to each site in the development (subdivision) and add it to the estimated value.
- To reflect additional amenities to the common areas, include an estimate on the Marshall and Swift Form 1007. On line 32, cross out "landscaping cost" and enter "additional amenities."
- Consider maintenance charges regarding cluster arrangements. For example, note whether the advantages of cluster arrangements are negated by high maintenance charges.
- Before performing the assignment, check with the lender to ascertain that the project is on an approved list maintained by the Homeownership Center (HOC). Check the URAR item indicating that the property is within a PUD project.

9-1: CONDOMINIUMS (05/99)

A condominium is a form of fee ownership or long-term leasehold of separate units or portions of multiunit buildings that provides for formal filing and recording of a divided interest in real property. In contrast to a PUD, a joint share in ownership of the common area is part of the mortgaged property, and therefore, constitutes a measure of the security backing the mortgage loan. FHA's interest is therefore more immediate and direct with respect to the common areas of condominiums than those of PUDS.

Before performing the assignment, the appraiser must check with the lender to ascertain that the project is on an approved list maintained by the HOC or by a DE underwriter who has performed a spot condominium approval. The appraiser must check the URAR item indicating that the property is within a condominium project, and therefore, eligible for FHA endorsement.

9-1, A.: DEFINITIONS (06/99)

Mortgage: a lien covering a fee interest or eligible leasehold interest in a one-family unit in a project, together with an undivided interest in the common areas and facilities serving the project.

Family Unit: a one-family unit including the undivided interest in the common areas and facilities and such restricted common areas and facilities as may be designated.

Common Areas and Facilities: areas that are for the use and enjoyment of the owners of family units located in

the project, including the land, roof, main walls, elevators, staircases, lobbies, halls, parking spaces and community and commercial facilities.

Restricted or Limited Common Areas and Facilities: areas and facilities restricted for use by a particular family unit or number of family units.

Project: a structure or structures containing four or more units.

Conversion: the creation of the condominium as of the date when all of the documents necessary to create a condominium regime have been recorded under state and/or local law.

Tenant: the occupant named in the lease or rental agreement of a housing unit in a project on the date when:

- the condominium conversion documents are properly filed for the project, or
- on the date when the occupants are notified by management of intent to convert the project to a condominium, whichever is earlier.

Bona fide Tenants' Organization: an association formed by the tenants to promote their interest in a particular project whose membership is open to each tenant and whose requirements apply equally to each tenant.

Condominium Fee (Assessment): the apportionment of common expenses that are to be charged to a unit owner in a manner to be determined in the declaration or bylaws. The charge may include costs for utilities on individual units and on common use buildings, security requirements, salaries for employees of the association and repairs to common facilities.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/9: PLANNED UNIT DEVELOPMENTS AND CONDOMINIUMS (05/99)/9-1: CONDOMINIUMS (05/99)/9-1, B.: APPROACH TO VALUE (06/99)/9-1, B.: APPROACH TO VALUE (06/99)

9-1, B.: APPROACH TO VALUE (06/99)

The approach to value for a single unit in a condominium project is similar to that for other home mortgage programs. As in other home mortgage appraisals, value indications from the Sales Comparison and Income Capitalization Approaches are developed and considered (see Chapter 4 of this Handbook). The cost approach cannot be performed for a condominium unit.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/9: PLANNED UNIT DEVELOPMENTS AND CONDOMINIUMS (05/99)/9-1: CONDOMINIUMS (05/99)/9-1, B.: APPROACH TO VALUE (06/99)/9-1, B., 1.: SALES COMPARISON APPROACH (06/99)

9-1, B., 1.: SALES COMPARISON APPROACH (06/99)

The appraiser should obtain sales data from any other units in the project and from other competitive condominium projects, including adjustments because of site factors, such as:

- differences in views from the unit
- proximity to recreation areas (swimming pools, clubhouses, tennis courts, etc.)
- proximity to odors and the nuisance of incinerators
- proximity to garbage chutes or refuse areas
- proximity to noisy pumps or boiler rooms

Adjustments must also be made for the following:

- differences in physical improvements within the dwelling that have been made by the owner-occupant
- differences in preferences of purchasers between upper and lower floors and all other site factors

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/APPENDIX A: VALUATION OF REAL ESTATE OWNED PROPERTIES/A-1: REAL ESTATE OWNED (REO) (05/06)

A-1: REAL ESTATE OWNED (REO) (05/06)

FHA's Real Estate Owned (REO) properties are a result of paying a claim to a lending institution and the lender transferring ownership of the property to HUD. Typically, title to REO properties is held by the lender prior to transfer to HUD due to the borrower's default on the mortgage.

The appraisal process is HUD's primary tool for determining the listing price of FHA REO properties. FHA appraisers provide preliminary verification that FHA's Minimum Property Requirements (MPR) for existing housing and Minimum Property Standards (MPS) for new construction have been met for properties evaluated as "insurable" or "insurable with repair escrow" prior to being listed for sale.

A. Appraiser Requirements for REO properties

Requirements for appraisers who perform REO appraisals are the same as for appraisers of any other property type. An appraiser of REO property must be state licensed or certified in the state in which the property is located and listed on the FHA Appraiser Roster.

B. Appraisal Requirements for REO properties

Per Mortgagee Letter 2005-34 and Revised Appendix D to Handbook 4150.2, the appraiser must report the appraisal on the applicable property specific revised Fannie Mae appraisal reporting form.

Under "Assignment Type" in the Subject Section of the applicable property specific appraisal reporting form, the appraiser is to mark the box labeled "other" and indicate that the property being appraised is a HUD Real Estate Owned (REO) property. If the appraiser is performing a land only appraisal which is not reported on a Fannie Mae appraisal reporting form, the appraisal must note, in bold font, that the property being appraised is a REO property in the section of the report providing information on the subject property.

The guidance provided in Appendix D, Appraisal Protocol, to Handbook 4150.2, applies equally to REO properties, unless otherwise indicated in the guidance presented in this appendix.

REO properties are to be appraised "as-is". The Dictionary of Real Estate Appraisal, Fourth Edition, Appraisal Institute defines an "as-is" value as follows:

"The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning."

The "as-is" value is the market value for the property as it exists on the effective date of the appraisal.

The appraisal report shall consist of the applicable property specific appraisal reporting form, all required exhibits and a copy of the Property Condition Report (PCR).

M&M contractors are required to complete a PCR prior to ordering an appraisal of a REO property. The PCR contains information specific to the condition and functionality of the property. Prior to performing a site visit of a REO property, the appraiser must be provided a copy of the PCR by the M&M contractor.

The appraiser must coordinate a specific time for a full site inspection of the property with the property manager. Generally, a REO property is secured with the utilities de-activated. The appraiser should request that the M&M contractor make sure the utilities, including the mechanical systems, are activated at the time the appraiser makes the property inspection. If an appraisal is completed without the utilities turned on and/or the mechanical systems functioning, the appraiser must note this in the appraisal report and must

rely upon the information provided by the M&M contractor in its Property Condition Report (PCR); reference the PCR in the applicable sections of the appraisal report (condition of property or physical deficiencies) as well as append a copy of the PCR to the appraisal report.

There will be occasions when the appraisal of a REO property may involve extraordinary conditions which dictate additional research, documentation and due diligence on the part of the appraiser. For example, a single family property that features a second unit which is an illegal use due to non-compliance with the local zoning code/regulations, the appraiser must provide an estimate of the costs necessary to bring the property into compliance. The appraiser should provide documentation for such conclusions, such as a copy of the pertinent portion of the zoning code and a summary of any discussions with local authorities. When appraising a REO property that is impacted by complex or extraordinary circumstances, the appraiser must contact the M&M Contractor for guidance and clarification before completing the appraisal. The M&M Contractor may, in turn and in cases of problematic appraisals, seek additional guidance from the Homeownership Center that has jurisdiction over the locality where the property is located. Any discrepancies between the information contained in the PCR and what the appraiser observed during the inspection of the property must be noted and highlighted in the appraisal report.

A land appraisal may be warranted when the improvements are in such deteriorated condition as to provide no contributory value to the property or when condemnation proceedings by the local authority have acquired the improvements in part or in their entirety. In such cases, when the supporting land represents the value of the property, the appraiser must report the appraisal on a form or in a narrative format that must address, at minimum, the following:

- Detailed information similar in scope to the Subject section of Fannie Mae Form 1004 March 2005 (Uniform Residential Appraisal Report) including, but not limited to, property address, legal description, owner of record, occupancy, assessment/tax information, and property rights appraised.
- Detailed information similar in scope to the Site section of Fannie Mae Form 1004 March 2005 (Uniform Residential Appraisal Report) including, but not limited to, size, zoning, highest and best use, shape, topography, drainage, utility availability, and location in a FEMA designated Special Flood Hazard Area.
- A sales grid similar in scope to that presented in the Sales Comparison Approach section of Fannie Mae Form 1004 March 2005 (Uniform Residential Appraisal Report) including, but not limited to, detailed information on three comparable sales, attributes, number of comparable unimproved sale properties and offered/listed for sale properties.

Form FW 68, Land Appraisal Report, is an acceptable reporting format.

The appraiser must adjust the sales of comparable, unimproved building lots/sites for differences in location, size, zoning, utility connection and/or availability, site improvement and any other pertinent factors. Any costs incurred in razing the existing improvements and/or clean up should be extracted from the value of the supporting land to arrive at a final conclusion of value.

C. Scope

The appraiser must develop and report the appraisal in accordance with the scope of work requirements established by USPAP and HUD/FHA.

D. Contractual Responsibility of Appraisers

The appraiser is hired by the M&M contractor and, therefore, has a contractual responsibility to the M&M contractor. Additionally, as with any appraisal performed for a HUD/FHA program, the appraiser has an obligation to perform appraisal services commensurate the standards and requirements of HUD/FHA.

E. Intended Use of Appraisal

The intended use for an REO appraisal is to estimate the "as is" market value of the property in order to provide a basis for determining the listing price of the property for marketing purposes.

F.

Intended User

The intended user of a REO appraisal is the M&M contractor, the lender (under certain circumstances) and HUD/FHA.

G. Statement of Insurability

The following definitions shall apply to the insurability of a REO property:

Insurable: Properties marketed as "insurable" are those that meet FHA's Minimum Property Requirements (MPR) for existing housing and Minimum Property Standards (MPS) for new construction at the time of the appraisal in their as-is condition without repairs being necessary.

Insurable With Repair Escrow: A property that requires no more than \$5,000 for repairs to meet FHA's MPR or MPS as estimated by the PCR and as reviewed and determined to be reasonable by the appraiser, is eligible to be marketed for sale in its as-is condition with FHA mortgage insurance available, provided the purchaser(s) establishes a cash escrow to ensure the completion of the required repairs. Purchaser(s) are permitted to include in the mortgage an amount equal to 110% of the estimated cost of the repairs.

Uninsurable: Properties offered for sale "Uninsured" do not meet, in their as-is condition, FHA's MPR or MPS and the cost of repairs identified by the appraiser, to meet MPR or MPS, are estimated to exceed \$5,000. Uninsurable properties can qualify for FHA's Section 203(k) rehabilitation program and, depending upon the scope and extent of repairs needed, the Streamlined (k) Limited Repair Program.

A Statement of Insurability, in bold font, must be included in the Comment section of the appraisal report. This Statement of Insurability shall indicate if the property can be sold with FHA mortgage insurance (meets MPR if existing construction or meets MPS if new construction) either (1) in its "as-is" state without repairs or (2) in its "as-is" state with repairs costing \$5,000 or less with repair escrow or (3) uninsurable. In appraising REO properties, as with the performance of any FHA appraisal, a FHA Roster appraiser must denote any deficiency to the supporting site or improvements in the appraisal report. The appraiser is to note those repairs necessary, together with a cost to cure, to bring the property into compliance with either MPR or MPS.

The marketing categorization, "Insurable with conditions", introduced in Mortgagee Letter 2000-27 and defined under "HUD REO Marketing Approaches" is no longer available. All other instructions and requirements outlined in Mortgagee Letter 2000-27 remain unchanged except where updated by the guidance and requirements provided in Mortgagee Letters 2005-34 and 2005-48.

H. Effective Date of Value

The effective date of value is the date when the appraiser performs the site visit for the subject property. If another date is used as the effective date, the appraiser must specifically indicate:

- the alternative date (with detailed explanation of why)
- the date when the subject property was physically inspected

I. Additional Appraisal Requirements

The appraiser must value the subject property from the information gathered and arrive at an estimated market value of the subject property based on the requirements detailed in the Appraisal Protocol, issued as an attachment to Mortgagee Letter 2005-48.

A building sketch is required, but a floor plan or room layout of the property is not required unless there is evidence of functional obsolescence. Representative interior photos are required in cases where there is significant interior repair (in excess of \$5,000 repair costs) required.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/APPENDIX A: VALUATION OF REAL ESTATE OWNED PROPERTIES/A-2: Sales Comparison Approach (05/06)

A-2: Sales Comparison Approach (05/06)

Typically, the Sales Comparison Approach is the most applicable approach to estimate the market value of a REO property. Appraisers may utilize sales comparables from other REO transactions **only** when such sales are deemed to be the best available for the market area **and** they meet all of the following criteria:

- located in the subject neighborhood or reasonable proximity
- comparable property subject to reasonable adjustment
- sold with a willing buyer and seller
- exposed to the market for a reasonable period

Appraisers are reminded that an explanation, as well as support, must be provided for any adjustments to the sales price of comparable sales that exceed the guidelines set forth in Revised Appendix D: Appraisal Protocol, pages D-31, D-68, D-98 and D-127, attachment to Mortgagee Letter 2005-48.

Inclusion of vacancy rates, rates of foreclosure and a discussion of foreclosure sales in the subject's market area may be used as additional support for reliance on sales of other REO transactions.

Do not use distressed sales such as Sheriff Sales. These sales do not involve a willing seller nor are they exposed to the market under normal conditions. The resulting value indication derived from the use of such sales is not consistent with the definition of market value.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/APPENDIX A: VALUATION OF REAL ESTATE OWNED PROPERTIES/A-3: Reporting Requirements (05/06)

A-3: Reporting Requirements (05/06)

As with any appraisal performed by a FHA Roster Appraiser, an REO appraisal must be performed in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP).

Other reporting requirements are as follows:

- With each appraisal, the appraiser must provide a list of any buyer incentives that would enhance the marketability of the property to provide an incentive to buy the property unrepaired as opposed to repaired.
- For all property constructed before 1978, the appraiser must condition the appraisal on the completion of a lead-based paint test.
- For appraisals of vacant lots (land), complete a land appraisal report form.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/APPENDIX B: SPECIAL PROGRAMS/B-1: 203(k) REHABILITATION HOME MORTGAGE INSURANCE (06/99)

B-1: 203(k) REHABILITATION HOME MORTGAGE INSURANCE (06/99)

The Section 203(k) program is HUD's primary program for rehabilitating and repairing single-family properties. A Section 203(k) mortgage provides financing for the acquisition and rehabilitation construction of a property. The mortgage is funded by a HUD-approved lender and insured by HUD/FHA. A Section 203(k) mortgage may be used to perform the following:

- Purchase a property and repair/renovate it.
- Purchase a dwelling on another site, move it onto a new foundation and repair/renovate it.
- Refinance existing indebtedness and repair/renovate a property.
- Repair/renovate a presently owned property.

The following table summarizes which properties are eligible under Section 203(k).

Type of Property	Eligibility
Condominiums	Yes ²
Mobile homes	Yes
Cooperatives	No
Nonresidential being converted to single-family (1-4 unit)	Yes
Single-family (over 1 year old)	Yes

² Condominiums are eligible only if they meet the following requirements:

- FHA/VA approved
- Maximum loan does not exceed 100%
- Improvements are only within the unit walls
- Condominium is complete with no ongoing or anticipated addition of any units or common areas
- Unit owners have had control of the common area for at least one year
- The condominium association has proof of hazard, liability and flood insurance coverage
- Unit is owned fee simple
- There are no restrictive covenants or provisions restricting conveyance of the unit
- A minimum of 90% of the units in the project have been sold
- 51% or greater of the units in the project are owner occupied
- No single entity owns more than 10% of the units in a project with more than 30 units.
- No single entity owns more than 20% of the units in a project with less than 30 units.

 A 203(k) mortgage may be originated on a "mixed use" residential property provided that:

- The percentage floor area used for commercial purposes follows these standards:

--	One story building	25%
--	Two story building	49%
--	Three story building	33%
- The commercial use will not affect the health and safety of the occupants of the residential property
- The rehabilitation funds will only be used for the residential functions of the dwelling and areas used to access the residential part of the property.

A. ELIGIBLE IMPROVEMENTS

A minimum of \$5,000 must be used in part for renovation and/or repair of an existing property. Minor or cosmetic repairs or new fixtures alone, such as stoves and refrigerators, are not acceptable. The repair or renovation may include:

- making structural alterations such as repair or replacement of structural damage, additions to structure and finished attics and/or basements
- eliminating health and safety hazards that would violate HUD's Minimum Property Standards
- installing wells and/or septic systems and reconditioning plumbing
- making changes for improved functions and modernization
- making changes for aesthetic appeal and eliminating obsolescence
- repairing or adding roofing, gutters and downspouts
- making energy conservation improvements
- landscaping, grading, repairing patios and terraces that improve the property equal to the dollar amount spent on the improvements
- creating accessibility for the handicapped

B. INELIGIBLE IMPROVEMENTS

Any luxury item and/or improvement that does not become a permanent part of the subject property is not eligible, including:

- additions or alterations to support commercial use or to equip or refurbish space for commercial use
- recreational or luxury improvements, such as swimming pools, hot tubs, whirlpool baths and saunas
- barbecue pits, bath houses, tennis courts, satellite dishes or tree surgery

C. BORROWER, PLAN REVIEWER AND APPRAISER

The borrower must have the following items prepared before an application, review or appraisal can occur:

- an existing plan of the structure
- a proposed plan detailing where structural or planning changes are contemplated
- inspection reports from a qualified engineer or inspection service denoting the presence of rodents, dry rot or termites and evaluating the adequacy of the existing structural, heating, plumbing, electrical and roofing systems
- specifications of repairs
- for site improvements, a plot plan denoting the location of the structure, walkways, drives and other relevant details
- description of materials (Form HUD-92005 or similar form)

203k Consultant: The borrower selects a HUD approved 203(k) Consultant to do the following:

- visit the site
- prepare work write-up that specifies a description and cost of each work item
- review the architectural exhibits for compliance with HUD's Minimum Property Standards
- inspect any of the property's health and safety items noted on the drawings

In comparing the cost estimates with others projects, the consultant can use R.S. Means & Company Repair and Remodeling Cost Data Book or The Home-Tech Remodeling and Renovation Cost Estimator. When the consultant has reviewed the property and respective plans, an appraisal can be requested.

The lender will hire the same or another 203(k) Consultant to inspect the rehabilitation during construction and sign off on all draw requests.

Appraiser. The appraiser is required to perform an "as-repaired" appraisal and to report it on the URAR. When performing an "as-repaired" appraisal, appraise the subject property at its expected market value when the proposed rehabilitation and/or improvements are complete.

Also, a lender may request an "as-is" appraisal to be recorded on a separate URAR. Under an "as-is" appraisal, the subject property is appraised in its present condition to establish the value before rehabilitation. Repair requirements or VC conditions are not included in the "as-is" valuation.

The appraiser must visit the property, review the architectural exhibits showing the proposed work and review the proposal for standard valuation conditions that may have been overlooked. If conditions exist that impact the safety and health of the occupants, discuss these items with the plan reviewer to correct them in the architectural exhibits.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/APPENDIX B: SPECIAL PROGRAMS/B-2: SECTION 255: HOME EQUITY CONVERSION MORTGAGES (REVERSE MORTGAGES) (05/99)

B-2: SECTION 255: HOME EQUITY CONVERSION MORTGAGES (REVERSE MORTGAGES) (05/99)

A Reverse Mortgage allows a borrower aged 62 and older to borrow against the equity in a property that has limited outstanding debt. A subject property under this program must be a one- to four-unit dwelling in which the mortgagor occupies one of the units. The appraiser must perform the appraisal with the same standards and forms expected in an FHA single-family appraisal. It may be a unit in an approved condominium or Planned Unit Development (PUD). Manufactured homes are eligible if the home complies with outstanding FHA guidance. The same deficiencies and repair items must be noted on the URAR forms. In certain instances, the borrower is not required to treat any defective paint surfaces after closing for properties built before 1978.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/APPENDIX B: SPECIAL PROGRAMS/B-3: SECTION 223(e) (05/99)

B-3: SECTION 223(e) (05/99)

Section 223(e) is a mortgage insurance program for properties located in older, declining urban areas. The program allows for the acquisition, repair and/or renovation or construction of a residential property. Under this program, FHA waives the requirement that the subject property have a Remaining economic life of at least five years if the property is in a reasonably viable location where there is a need for affordable housing.

Appraisal: The property must comply with HUD's Minimum Property Requirements of, and the appraisal must denote any deficiencies on the VC form. When conducting an appraisal on a subject property eligible for this program, the appraiser must determine the remaining economic life by examining the pattern of recent changes in the adjacent sites' land use strategies that would be incompatible with single-family use. If the remaining economic life is less than five years, prepare a plan of the subject property denoting the land use patterns surrounding it.

The physical life of the property must be sufficient to permit a long-term mortgage. Under this program, the physical life of a property can be substituted for the economic life because of the special risk provisions that compensates for the economic factors that adversely affect the property.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/APPENDIX B: SPECIAL PROGRAMS/B-4: TITLE I PROPERTY IMPROVEMENT AND MANUFACTURED HOME LOAN PROGRAM (05/99)

B-4: TITLE I PROPERTY IMPROVEMENT AND MANUFACTURED HOME LOAN PROGRAM

(05/99)

Title I is two loan programs, one for property improvements and one for the purchase of manufactured homes and/or lots on which the manufactured homes are to be placed. No appraisal is needed for a property improvement loan; however, an appraisal of any real property involved in a manufactured home is required or for any existing home. This would be:

- a manufactured home lot loan
- the lot portion of a combination loan for the purchase of a lot and manufactured home
- a used manufactured home

If a loan defaults, the lender repossessing the manufactured home under the Uniform Commercial Code or through judicial processes must request an N.A.D.A. appraisal. Appraisals of repossessed manufactured homes should be made before removal by the lender.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/APPENDIX B: SPECIAL PROGRAMS/B-5: SOLAR ENERGY (05/99)

B-5: SOLAR ENERGY (05/99)

To encourage the use of solar energy in homes, HUD will insure a mortgage up to 20 percent above the maximum allowable insurable amount in a geographical area if such increase is necessary to account for the increased cost of the residence due to the installation of a solar energy system which may not exceed 20 percent of the value of the property.

An eligible solar energy system is defined as any addition, alteration, or improvement to an existing or new structure which is designed to utilize wind or solar energy to reduce energy requirements obtained from other sources. Active, passive and photovoltaic solar energy systems are permitted in this program, provided they are accompanied by operational 100 percent back-up conventional systems.

The solar energy system's contribution to value will be limited by its replacement cost or by its effect on the market price of the dwelling. In the event that market data is not available to indicate the additional amount which would be paid for a property containing a solar energy system, the amount of increase would be the lesser of the actual cost of the solar system installed in the subject house or 20 percent of the market value of the property. The difference in added value contributed by the solar system in comparison to the conventional system must represent a reasonable proportion of the total value of the property and may never exceed 20 percent of the market value of the property without a solar energy system.

A. Appraisal Procedure

The appraiser shall reflect in value the local market acceptance of solar heating equipment. Solar collectors must be located where they will be free from natural or man made obstructions to the sun.

1. Solar Hot Water Systems

Acceptability. When such systems are proposed to be installed, they must comply with the provisions of Use of Materials Bulletin Number 100, Subject: HUD Building Product Standards and Certification Program for Solar Water Heating Systems, issued August 15, 1993. [Use of Materials Bulletins are available for public inspection during regular business hours in the Office of Consumer and Regulatory Affairs, Department of Housing and Urban Development, Room 9156, 451 7th Street SW, Washington, DC 20410. They will soon be available on the HUD Web Page.] When such a system is already installed in an existing home, the appraiser may request an inspection by a qualified solar system inspector/contractor for recommendations as to acceptability in operations, maintenance and life expectancy.

2. Photovoltaic Systems [In Preparation]

3. Limits to Value

The solar heating or hot water system's contribution to value will be limited by its replacement cost and by its effect on the market price of the dwelling. In estimating market value by comparing a subject property that has a solar heating system to a recently sold comparable property with a fossil fuel system only, increased the sale price of the comparable by the amount typically paid in the market for the solar heating system.

4. Temporary Procedure

Lack of Market Data. In the event that market data is not available to indicate the additional amount which would be paid for a property which does include solar heating or hot water system, then the amount of the increase shall be the difference in cost between all heating equipment, including solar installed in the subject house, less the cost of all heating equipment installed in the comparable property without a solar installation.

However, in making this adjustment based on differences in cost, the appraiser shall consider the ratio between the value added by a solar heating system and the value of the property with a conventional heating system only, to ensure that the contribution of a solar heating system to the total value represents a reasonable proportion of the total value of the property.

5. Responsibility for Temporary Limit

The HOC will consider the costs of acceptable solar energy systems for homes of several sizes, and will consider the market prices of typical homes of these several sizes (without solar energy systems) in order to set a limit on the amount which a solar energy system can add to the estimated value of the subject property. This limit shall be expressed as a percentage of the market value of the subject property (before consideration of the solar energy system) and this limit shall not exceed 20 percent of the market value of the subject property (without a solar energy system).

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/APPENDIX C: APPRAISAL OF SINGLE FAMILY HOMES ON NATIVE AMERICAN LANDS/C-1: OVERVIEW (05/06)

C-1: OVERVIEW (05/06)

For purposes of this appraisal guidebook, if a lender specifically needs an appraisal under HUD/FHA's Section 248 program on Tribal Trust land or for HUD's Office of Native American Program (HUD/ONAP) Section 184 on Tribal Trust, allotted (which is also known as individual trust) and fee simple lands, these guidelines will apply. If the property is on allotted (or individual) trust or fee simple land located on Native American Reservations and it will be mortgaged under HUD/FHA's Section 203(b), the appraiser must use the basic appraisal methodology addressed in this handbook.

Within designated Native American Reservations, treaties and tribal laws have created a variety of ownership patterns. Some parcels may be unrestricted fee simple, other parcels restricted tribal trust or allotted trust land. The appraiser must be familiar with the different restrictions and develop a reasonable value for the subject property. Following are the general designations.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/APPENDIX C: APPRAISAL OF SINGLE FAMILY HOMES ON NATIVE AMERICAN LANDS/C-2: PROPERTY RIGHTS APPRAISED (05/06)

C-2: PROPERTY RIGHTS APPRAISED (05/06)

A. FEE SIMPLE UNRESTRICTED

Fee simple unrestricted ownership is ownership real property which may be bought, sold and transferred between Native American or non-Native American purchasers without review by the Tribe or Bureau of Indian Affairs, (BIA). For the HUD/FHA Section 203(b) program, appraisals must conform to all other standard HUD appraisal policies. For the HUD/ONAP Section 184 program, fee simple land on a reservation, the procedures

utilized for tribal trust and allotted trust may be followed.

B. TRIBAL TRUST LANDS

1. Restricted Trust Land is land held by an individual Indian or Tribe which is subject to Federal restriction against alienation or encumbrance. Before any lien can be placed against restricted land, the transaction must be approved by the Bureau of Indian Affairs (BIA). All HUD loans must comply with this requirement and provide evidence in the HUD loan file. Lenders are encouraged to make contact with the appropriate BIA and Tribal realty officers early in the loan processing.

Tribal trust lands are held in trust for the tribe by the United States government. Tribes may lease portions of the tribal trust land for the use of specific individuals, but ownership, through the Federal trust, remains with the tribe.

HUD/FHA's Section 248 insures mortgages and HUD/ONAP's Section 184 guarantees mortgages on homes that are located on Native American Tribal Trust Land. For these properties, leased ownership of the underlying land remains with the tribe and will be subject to a long-term 50-year ground lease (or a 25 year lease with a 25 year renewable term). Determining the value for the leasehold estate is the purpose of the appraisal and the subsequent use is to provide supporting documentation for a HUD insured or guaranteed mortgage. Mortgages on tribal trust sites must include an acceptable lease signed by the mortgagor and Tribal authority and approved by the BIA.

2. Allotted (or individual) Trust Land is land owned by individual tribal members but held in trust by the United States government. It is common for allotted trust lands to be owned by several individuals. If a prospective borrower proposes to use all or a portion of a fractionated property, all other owners must indicate acceptance of this arrangement by becoming parties to the mortgage or subdividing the subject parcel out to the individual for undivided ownership.

Mortgages on allotted (or individual) trust sites do not involve a lease, but a specific mortgage rider is required. All HUD loans must have a Deed of Trust Rider attached approving the mortgage pursuant to 25 USC 483 (a) and approved by the BIA.

HUD/ONAP's Section 184 guarantees mortgages on allotted trust land. Allotted trust land is held in trust by the federal government for individual Native Americans. The land is owned by the individual and value is given for the land. When appraising allotted trust land for Section 184, appraisers may follow the method given for Tribal Trust Land.

HUD/FHA insures mortgages on homes that are located on allotted trust land under Section 203(b). The appraiser can use this data for background information, but must use the typical appraisal practices for FHA Section 203 addressed in Chapters 3 and 4 of this handbook.

The appraiser must perform the complete appraisal process according to current USPAP and HUD/FHA standards. This includes consideration of all applicable approaches to value and complete development of all applicable approaches, as identified herein.

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C-3: APPROACHES TO VALUE (05/06)

The appraiser must be familiar with the different restrictions and develop the appropriate value for the subject property. The supply of comparable sales and rental transactions vary by site and by tribes. Until sufficient sales exist on a reservation or within the specific Native American area to provide a reasonable sales comparison approach for determining the value of tribal trust leaseholds or allotted land sales, the appraiser must rely on other value indicators. The appraisal process must be documented more thoroughly than a typical market appraisal. USPAP Standards #1 and # 2 are effective to allow the appraiser to "correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal." And "in reporting the results of a real property appraisal an appraiser must communicate each analysis, opinion and conclusion in a manner that is not misleading." An appraisal on trust land may rely more on the cost approach, or data developed from other tribes. HUD will accept the report if the appraiser has documented the search, information developed and conclusions

clearly for the intended users to understand.

A. Cost Approach

The cost approach is often the primary indication of value based on the unique nature of the reservation setting. In conjunction with the completion of this approach on tribal trust sites, the value of the site as vacant does not apply. On the cost approach addenda to the URAR the value of the site is zero or a small leasehold value. If the land lease is at market and there was no upfront payment the lease-fee value is equivalent to the leasehold value, which is zero. This is the typical scenario and no value exists for the underlying land. The appraiser should enter the statement "subject is on Tribal Trust Land with annual rent not capitalized" in comments. If a market exists and the land was purchased, the value is estimated via traditional methods.

1. New Construction

Due to the flexibility allowed by law, HUD permits the inclusion of development costs for new construction, which can exceed market value, to be used in both section 248 and Section 184. Following are instructions specific to new construction on tribal lands. The basic appraisal methodology is addressed in Chapter 4 of this handbook.

In addition to including the cost of water, septic, and any other on-site costs in the cost approach, for lands within the reservation, the appraiser may provide an allowance for off-site development costs. The lesser of actual pro-rated costs or up to 15% of the cost of the construction of the subject house may be added for off-site infrastructure associated with development of the subject lot. This policy applies principally to new construction where such charges are assessed by tribally approved entities such as housing entities or housing authorities, or agreements with other federal or local government bodies for providing power, utilities, sewer/water and/or road construction. The costs to bring utilities; including public water, sewer, electricity, and telephone represent significant development costs. The traditional tract development of residential homes may not be a part of the local culture. Therefore, the utility costs to hook-up to any form of a public system in a more rural area can exceed local standards.

In remote areas, the construction costs in the Marshall & Swift guide or related cost manuals may have to be adjusted for transportation, labor or other costs not included in the basic estimate. Architect fees are not typically reflected in the base building costs. Due to special circumstances the normal allocation for this fee may not automatically reflect the above actual cost. The appraiser must provide a supporting explanation in the adjustments to the construction costs.

2. Existing Construction

Where market sales are limited, HUD requires the cost approach to be completed on all tribal trust appraisals, including a credible estimate of depreciation.

B. Sales Comparison Approach

Native American communities are developing economies at varying rates and degrees. It is important for the lender and HUD to understand the economic factors which affect value. Therefore the appraiser must communicate the local tribal housing market. The sales comparison approach will generally be completed, and in remote areas may involve sales up to 18 months old. Where no credible comparables are available, a narrative justification that discusses the market, and provides any sales, rental or vacancy information pertinent to the subject will be acceptable to support value developed from the cost approach. In addition to the typical data sources the appraiser may obtain sales information from the local tribal or Bureau of Indian Affairs (BIA) realty office. Sales from other reservations within the region may be considered. Each situation will have unique factors and the appraiser should explain deviations from the sales comparison approach instructions outlined in Chapter 4 of this Handbook. The order of selection preferences for sales would depend on the type of land being appraised.

- Tribal Trust Leasehold sales (market sales between tribal members)
- Sales of allotted land trust between tribal members
- Fee Simple within the Reservation (residual value of the improvements by adjusting out the land

contribution)

- Fee Simple proximate to the Reservation

For comparable sales that include land value, an adjustment is required to back-out the raw land value. This adjustment is required when comparing a fee simple comparable sale to a Native American trust sale transaction.

Enter adjustments on the form under "Other" and label as "Raw Land Value," which is determined separately for each of the comparable sales.

C. Income Approach

The income approach is generally not developed with regard to Native American Trust Land. If the property includes a rental unit(s), the appraiser must provide an estimate of monthly rent for each unit and note whether or not the rent is limited to the tribal sub-market. If the appraiser determines that this approach is justified, the appraiser should complete the income approach according to the specifications outlined in Chapter 4 of this Handbook.

D. Reconciliation of Value

The appraiser must determine the market value for the restricted trust properties from the limited data available. Value determination on trust land is an exception to typical HUD/FHA instructions; value is not limited to the lower of cost or market. Where market information is limited, greater weight may be given to the replacement cost approach. Document the decision process and the value.

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C-4: HUD/FHA REQUIREMENTS (05/06)

On loans involving restricted trust land, with either Section 184 or Section 248, HUD waives the requirement of a strict interpretation of market value and will accept loans based on the above market cost approach. All other HUD health, safety, access, and property condition issues must conform to FHA requirements.

The appraiser must indicate if the property is in need of, or in the process of receiving any repairs. Make appropriate requirements for repairs-to-be-completed and appraise the property "as repaired."

The appraiser must indicate if the property conforms to the applicable Minimum Property Requirements of this Handbook. If it does not, the appraiser must recommend correction of the deficiency or rejection of the loan and explain. Tribally owned and maintained streets and utilities are considered publicly owned. Appraisers must require easements and a maintenance agreement for non-public, common ownership situations.

HUD accepts tribal enforcement of building codes and inspections to the extent they are standard and enforced. At the point tribal support is not available, review and certification that the work complies with an appropriate national standard must be contracted out to a licensed or certified specialist. Example, a tribe issues building permits, but has no provisions for inspections. The lender/borrower must contract with a lender approved qualified specialist such as an engineer, architect or inspector. Inspection/approval by the Indian Health Service is acceptable for individual or community water and sewer systems.

The remaining economic life must be estimated and reported but does not limit the mortgage. The subject property must possess sufficient remaining physical life to warrant a long-term mortgage. The mortgage term may not exceed the remaining physical life of the property.

A. HUD/FHA Section 248 and HUD/ONAP Section 184 Requirements

For both Section 248 and Section 184 programs, the property must be free of hazards, noxious odors, grossly offensive sights or excessive noises which might endanger the physical improvements, affect the livability of the property, its marketability, or the health and safety of its occupants. If any of these conditions exist, the

appraiser must recommend correction of the problem or rejection of the loan and explain.

For both programs, the appraiser will make appropriate requirements to correct any observed or potential environmental problems. Many reservations have not been mapped for the 100-year flood plain. If the appraiser observes a possible flood plain problem, they are to require flood insurance on existing properties. The Underwriter may waive the flood insurance requirement if the borrower or the tribe provides an elevation certificate from a licensed engineer that the property is not at risk from flooding. Note that the lowest floor (including basement) for new construction must be at or above the 100-year flood elevation.

B. REPORTING REQUIREMENTS

The appraiser must report if an approach was not developed and insert the rationale for exclusion of the approach. The appraiser must attach an addendum complete with the assumptions supporting the indication of value by the cost approach. The cost approach is reconciled to the other values, if any, on the URAR. The appraiser will indicate any work requirements or VC pursuant to outstanding instructions. The DE underwriter/lender must assure acceptable completion of any work requirements pursuant to existing instructions.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/APPENDIX C: APPRAISAL OF SINGLE FAMILY HOMES ON NATIVE AMERICAN LANDS/C-5: INSTRUCTIONS FOR ASSISTED APPRAISAL PROCESSING IN APPRAISAL HIGH COST AREAS (05/06)

C-5: INSTRUCTIONS FOR ASSISTED APPRAISAL PROCESSING IN APPRAISAL HIGH COST AREAS (05/06)

To accommodate the special conditions associated with remote sites on Native American lands, the following assisted appraisal process is allowed.

The assigned appraisers may network with local personnel where the high cost of real estate appraisals is a concern for underwriting single family mortgages in Native American communities. To minimize this problem, FHA and ONAP will allow the use of trained local personnel to perform the inspection, provide current analysis of the local market, and draft the appraisal report. The report must be forwarded to the assigned appraiser who will review the report, provide additional documentation, sign the URAR and forward the report to the lender.

Using the Assisted Appraisal Process is restricted to remote areas where licensed appraisers are not readily available. It may be used when the cost of transportation and/or time increases the cost of the appraisal to twice the cost of typical appraisals in the local urban areas. The process must be monitored and acceptable to the DE underwriter/lender. The assigned appraiser may use local subcontractors who:

- Have general real estate skills (construction, lending, sales, management) acceptable to the appraiser (such as Housing Authority staff, Tribal Designated Housing Entities (TDHE) staff or BIA realty personnel, local real estate professionals).
- Must comply with the Conflict of Interest limitations (have no personal or financial interest with the buyers or sellers of the property).
- An appraiser who signs a real property appraisal report prepared by another, even under the label of "review appraiser" must accept full responsibility for the contents of the report, USPAP Standard 2-5.
- The assigned appraiser is responsible for the entire appraisal and signs the URAR. The individual assisting in the report must document the extent of help provided and certify no conflict of interest exists in the certification.
- The assigned appraiser must be familiar with the Competency Rule in the USPAP. This includes key issues such as the unique property rights conveyed, the local market involved and market conditions. It is assumed the remote area markets will change slowly. If conditions have changed, an updated analysis is required. The assigned appraiser assumes all responsibility that the appraisal meets all HUD/FHA and ONAP program requirements.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-

APPENDIX D: VALUATION PROTOCOL (01/06)

The appraisal process is the lender’s tool for determining if a property meets the minimum requirements and eligibility standards for a FHA-insured mortgage. *Underwriters bear primary responsibility for determining eligibility; however, the appraiser is the on-site representative for the lender and provides preliminary verification that the General Acceptability Criteria standards have been met.*

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/APPENDIX D: VALUATION PROTOCOL (01/06)/FHA RESIDENTIAL APPRAISAL REQUIREMENTS (01/06)

FHA RESIDENTIAL APPRAISAL REQUIREMENTS (01/06)

This section provides specific instructions for completing appraisal report forms.

The appraisal reporting form to be used will depend on the property type that is being appraised. The appraiser must select the appropriate appraisal form for reporting an FHA appraisal from the following:

1. Uniform Residential Appraisal Report (Fannie Mae Form 1004 March 2005) – Required to report an appraisal of a one-unit property or a one-unit property with an accessory unit.
2. Manufactured Home Appraisal Report (Fannie Mae Form 1004C March 2005) – Required to report an appraisal of a one-unit manufactured home.
3. Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073 March 2005) – Required to report an appraisal of a unit in a condominium project or a condominium unit in a planned unit development (PUD).
4. Small Residential Income Property Appraisal Report (Fannie Mae Form 1025) – Required to report an appraisal of a two- to four-unit property.

An appraisal performed for HUD/FHA purposes requires that all sections of the appraisal form be addressed. The appraiser must complete the form in a manner that clearly reflects the thoroughness of the investigation and analysis of the appraisal findings. The conclusions about the observed conditions of the property provide the rationale for the opinion of market value. The completed appraisal form utilized, together with the required exhibits, constitutes the reporting instrument to HUD for FHA-insured mortgages.

The FHA Appraisal is made	Under the following conditions
A. "As Is"	<ol style="list-style-type: none"> 1. There is/are no repair(s), alteration(s) or inspection conditions noted by the appraiser, or 2. Establishing the "as is" value for a regular 203(k), or 3. The property is being recommended for rejection
B. "Subject to Completion per Plans and Specifications"	<ol style="list-style-type: none"> 1. Proposed Construction where construction has not started, or 2. Under Construction but not yet complete (less than 90%), or 3. Regular 203(k)
C. "Subject to the following Repairs or Alterations"	<ol style="list-style-type: none"> 1. Repair or Alteration Condition(s) noted by the appraiser, or 2. Streamline 203K, or 3. Under Construction, more than 90% complete with only minor

	finish work remaining (buyer preference items i.e., floor coverings, appliances, fixtures, landscaping, etc.). This eliminates the need for construction exhibits.
D. "Subject to the following Required Inspection"	1. Required Inspection(s) noted by the appraiser

FHA Quick Tips

Minimum Property Requirements (MPR) and Minimum Property Standards (MPS)

For new construction to be eligible for FHA financing, it must comply with HUD's Minimum Property Standards (including 24 CFR 200.926d). Existing construction must comply with HUD's Minimum Property Requirements (HUD Handbook 4905.1).

In the performance of an FHA appraisal, the appraiser must denote any deficiency in the appropriate section(s) (site issues in the site section, improvement issues in the improvements section) of the appraisal report. The appraiser is to note those repairs necessary to make the property comply with FHA's Minimum Property Requirements (MPR) or Minimum Property Standards (MPS) together with the estimated cost to cure. The lender will determine which repairs for existing properties must be made for the property to be eligible for FHA-insured financing.

Cosmetic repairs are not required; however, they are to be considered in the overall condition rating and valuation of the property. Examples of cosmetic repairs would include surface treatments, beautification or adornment not required for the preservation of the property. For example, generally, worn floor finishes or carpeting, holes in window screens, or a small crack in a windowpane are examples of deferred maintenance that do not rise to the level of a required repair but must be reported by the appraiser.

The physical condition of existing building improvements is examined at the time of the appraisal to determine whether repairs, alterations or inspections are necessary - essential to eliminate conditions threatening the continued physical security of the property.

Required repairs will be limited to necessary requirements to:

- protect the health and safety of the occupants (**Safety**)
- protect the security of the property (**Security**)
- correct physical deficiencies or conditions affecting structural integrity (**Soundness**)

A property with defective conditions is unacceptable until the defects or conditions have been remedied and the probability of further damage eliminated. Defective conditions include:

- defective construction
- other readily observable conditions that impair the safety, sanitation or structural soundness of the dwelling

Typical conditions that would require further inspection or testing by qualified individuals or entities:

- infestation – evidence of termites
- inoperative or inadequate plumbing, heating or electrical systems
- structural failure in framing members
- leaking or worn-out roofs

- cracked masonry or foundation damage
- drainage problems

Appraisers are reminded not to recommend inspections only as a means of limiting liability. The reason or indication of a particular problem must be given when requiring an inspection of any mechanical system, structural system, etc.

These guidelines are provided to assist in the examination of the property. To perform this analysis, the appraiser must have full access to all property improvements.

If unable to visually evaluate the improvements in their entirety, contact the lender and reschedule a time when a complete visual inspection can be performed. This includes access to the crawl space and attic. The appraiser is not required to disturb insulation, move personal items, furniture, equipment, plant life, soil, snow, ice or debris that obstructs access or visibility.

An inspection done in accordance with these guidelines is visual and is not technically exhaustive. These guidelines are applicable to buildings with four or less dwellings units and their related property improvements.

Unacceptable Locations

FHA guidelines require that a site be rejected if the property being appraised is subject to hazards, environmental contaminants, noxious odors, offensive sights or excessive noises *to the point of endangering the physical improvements or affecting the livability of the property, its marketability, or the health and safety of its occupants.* Rejection may also be appropriate if the future economic life of the property is shortened by obvious and compelling pressure to a higher use, making a long-term mortgage impractical.

If the condition is clearly a health and safety violation, contact the lender for further instructions before completing the appraisal. The lender must clear the condition and may require an inspection or reject the property. If there is any doubt as to the severity, report the condition and submit the completed report. For those conditions that cannot be repaired, such as site factors, the appraised value is based upon the existing conditions.

Site Hazards And Nuisances

The appraiser must note and comment on all hazards and nuisances affecting the subject property that may endanger the health and safety of the occupants and/or the structural integrity or marketability of the property, including: subsidence, operating and abandoned oil and gas wells, abandoned wells, slush pits, heavy traffic, airport noise and hazards, runway clear zones/clear zones, proximity to high pressure gas, liquid petroleum pipelines or other volatile and explosive products, residential structures located within the fall distance of a high-voltage transmission line, radio/TV transmission tower, etc., excessive hazard from smoke, fumes, odors, and stationary storage tanks containing flammable or explosive material.

If hazards or nuisances are observed, the appraiser must describe the condition(s) and make a requirement for repair and/or for further inspection, and prepare the appraisal "subject to repairs" and/or "subject to inspection" in the **site section** of the report. Supporting documentation provided by the appraiser may include extra photos or copies of site studies or analyses, property reports, surveys or plot plans, etc.

Any and all references to Valuation Condition items addressed in Chapters 2 and 3 are to be addressed in the appropriate section of the applicable appraisal reporting form. For example, Chapter 2, Section 2-2-E, Slush Pits, instructs: "If there is any readily observable evidence of slush pits, mark the "yes" column in VC-1". The new protocol will require the appraiser to address this condition in the site section of the appraisal report and note that the property may not be eligible for FHA financing referencing the information contained in chapter 2; otherwise, the guidance provided by chapters 2 and 3 remains in effect.

Soil Contamination

Check readily observable evidence of hazardous substances in the soil. Conditions that could indicate soil contamination include pools of liquid, pits, ponds, lagoons, stressed vegetation, stained soils or pavement, drums or odors. If any of these conditions exist further analysis or testing is required. Note the proximity to dumps, landfills, industrial sites or other sites that could contain hazardous wastes.

If there is any readily observable surface evidence of leakage from an underground storage tank, further analysis or testing is required. If there is readily observable evidence of on-site contamination, make a requirement for further inspection in the **site section** of the report.

Grading and Drainage

Check for readily observable evidence of grading and drainage problems. Proper drainage control measures may include gutters and downspouts or appropriate grading or landscaping to divert the flow of water away from the foundation. If the grading does not provide positive drainage from the improvements, make a repair requirement. Note any readily observable evidence of standing water near the property that indicates improper drainage. If the standing water is problematic, make a repair requirement in the **site section** of the report.

Individual Water Supply and Sewage Systems

Identify the type of utilities in the **site section** of the appraisal report. When water and sewer are private well & septic testing is to be governed by state or local requirements; however, the appraiser must note any readily observable deficiencies regarding the well or septic system. The appraiser is also required to report on the availability of connection to public and/or community water/sewer systems. The lender is responsible for the determination of the feasibility for requiring connection.

Wood Destroying Insects/Organisms

Report any evidence of infestation in the "improvements section" of the appraisal report under "**foundation**" by simply marking the evidence of infestation box.

Private Road Access and Maintenance

Address private road access in site area under "**off-site improvements**". Private streets must be protected by permanent recorded easements or be owned and maintained by a HOA. Shared driveways must also meet these requirements.

Each property must have vehicular and pedestrian access. If the property is inaccessible by foot or by vehicle, note this deficiency. FHA defines all-weather surface as a road surface over which emergency vehicles can pass in all types of weather. If the property is not provided with an all-weather surface, note the absence of such in the appraisal.

Structural Conditions

Appraiser must answer yes/no question on the appraisal addressing physical deficiencies affecting structural integrity. If answered "yes", provide an explanation addressing the nature of the deficiency and recommend repairs, alterations or required inspections, in the improvements section under **physical deficiencies/adverse conditions**.

Foundation

Report any evidence of dampness or settlement by noting such under the **foundation section** of improvements description.

Describe the nature of the deficiency and recommend repairs, alterations or required inspections, if any, in the improvements section under **physical deficiencies/adverse conditions**.

Roofing

Identify roofing material type, and the condition observed, in the **improvements section** of the report. The nature and degree of any noted deficiency will determine whether the appraiser addresses the deficiency in the narrative comments area of the report under "**condition of the property**", or "**physical deficiencies**" affecting livability or structural soundness.

Mechanical Systems

Report on the condition of the improvements, which includes mechanical systems. The nature and degree of any noted deficiency will determine whether to address the deficiency in the narrative comments area of the report under **“condition of the property”**, or **“physical deficiencies”** affecting livability or structural soundness.

Check mechanical, plumbing and electrical systems in the subject property to ensure that they are in proper working order. This examination entails turning on the applicable systems and observing their performance. If any conditions exist that would affect the health or safety of the occupants, condition the appraisal on the “repair or alteration” of the condition and/or a “required inspection.” The following is not an all-inclusive list, but a listing of the more common readily observable property deficiencies.

Electrical System

- Examine the electrical system to ensure that there is no visible frayed wiring, or exposed wires in living areas and that there is adequate amperage for the appliances present in the property.
- Operate a representative number of lighting fixtures, switches and receptacles inside the house, garage and on the exterior walls and note any deficiencies. If the appliances present at the time of the inspection do not appear to be reasonable (undersized), determine if there is adequate amperage to run “standard” appliances, as per local code.
- The appraiser is not required to insert any tool, probe or testing device inside the panels or to dismantle any electrical device or control.

Plumbing System

- Flush the toilets and turn on all faucets to determine that the plumbing system is intact, that it does not emit foul odors, that faucets function appropriately, that both cold and hot water run and that there is no readily observable evidence of leaks or structural damage under fixtures.
- Turn on several cold water faucets in the house to check water pressure and flow. Flushing a toilet at the same time will also reveal any weaknesses in water pressure.
- If the property has a septic system, examine it for any signs of failure or surface evidence of malfunction.

Other Health and Safety Deficiencies

Address all health and safety issues, physical deficiencies or adverse conditions that affect the livability, soundness or structural integrity of the property. The nature and degree of any health and/or safety issues will determine whether to address said deficiency in the narrative comments area of the report under **“condition of the property”**, or **“physical deficiencies”** affecting livability or structural soundness.

Lead Based Paint Hazards

For any home built prior to 1978, check for evidence of defective paint surfaces, including: peeling, scaling or chipping paint. For all FHA insured properties, correction is required to all defective paint surfaces in or on structures and/or property improvements built before January 1, 1978 in accordance with 24 CFR Part 35. Provide a detailed description and identify the exact location of any deficiency under **“physical deficiencies”** affecting livability.

Comparable Selection

At a minimum, comparable selection should be based on properties having the same or similar locational characteristics as well as physical characteristics which includes: style, age, size, utility and condition.

Comparable sales should never be selected based on sales price.

In selecting comparables, use the bracketing method. Bracketing, as defined in The Dictionary of Real Estate Appraisal, Fourth Edition, Appraisal Institute, is “a process in which the an appraiser determines a probable range of values for a property by applying qualitative techniques of comparative analysis to a group of comparable sales. The array of comparable sales may be divided into two groups – those superior to the subject and those inferior to

the subject. The adjusted sales prices reflected by these two groups limit the probable range of value for the subject and identify a bracket in which the final value opinion will fall." It is advisable to bracket sales using both dwelling size and sales price whenever possible. If bracketing is not possible, the appraiser should explain why.

For properties in established subdivisions, or for units in established condominium or PUD projects that have resale activity, the appraiser should use comparable sales from within the same subdivision or project as the subject property if there are any available. Resale activity from within the subdivision or project should be the best indicator of value for properties in that subdivision or project. If the appraiser uses sales of comparable properties that are located outside of the subject neighborhood, he or she must include an explanation with the analysis.

For properties in new subdivisions, or for units in new (or recently converted) condominium projects, the appraiser must compare the subject property to other properties in its general market area as well as to properties within the subject subdivision or project. This comparison should help demonstrate market acceptance of new developments and the properties within them. The comparable selection should include at least one sale outside the subdivision or project and one sale from within the subdivision or project. The third sale may be either.

In selecting the comparable sales, the appraiser should keep in mind that sales or resales from within the subject subdivision or project are preferable to sales from outside the subdivision or project as long as the developer or builder of the subject property is not involved in the transactions.

Rural properties often have larger lot sizes and their locations can be relatively undeveloped. As a consequence, there may be a shortage (or absence) of recent comparable sales in the immediate vicinity. This may cause the appraiser to select comparable sales that are located a considerable distance from the subject property. In those instances, the appraiser must use his or her knowledge of the area and apply good judgment in selecting comparable sales that are the best indicators of value for the subject property. In these situations, the appraiser must include an explanation of why the particular comparable sales were selected.

Only closed (settled) sales may be used as comparable sales 1, 2 or 3. If a sale is over six months is used, an explanation must be provided.

No sales over one year old are permitted except as "additional comparable sales" and would be identified as comparable sale(s) 4, 5 or 6. Properties under contract may be also be submitted as additional comparable sales 4, 5 or 6 to support trends or value conclusions observed.

FHA, VA, Conventional or cash sales are acceptable as comparable sales.

Intended Use of Appraisal

The intended use for all appraisals prepared for FHA is to support the underwriting requirements for an FHA-insured mortgage.

FHA Appraisals

FHA appraisals are no guarantee that the property is free from defects. The appraisal only establishes the value of the property for mortgage insurance purposes. Buyers need to secure their own home inspections through the services of a qualified inspector and satisfy themselves about the condition of the property.

Contractual Responsibility of Appraisers

The appraiser is hired by the lender and therefore has a contractual responsibility to the lender. However, the appraiser provides services for HUD programs, and therefore, has an obligation to perform these services commensurate with the standards and requirements of HUD. This dual responsibility of the appraiser is recognized in the review and reporting requirements of HUD. The lender and the appraiser must meet their respective obligations as prescribed by HUD/FHA. These contractual obligations to the lender and HUD/FHA are in addition to the appraiser's legal obligations to his or her credentialing state.

For HUD/FHA purposes

FHA appraisals are subject to the following scope of work, intended use, intended user, definition of market value, statement of assumptions and limiting conditions, and certifications. Modifications, additions, or deletions to the

intended use, intended user, definition of market value, or assumptions and limiting conditions are not permitted. The appraiser may expand the scope of work to include any additional research or analysis necessary based on the complexity of this appraisal assignment. Modifications or deletions to the certifications are also not permitted. However, additional certifications that do not constitute material alterations to this appraisal report, such as those required by law or those related to the appraiser's continuing education or membership in an appraisal organization, are permitted.

Field	Protocol
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 and HUD/FHA
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."

Statement of Assumptions and Limiting Conditions: The appraiser's certification in this report is subject to the following assumptions and limiting conditions:

Field	Protocol
1. Matters of a Legal Nature	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. Sketch of Improvements	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. Special Flood Hazard Area	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. Court Testimony	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. Adverse Conditions	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 this 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. Repairs or Alterations	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's Certification: The Appraiser certifies and agrees that:

FIELD	Protocol
1. Scope of Work	I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in this appraisal report.
2. Complete Visual Inspection	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. USPAP Compliant	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. Sales Comparison Approach	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. Current Agreement for Sale	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. Prior Sales of Comparable Sales	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. Most Similar Comparable Sales	I selected and used comparable sales that are locationally, physically, and functionally the most similar to the subject property.
8. Combining Land Sales	I have not used comparable sales that were the result of combining a land sale with the contract purchase price of a home that has been built or will be built on the land.
9. Adjustments to Comparable Sales	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. Verification	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. Competency	I have knowledge and experience in appraising this type of property in this market area.
12. Resources	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. Reliable Sources	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. Factors Impacting Value	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 or 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. Knowingly Withholding Information	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. Professional Analysis	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. Present or Prospective Interest	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. Employment and Compensation	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. Personally Prepared Report	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. Identified Lender/Client	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. Lender/Client Disclosure and Distribution of Appraisal Report	The lender/client may disclose or distribute this appraisal report to: the borrower; another lender at the request of the borrower; the mortgagee 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 any state, the District of Columbia, or other jurisdictions; without having to 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. Disclosure and Distribution by Appraiser	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. Who May Rely on Appraisal Report	The borrower, another lender at the request of the borrower, the mortgagee 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. Electronic Signature	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. Civil Liabilities & Criminal Penalties	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.

Appraiser /Client Information

Field	Protocol
Signature	<ul style="list-style-type: none"> For FHA appraisals, the only signature permitted is that of the Lender Selected FHA Roster Appraiser. Supervisory signatures are not permitted. The signature, as defined in USPAP, is personalized evidence indicating authentication

	<p>of the work performed by the appraiser and the acceptance of responsibility for content, analysis, and the conclusions of the report. It may be an original or electronic signature.</p> <ul style="list-style-type: none"> • An electronic signature must be controlled by a personal identification number, or other media, where the appraiser has sole personal control of affixing the signature. • The appraiser bears the responsibility for the report with their signature on it. Therefore, appraisers are advised to keep their personal control code confidential.
Name	<ul style="list-style-type: none"> • Enter appraiser name as it appears on the license.
Company Name	<ul style="list-style-type: none"> • Enter company name if applicable.
Company Address	<ul style="list-style-type: none"> • Enter address of business or company with city, state and zip code.
Telephone Number	<ul style="list-style-type: none"> • Enter phone number with area code.
Email Address	<ul style="list-style-type: none"> • Enter e-mail address if you send reports electronically.
Date of Signature and Report	<ul style="list-style-type: none"> • Enter the date the report is signed.
Effective Date of Appraisal	<ul style="list-style-type: none"> • Enter the effective date of the appraisal which, for FHA purposes, is the date of property was inspected.
State Certification #	<ul style="list-style-type: none"> • Enter state certification number if applicable.
or State License #	<ul style="list-style-type: none"> • Enter state license number.
or Other (describe)	<ul style="list-style-type: none"> • Enter "N/A"
State	<ul style="list-style-type: none"> • Enter the state of licensure.
Expiration Date	<ul style="list-style-type: none"> • Enter the expiration date of State Certification or License Number.
ADDRESS OF PROPERTY APPRAISED	<ul style="list-style-type: none"> • This field should auto populate with the appraisal software used. If not, enter the full property address including street, city, state and zip code.
APPRAISED VALUE OF SUBJECT PROPERTY \$	<ul style="list-style-type: none"> • Enter the appraised value.
Name	<ul style="list-style-type: none"> • Enter the name of person who ordered the appraisal.
Company Name	<ul style="list-style-type: none"> • Enter name of lender/client
Company Address	<ul style="list-style-type: none"> • Enter company address
Email Address	<ul style="list-style-type: none"> • Enter email address where report where report was transmitted if applicable

Required Attachments/Exhibits for FHA appraisals	
Item	Protocol
Street Map	<ul style="list-style-type: none"> • Include a legible street map showing the location of the subject and each of the comparable sales utilized. If substantial distance exists between the subject and comparable sales, additional legible maps should be submitted to show the location of the comparable sales.

Sketch	<ul style="list-style-type: none"> • Include a building sketch showing the Gross Living Area Above Grade, including all exterior dimensions of the house. Include patios, porches, garages, breezeways and other offsets. State "covered" or "uncovered" to indicate a roof or no roof (such as over a patio). • Show calculations used to arrive at the estimated gross living area. • An interior sketch or floor plan is required for properties exhibiting functional obsolescence attributable to the lay out.
Subject Photographs	<ul style="list-style-type: none"> • Front and rear at opposite angles to show all sides of the dwelling, • Any improvements with contributory value that are not captured in either the front or rear photograph, • Street scene photo to include a portion of the subject site. • If the subject property is proposed construction and the improvement has not started, the appraiser should take a photograph that shows the grade of the vacant lot.
Comparable Photos	<ul style="list-style-type: none"> • Photos depicting the front view of each comparable sale utilized must be those taken by the appraiser. The photos taken by the appraiser are considered evidence of compliance with the Scope of Work of having inspected each comparable sale from the street. Use of MLS photos to exhibit comparable condition at the time of sale is acceptable; however, the appraiser must include <u>their</u> photos as well to document compliance.

The documentation provided by the required attachments/exhibits satisfies FHA's minimum requirements. However, additional exterior and/or interior photos, reports, studies, analysis, or copies of prior listings may be included in support of the appraiser's observation and analysis, e.g. photographs of positive or negative view influences, property deficiencies, or adverse conditions, provides strong supporting documentation of conditions observed on the date of the appraisal. Photo documentation of property condition is always advisable.

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/APPENDIX D: VALUATION PROTOCOL (01/06)/D-1: Uniform Residential Appraisal Report (01/06)

D-1: Uniform Residential Appraisal Report (01/06)

This section provides specific instructions for completing the Uniform Residential Appraisal Report (Fannie Mae Form 1004 March 2005, URAR).

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), based on an interior and exterior inspection of the subject property. This form is not designed to report an appraisal of a manufactured home or a unit in a condominium or cooperative project.

Section 1 - Subject

This section provides the factual data to identify the property and the parties to the appraisal process. The *FHA case number together with *borrower and/or *property information will be supplied by the lender/client who engages the appraiser.

Field	Protocol
*File Number	<ul style="list-style-type: none"> • Insert the FHA Case Number at the top right corner of the page. • The FHA appraisal may not be transmitted to the lender without a case number.
*Property Address	<ul style="list-style-type: none"> • Enter the property street number and name, city, state and zip code for the property. A post office box number is not acceptable. Enter the nearest intersection if a house number is not available.
*Borrower	<ul style="list-style-type: none"> • Enter the name of the borrower/mortgagor.

Owner of Public Record	<ul style="list-style-type: none"> Enter the name of the owner as listed in public records. If the seller is not the owner of public record the appraiser must explain.
County	<ul style="list-style-type: none"> Enter the name of the county in which the property is located. It further provides locational parameters. If not applicable enter "N/A".
Legal Description	<ul style="list-style-type: none"> Enter the legal description of the property. The four types of legal descriptions are: lot and block system, geodetic survey, government survey system and metes and bounds system. If the space provided is insufficient, enter this information with the heading "Legal Description" in the "Additional Comments" section of the form report or attach this information as an addendum.
Assessor's Parcel #	<ul style="list-style-type: none"> Enter the parcel number assigned by the local tax assessor. For those areas that do not have an assessor's parcel number, enter the tax identification number.
Tax Year	<ul style="list-style-type: none"> Enter the current tax year used by the locale, e.g. fiscal year or actual year.
R. E. Taxes \$	<ul style="list-style-type: none"> Enter the dollar amount of the annual real estate taxes, including all relevant taxes (school district tax, fire district tax, etc.).
Neighborhood Name	<ul style="list-style-type: none"> Enter the name of the subdivision, if applicable, or the commonly known local neighborhood designation. If the subject property is in a planned unit development, provide the name of the development.
Map Reference	<ul style="list-style-type: none"> Enter location map reference, page number and coordinates, from source used. This reference should relate to the location maps most commonly used in the locale.
Census Tract	<ul style="list-style-type: none"> Enter the census tract number. The census tract number must be provided. Census tract numbers have four digits and may have a two digit decimal suffix. Where the basic census tract number is less than four digits, the Census Bureau includes leading zeros except when displaying numbers on maps or printed reports. To uniquely identify a census tract, a two-digit state code and three-digit county code precede the four-or six-digit census tract number. The Census Bureau has an internet resource guide for locating census information. It can be found at URL: www.census.gov
Occupant	<ul style="list-style-type: none"> Mark the box signifying the occupancy status at the time of the appraisal. If vacant, the appraiser should note, in the "Improvements" section under "condition of the property," whether the utilities were on or off at the time of the appraisal. If off, condition the appraisal on a satisfactory re-inspection that the utility that was off at the time of the appraisal does not require alteration, repair or further inspection.
Special Assessments \$	<ul style="list-style-type: none"> Report the dollar amount of special assessments for the subject property, if any, and provide a brief explanation for the assessment. Special assessments can include municipal bond debt for off-site improvements. Larger than typical special assessments may affect marketability. If not applicable enter "N/A".
PUD HOA\$	<ul style="list-style-type: none"> Enter the dollar amount of the HOA fee and mark the box indicating if the fees are paid "per year" or "per month".
Property Rights Appraised	<ul style="list-style-type: none"> Mark the appropriate box indicating the property rights appraised for the subject property as of the date of the appraisal. "Other" includes Land Trust.
Assignment Type	<ul style="list-style-type: none"> Mark the appropriate box indicating the assignment type.
Lender/Client	<ul style="list-style-type: none"> Enter the name of the lender/client who ordered and will receive the appraisal report. After the client's name add "its successors or assigns". The use of the appraisal is to support FHA's decision to provide mortgage insurance on

Address	<p>the real property that is the subject of the appraisal; therefore, intended users include the lender/client and FHA.</p> <ul style="list-style-type: none"> Enter the lender/client's address.
Currently offered for sale or offered for sale in last 12 months.	<ul style="list-style-type: none"> The appraiser's certification states in part "I have researched, verified, analyzed and reported on any current agreement of sale of the subject property, any offering for sale of the subject property in the twelve months prior to the effect date of the appraisal..." Mark the appropriate box indicating whether the subject is currently offered for sale or has been offered for sale in the 12-month period prior to the effective date of the appraisal. If there are multiple actions, report each instance. Research may reveal an expired or withdrawn listing. The prior listing may provide a good indication of the upper limit of value.
Report data source (s) used, offering price(s), and date (s)	<ul style="list-style-type: none"> Complete this field regardless of whether the property is currently offered for sale or has been for sale in the 12 months preceding the date of the appraisal. Identify source(s) used, price(s) and date(s) of current or prior listings.

Section 2 – Contract

This section must be completed when the appraisal assignment involves a purchase transaction, otherwise enter "N/A" for not applicable. FHA requires that the appraiser be provided with a complete copy of the ratified sales contract, including all addenda, for the subject property.

It provides the agreed-on contract price (accepted offer), date of sale, and all financial terms implicit in the offer. If unable to obtain this information, the appraiser is to state what efforts were made to obtain it.

Field	Protocol
Analyze Contract for Sale	<ul style="list-style-type: none"> Explain the results of the analysis (terms and conditions) of the contract of sale or why the analysis was not performed. The analysis may include a reference to the number of pages contained in the contract for sale provided.
Contract Price \$	<ul style="list-style-type: none"> Enter the final agreed upon contract price.
Date of Contract	<ul style="list-style-type: none"> Enter the date of the contract. This is the date when all parties have agreed to the terms of, and signed the contract.
Is The Property Seller The Owner of Public Record	<ul style="list-style-type: none"> Mark the appropriate box indicating whether or not the seller is the owner of public record. The appraiser is instructed to contact the lender/client if the seller is someone other than the owner of record. The property may not be eligible for FHA financing if it involves flipping (resale in less than 90 days). The lender will make a determination for any exceptions to FHA's Flipping Rule and advise the appraiser. Report where the information was obtained.
Data Source(s)	
Sales Concessions Downpayment Assistance	<ul style="list-style-type: none"> Mark the appropriate box indicating whether or not there is any financial assistance (loan charges, sales concessions, gift or down payment assistance, etc.) paid by any party on behalf of the borrower. If necessary, use the "Additional Comments" section of the appraisal reporting form, or an addendum, and enter the heading "Sales Concessions" completing the description. If yes, the appraiser is to report the total dollar amount and describe the items to be paid. If the sale involves personal property (e.g. above ground pool, lawn mower, furniture, etc.) is should be identified and excluded from the valuation.

Section 3 – Neighborhood

This section should reflect the area surrounding the subject property. The appraiser must observe neighborhood characteristics and surrounding properties to make determinations that will be incorporated into the valuation of the subject property. In all instances, the appraiser must mark the appropriate box for each line in neighborhood characteristics and housing trends. Failure to note conditions that may adversely affect the value of the property is poor appraisal practice and violates the Uniform Standards of Professional Appraisal Practice.

NOTE: Race and the racial composition of the neighborhood are not appraisal factors.

Neighborhood Characteristics	
Field	Protocol
Location	<ul style="list-style-type: none"> Enter the type of area surrounding the subject property. Urban – relates to a city

Neighborhood Characteristics	
Field	Protocol
Location	Suburban – relates to an area adjacent to a city Rural – relates to the country or beyond the suburban area
Built-up	<ul style="list-style-type: none"> Enter the built-up percentage – the percentage of available land that has been improved. Land such as a state park would not be considered available land.
Growth	<ul style="list-style-type: none"> Enter the growth rate. If many lots are available, the growth rate may be rapid, stable or slow, but if the neighborhood is fully developed, select the “stable” box.

One-Unit Housing Trends	
Field	Protocol
Property Values	<ul style="list-style-type: none"> Mark the box describing the current trend in property values for One-Unit single family homes in the community. Comparing houses that have been sold and resold in recent years is an effective way to determine market trends. Appraisers who use this method, however, should make sure to factor in any improvements or changes made to the property between sales.
Demand/ Supply	<ul style="list-style-type: none"> Mark the appropriate demand/supply trend. To determine the equilibrium status of supply and demand in the neighborhood, compare the number of houses sold to the number of houses listed for sale in a recent time period. The similarity or difference between the number of houses sold and listed, not the absolute numbers, should determine the demand/supply level.
Marketing Time	<ul style="list-style-type: none"> Mark the appropriate marketing time – the typical length of time a property similar to the subject property would have to stay on the market before being sold at a price near its market value.

One-Unit Housing	
Price Age	<ul style="list-style-type: none"> Indicate the low and high neighborhood prices and ages as well as the predominant value and age. The high and low for both price and age should exclude the extreme.

Present Land Use %	
One-Unit, 2-4 Unit,	<ul style="list-style-type: none"> Estimate each type of land usage in the neighborhood. If there is no land in the

Multi-Family, Commercial, Other	neighborhood with one of the designated classifications, enter a "0". If a portion of the land consists of parks or other unspecified classifications, enter the estimated percentages on the "Other" line and explain in the neighborhood description section.
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Neighborhood Narrative	
Neighborhood Boundaries	<ul style="list-style-type: none"> The appraiser must clearly define the boundaries – north, south, east and west – of the subject’s neighborhood. Providing a description of neighborhood boundaries by physical features such as streets, rail lines, other man-made barriers or well defined natural barriers (i.e. rivers, lakes, etc.) details the make up and understanding regarding neighborhood composition.
Neighborhood Description	<ul style="list-style-type: none"> Discuss factors that would attract residents or cause them to reject the neighborhood. Some typical factors important to discuss include: <ul style="list-style-type: none"> Level of maintenance and condition of homes Housing styles, ages, sizes, etc. Land uses Proximity to employment and amenities, including travel distance and time to local employment sources and community amenities Employment stability, in terms of variety of employment opportunities and industries Overall appeal of the neighborhood as compared to competitive neighborhoods in the same market Convenience to shopping with respect to distance, time and required means of transportation Convenience to schools in terms of the distance and time for travel to school
Market Conditions (including support for the above conclusions)	<ul style="list-style-type: none"> Provide relevant information in support of conclusions relating to trends in property values, demand/supply and marketing time. Provide a description of the prevalence and impact of sales and financing concessions and/or down payment assistance in the subject’s market area. Other areas of discussion may include days on market, list to sale price ratios, and/or financing availability.

Section 4 – Site

This information provides the description of the land underlying the subject property. Insert factual information on each of the lines provided and report the conclusions as directed. Consider all aspects of the physical description and reconcile them in the opinion of market value. This section of the appraisal requires the appraiser to consider any adverse site conditions or adverse external factors that may impact value.

Field	Protocol
Dimensions	<ul style="list-style-type: none"> List all dimensions of the site beginning with the frontage. If the shape of the site is irregular, show the boundary dimensions (85' X 150' X 195' X 250'), or attach a property survey, site plan or plat or legal description with the comment, "see attached _____." Do not list site area on the dimensions line.
Area	<ul style="list-style-type: none"> Enter the site area in square feet or acres. This entry must be consistent with the dimensions provided in the "Dimensions" field
Shape	<ul style="list-style-type: none"> Describe the shape of the site, e.g. triangular, square, rectangular, irregular, flag lot.
View	<ul style="list-style-type: none"> Briefly describe the view from the property (None is not an acceptable response). Identify a view with a significant positive or negative influence on the value. Photographs are recommended for any negative or positive view influences affecting value or marketability.

Specific Zoning Classification	<ul style="list-style-type: none"> Enter the specific zoning classification used by the local municipality or jurisdiction, e.g., R-1 If none exists enter "None Exists".
Zoning Description	<ul style="list-style-type: none"> Describe what the specific classification means. Include a general statement describing what the zoning permits. For example: R-1 = Residential-Single Family If "None" exists, describe the prevalent use of sites in the neighborhood.
Zoning Compliance	<ul style="list-style-type: none"> Determine whether the current use is in compliance with the zoning ordinances. Mark whether it is Legal, Legal Non-Conforming (Grandfathered Use), No Zoning, or Illegal Use. If the existing property does not comply with all of the current zoning regulations (use, lot size, improvement size, off street parking, etc.) but is accepted by the local zoning authority, enter "Legal Non-Conforming" and provide a brief explanation. If the use is not legal, the property is not eligible for FHA mortgage insurance.
Highest and Best Use	<ul style="list-style-type: none"> Mark the appropriate box. This entry questions the categorization as the highest and best use of the site as improved or, as proposed and completed, in relation to the neighborhood and current market conditions. If current use represents the highest and best use, mark "yes". If it does not, mark "no" and provide an explanation.
Utilities	<ul style="list-style-type: none"> Mark either "Public" or "Other." If "Other" is marked, describe. Public utilities mean governmentally supplied and regulated. Public does not include any community systems sponsored, owned or operated by the developer or a private company not subject to government regulation or financial assistance. Note if there are mechanical chlorinators or water-flow that decreases noticeably while running simultaneous plumbing fixtures. Visually inspect the septic system and its surrounding area. If there are obvious or readily observable signs of system failure, "require inspection" to ensure that the system is in proper working order. <p>Note: The appraiser shall indicate whether a public water or sewage disposal system is available to the site. If available, connection must be made to public or community water/sewage disposal system if connection costs are reasonable. The lender will determine whether connection is feasible.</p>
Off-site Improvements–Type	<ul style="list-style-type: none"> Briefly describe the off-site improvements under "Type" and enter road surface material and mark Public or Private. For example: "Street-Asphalt; Public", "Alley-None" Public refers to an improvement dedicated to and accepted by a unit of government – not including Home Owner's Associations.
FEMA Special Flood Hazard Area	<ul style="list-style-type: none"> FEMA (Federal Emergency Management Agency) is responsible for mapping flood hazard areas. If the property is within a Special Flood Hazard Area, mark "YES". Otherwise, mark "NO". Attach a copy of the flood map panel for properties located within an identified flood hazard area.
FEMA Flood Zone	<ul style="list-style-type: none"> Enter the FEMA Zone designation. Only properties within Special Flood Hazard Areas, such as zones "A" a special flood hazard area and "V" a coastal area, require flood insurance. Zones "B" "C" and "X" do not.
FEMA Map # and FEMA Map Date	<ul style="list-style-type: none"> Enter the FEMA Map number and map date. If it is not shown on any map, enter "Not Mapped."
Are utilities and off site improvements typical for the market area	<ul style="list-style-type: none"> Mark the appropriate box indicating whether the utilities and off-site improvements are typical for the market area. If "No" is marked, describe what is typical.
Any adverse site	<ul style="list-style-type: none"> Mark the appropriate box indicating whether there are any adverse site conditions or

conditions or external factors	<p>external factors (easements, encroachments, environmental conditions, land uses, etc.).</p> <ul style="list-style-type: none"> • If "No" is marked, no comment is necessary, if "Yes" is marked, an explanation is required. • Describe any adverse site conditions or adverse factors. Consider easements affecting the functional utility of the property in the conclusions of both the highest and best use and market value. For example, discuss adverse easements, encroachments, slide areas, illegal or non-conforming zoning use, etc. Consider surface, sub-surface and overhead easements. • List any adverse environmental conditions, including hazardous waste, toxic substances and others. • Explain all deficiencies that do not require repair (extreme slope, etc.) and consider them in the opinion of value. • Discuss the observations with direct relationship to value and consider them in the approaches to value.
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Section 5 – Improvements

This section describes the subject improvements. Accurately report the conditions observed. Describe needed repairs, or the existence of any functional or external obsolescence. Enter factual information on each of the lines provided and report the conclusions. Consider all aspects of the physical description and reconcile them in the opinion of market value.

Accessory Unit / Accessory Dwelling Unit

The accessory unit is defined as a habitable living unit added to, created within, or detached from a single-family dwelling that provides the basic requirements for living, sleeping, eating, cooking, and sanitation.

Accessory Dwelling Units (ADUs) are commonly understood to be a separate additional living unit, including separate kitchen, sleeping, and bathroom facilities, attached or detached from the primary residential unit, on a single-family lot. ADUs are usually subordinate in size, location, and appearance to the primary unit and may or may not have separate means of ingress or egress.

Attached units, contained within a single-family home, known variously as "mother-in-law apartments," are the most common type of accessory dwelling unit. Accessory units usually involve the renovation of a garage, basement, or small addition to a single-family home.

FHA Criteria

"Accessory dwelling unit" means a subordinate dwelling unit may or may not be incorporated within, or detached from a single-family structure. Accessory units may not be subdivided or otherwise segregated in ownership from the primary residence structure.

Some accessory units may predate the adoption of local zoning ordinance and may therefore be classified as legal nonconforming units.

Utility Service Requirements

An accessory apartment must be connected to the utilities (except telephone, television and cable) of the dwelling unit and may not have separate services.

General Description	
Field	Protocol
Units	<ul style="list-style-type: none"> • Mark the appropriate box. The URAR is designed for one-unit dwelling or one-unit with an accessory unit.
# of Stories	<ul style="list-style-type: none"> • Enter the number of stories <i>above grade</i>, including half stories. Do not include the

	basement.
Type	<ul style="list-style-type: none"> Mark the box that identifies the type of dwelling, "Det." (Detached), "Att." (Attached), "S-Det." (Semi-Detached) or "End Unit" (End unit of a group of rowhouses or townhouses).
Stage of Construction	<ul style="list-style-type: none"> Mark the box signifying the stage of construction, Existing, Proposed or Under Construction. Properties that are either Proposed or Under Construction require plans and specifications for the appraiser to review.
Design (Style)	<ul style="list-style-type: none"> Enter a brief description of the house design style using historical or contemporary fashion. For example: Cape Cod, bi-level, split level, split foyer, colonial, town house, rowhouse, etc. Do not use builder's model name. Avoid generic descriptions such as Traditional or Conventional.
Year Built	<ul style="list-style-type: none"> If the property is less than one year old, include both the month and year completed. If it is over one year old, insert the year completed.
Effective Age (Yrs)	<ul style="list-style-type: none"> Enter the effective age of the improvements. A range is acceptable. The effective age reflects the condition of the property relative to similar competitive properties. The effective age may be greater than, less than or equal to the actual age. Note any significant difference between the actual and effective ages and explain in the "condition of property" comments section.

Attic – Enter the attic and observe the interior roofing for insulation, deficient materials, leaks or readily observable evidence of significant water damage, structural problems, previous fire damage, FRT sheathing, exposed and frayed wiring and adequate ventilation by vent, fan or window. If any of these deficiencies exist, condition the appraisal on their repair and prepare the appraisal "subject to repairs" and/or "subject to inspection".

The attic must be entered, at a minimum, by head and shoulders, whether access is by pull-down stairway or scuttle. Size of the scuttle and accessibility of the attic dictate the level of entry.

Field	Protocol
None	Enter "X" if there is no attic.
Drop Stair	Enter "X" if this item exists.
Stairs	Enter "X" if this item exists.
Floor	Enter "X" if this item exists.
Scuttle	Enter "X" if this item exists.
Finished	Enter "X" if this item exists.
Heated	Enter "X" if the attic is heated.

Foundation

The appraiser is required to inspect the foundation and the basement. The appraiser must address all visible deficiencies and may require a recommendation for an inspection. Consider deferred maintenance and physical deterioration in the valuation process.

Basement

Generally, may be partially or completely below grade (ground level). Do not count the basement in the finished gross living area at the grade level. The information provided must be consistent with the description in the Foundation section.

Foundation

Field	Protocol
Concrete Slab	<ul style="list-style-type: none"> Mark this box if any part of the foundation system has concrete slab.
Crawl Space	<ul style="list-style-type: none"> Mark this box if any part of the foundation system has crawl space. Access to the space should be clear. Examine the crawl space for inadequate access (minimum entry of the head and shoulders). Check the distance from the bottom of floor joists to ground. Space should be adequate for maintenance and repair. A minimum distance of 18 inches from the ground to the bottom of the joists is highly recommended but not mandated. Check for insulation, and ventilation or for any structural problems. The support beams should be intact and of structural soundness.
Full Basement	<ul style="list-style-type: none"> Mark this box if there is a full basement.
Partial Basement	<ul style="list-style-type: none"> Mark this box if there is a partial basement. For a dirt basement floor, determine whether such a property is typical for the area and is readily marketable. If so, it is not required that a concrete basement floor be installed. Mechanical equipment, however, must be located on a concrete pad.
Basement Area Sq Ft	<ul style="list-style-type: none"> Enter the square footage of the basement.
Basement Finish %	<ul style="list-style-type: none"> Enter the percentage of basement (figure above) that is finished.
Outside Entry/Exit	<ul style="list-style-type: none"> Mark this box only if there is an outside entry/exit, otherwise leave blank. In there is an entry, make sure door is operable.
Sump Pump	<ul style="list-style-type: none"> Mark this box only if there is a sump pump, otherwise leave blank.
Evidence of Infestation	<ul style="list-style-type: none"> Mark this box if there is evidence of infestation, including the house and/or other structures within the legal boundaries of the property, otherwise leave blank. Examine the subject property for readily observable evidence of wood boring insects. Do not require a pest inspection based solely on the age of a property. Inspections are necessary whenever there is evidence of decay, pest infestation, suspicious damage or when it is customary to the area or required by state law.
Evidence of Dampness	<ul style="list-style-type: none"> Mark this box if there is evidence of dampness, otherwise leave blank. Examine the foundation/basement for dampness or readily observable evidence of water damage. Signs of past water problems may include efflorescence, mold, mildew or stains on walls or mechanical equipment. Basement or crawl space area must not have excessive dampness or ponding of water. If any of these inadequacies exist, condition the appraisal "subject to repairs" to correct the condition, or "subject to inspection" to determine the source of problem and corrective measures necessary by a qualified party.
Evidence of Settlement	<ul style="list-style-type: none"> Mark this box if there is evidence of settlement, otherwise leave blank. Examine foundation for readily observable evidence of settlement. Hairline step-cracks are common, however, horizontal cracks, bulging walls or separation of sill plate from top of foundation wall are critical and require inspection.

Mechanical Systems

An appraiser must examine mechanical, plumbing and electrical systems of the subject property to ensure that they are in proper working order. This examination includes turning on the applicable systems and observing their performance. Electrical, plumbing, and/or heating certifications may be called for by the appraiser when he/she cannot determine if one or all of these systems are working properly.

An appraiser should not arbitrarily call for such certifications. However, the appraiser is still responsible for

checking the functionality of these systems at the time of appraisal.

Heating and Cooling Systems	
Field	Protocol
Heating	<ul style="list-style-type: none"> Enter an "X" in the box indicating the type of heating system: FWA (forced warm air), HWBB (hot water baseboard), Radiant or "Other". If "Other" is marked, provide a brief description, e.g. EBB (for electric baseboard). Turn on the furnace/heating system to test functionality, weather permitting, and that no unusual noises are heard, no odors or smoke are emitted indicating a defective unit, etc. However, do not operate the systems if doing so may damage equipment or when outside temperatures will not allow system to operate. Note significant holes/deterioration on the unit.
Heating	<ul style="list-style-type: none"> Turn on the hot water to ensure that the water heater is operating appropriately.
Fuel	<ul style="list-style-type: none"> Enter type of fuel used: coal, gas, oil, propane, electric, etc.
Cooling	<ul style="list-style-type: none"> Enter an "X" in the box indicating the type of cooling system: Central Air Conditioning, Individual or Other. If "Other" is marked, provide a brief description, e.g. permanently affixed fans, zoned air-conditioning, etc. Turn on the air conditioning system to test functionality, weather permitting, and that no unusual noises are heard, no odors or smoke are emitted indicating a defective unit, etc. However, do not operate the systems if doing so may damage equipment or when outside temperatures will not allow system to operate. Note significant holes/deterioration on the unit

Exterior Materials/Condition

Enter the types of Materials and rate the observed Condition of the Materials (Good, Average, Fair, and Poor). Make every effort to describe accurately and explain in detail "Fair" and "Poor" ratings and whether or not the item (s) described require repair, replacement or further inspection. The rating must relate to the habitability of the house given local standards (Photo documentation of property condition is always advisable).

Exterior Description	materials/condition
Field	Protocol
Foundation Walls	<ul style="list-style-type: none"> Enter the material type: poured concrete, block, brick, stone, treated wood, etc. and rate the observed condition.
Exterior Walls	<ul style="list-style-type: none"> Enter the material type: aluminum, vinyl or wood siding, brick veneer, stucco, stone, etc. If a combination of materials, show the predominant portion first and rate the observed condition.
Roof Surface	<ul style="list-style-type: none"> Enter the material type: composition shingle, asphalt shingle, wood, slate, clay tile, aluminum, built-up, etc. and rate the observed condition. View the roof from ground level to determine if the integrity of the roof is sufficient. Observe roof coverings, roof drainage systems, flashing, skylights, or chimneys for readily observable evidence of leakage or abnormal condensation on building components. Note any evidence of deterioration of roofing materials (missing tiles, shingles, flashing). Deteriorated roofing materials include those that are worn, cupped, or curled. If the roof is otherwise unobservable, look for telltale signs of roof problems on the interior, such as damage or water stains to the ceiling area of a room or closet. The appraiser must note in the appraisal that he/she could not adequately observe the entire roof area (state which area(s) were unobservable). Based on the information reported by the appraiser, the underwriter will determine whether or not a roofing inspection is required.

Gutters and Downspouts	<ul style="list-style-type: none"> Enter the material type: galvanized, aluminum, plastic, vinyl, PVC, etc. and rate the condition observed.
Window Type	<ul style="list-style-type: none"> Enter window type: Double Hung, Single Hung, Casement, Sliders, etc. and identify the window frame material: wood, aluminum, steel, vinyl, etc. Rate the condition observed. Bedroom windows with security bars require a quick release mechanism for emergency egress. If not so equipped or inoperable, condition the appraisal on a "required repair".
Storm Sash / Insulated	<ul style="list-style-type: none"> Describe storm sash material or state if windows are double glazed, etc. or a combination of the two. Rate the condition observed. If none, so state.
Screens	<ul style="list-style-type: none"> Describe style (full, half, none) and rate the condition observed.

A brief description of an amenity may include its material type and/or size and/or dimensions.

Amenities	
Field	Protocol
Woodstove #	<ul style="list-style-type: none"> Enter "X" if this amenity exists and provide a specific number.
Fireplace(s) #	<ul style="list-style-type: none"> Enter "X" if this amenity exists and provide a specific number.
Fence	<ul style="list-style-type: none"> Enter "X" if this amenity exists. Describe material/type in additional features.
Patio/Deck	<ul style="list-style-type: none"> Enter "X" if this amenity exists. Describe material/type in additional features
Porch	<ul style="list-style-type: none"> Enter "X" if this amenity exists. Describe material/type in additional features.
Pool	<ul style="list-style-type: none"> Enter "X" if this amenity exists. Describe in additional features. Specify whether in-ground or above-ground. Above-ground pools are considered personal property and are not to be included in the value.
Other	<ul style="list-style-type: none"> Enter "X" if this line is used to report another amenity or salient feature not listed above that has contributory value. Describe "Other" in additional features. Be sure to compare the subject and comparable sales in relation to that amenity or feature and make the appropriate adjustments.

Interior Materials/Condition

Enter the types of Materials and rate the observed Condition of the Materials (Good, Average, Fair, and Poor) and whether or not the item(s) described require repair, replacement or further inspection. Make every effort to describe accurately and explain in detail "Fair" and "Poor" ratings. The rating must relate to the habitability of the house given local standards.

Interior	materials/condition
Field	Protocol
Floors	<ul style="list-style-type: none"> Enter material type — tile, hardwood, carpet, etc. — rate condition observed.
Walls	<ul style="list-style-type: none"> Enter material type — plaster, drywall, paneled etc. — rate condition observed.
Trim/Finish	<ul style="list-style-type: none"> Enter material type — wood, metal, vinyl — rate condition observed.

Bath Floor	<ul style="list-style-type: none"> Enter material type — ceramic tile, vinyl, carpet — rate condition observed
Bath Wainscot	<ul style="list-style-type: none"> Enter material type that protects walls from moisture — ceramic tile, fiberglass, etc. — rate condition observed.

Car Storage

Field	Protocol
None	<ul style="list-style-type: none"> If the property does not have a garage, carport or driveway, mark "NONE".
Driveway # of Cars	<ul style="list-style-type: none"> If applicable, mark this box and enter the number of cars that can be parked. A single lane driveway is considered to be a one-car driveway. It would be considered a two car driveway if either car can be moved without disturbing the other.
Driveway Surface	<ul style="list-style-type: none"> Enter surface type: concrete, gravel, macadam, etc., if none so state.
Garage # of Cars	<ul style="list-style-type: none"> Enter the number of cars the structure can accommodate.
Carport # of Cars	<ul style="list-style-type: none"> Enter the number of cars the structure can accommodate.
Garage/Carport Type	<ul style="list-style-type: none"> If there is a garage, designate whether it is "Attached", "Detached" or "Built-in" and Enter an "X" in the box(es) indicating the style "Att.", "Det.", "Built-in"

Appliances

Make an entry [X] in the boxes to indicate that these items exist. An entry in a box means that the item was considered part of the real estate and is included in the value. If an item is personal property, put a "P" in the box and do not include it in the opinion of value. Treat non-functioning equipment as existing, but as deferred maintenance in the valuation process.

Field	Protocol
Refrigerator	Enter "X" if this item exists. Enter "P" if personal property.
Range/Oven	Enter "X" if this item exists. Enter "P" if personal property.
Dishwasher	Enter "X" if this item exists. Enter "P" if personal property.
Disposal	Enter "X" if this item exists. Enter "P" if personal property.
Fan/Hood	Enter "X" if this item exists. Enter "P" if personal property.
Microwave	Enter "X" if this item exists. Enter "P" if personal property.
Washer/Dryer	Enter "X" if this item exists. Enter "P" if personal property.
Other	Enter "X" for existing item not listed above and describe. Do not include personalty.

Gross Living Area

Room design and count should reflect local custom. A dining area built as an L-shape off the kitchen may or may not be considered a room depending on the size.

To determine whether one or two rooms should be counted, hypothetically insert a wall to separate the two areas that have been built as one: if the residents can use the resulting two rooms with the same or more utility without increased inconvenience, count the room as two.

If the hypothetical wall would result in a lack of utility and increased inconvenience, count the room as one. The room count typically includes a living room (LR), dining room (DR), kitchen (KT), den (DN), recreation room (REC)

and one or more bedrooms (BR). Typically, the foyer, bath and laundry room are not counted as rooms. A room is a livable area with a specific use.

Room Count and Gross Living Area

Field	Protocol
Finished area above grade contains	<ul style="list-style-type: none"> To complete this section, enter the total <i>number</i> of above grade rooms, the total number of bedrooms above grade, and the total number of bathrooms above grade. Do not include foyers, basement finished rooms or unfinished attic space. Calculate square footage by using exterior dimensions. Enter the total square footage of the gross living area above grade.

Narrative Comments Section

The completion of this section is critical to the opinion of market value. The appraiser must discuss all adverse conditions and observed physical and functional deficiencies noted. If necessary, use the Additional Comments section of the form report, or an addendum, for additional discussion or description.

Field	Protocol
Additional Features	<ul style="list-style-type: none"> Use this space to describe special energy efficient features such as solar energy or geothermal systems and/or to further describe the additional features, Please elaborate on any special or unusual aspects of items, e.g. gas fireplace or wood burning fireplace, 16' X 32' inground pool, etc.
<u>Condition of the property</u> (including needed repairs, deterioration, renovations, remodeling, etc.)	<ul style="list-style-type: none"> Describe any physical deterioration and/or functional or external depreciation noted in or on the property. Provide a conclusion as to the overall condition of the improvements that is supported by the previous descriptive sections. Describe needed repairs for property to meet FHA's MPR or MPS.
<u>Physical deficiencies</u> or adverse conditions	<ul style="list-style-type: none"> Enter an "X " in the applicable box indicating whether or not there are any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property. If the response is "No", no explanation is required or needed. However, if the response is "Yes", an explanation is required and, if necessary, condition the appraisal on the "repair or alteration of the condition" or a "required inspection" by appropriately qualified individuals or entities, which may include professional engineers, tradespersons, HUD Fee Inspectors. <p>Lead-Based Paint Hazard</p> <ul style="list-style-type: none"> If the home was built before 1978, this may indicate a lead paint hazard. For all FHA insured properties, correction is required to all defective paint in or on structures and/or property improvements built before January 1, 1978 in accordance with 24 CFR Part 35. Observe all interior and exterior surfaces, such as walls, stairs, deck porch, railing, windows or doors for defective (chipping, flaking or peeling) paint. (Exterior surfaces include surfaces on fences, detached garages, storage sheds and other outbuildings and appurtenant structures.). Note any areas affected (be specific) and condition the appraisal on their repair.
Property conformity	<ul style="list-style-type: none"> Enter an "X " in the applicable box indicating whether or not the subject generally conforms to the neighborhood (functional utility, style, condition, use, construction, etc.). If the response is "Yes", no explanation is required or needed. However, if the response is "No", an explanation is required.

Section 6 – Sales Comparison Analysis

Comparable Data Pool

The appraiser is required to report the number of comparable properties currently offered for sale, as of the effective date of the appraisal, and the number of comparable sales in the subject neighborhood, within 12 months of the effective date of the appraisal, in this section. Unlike the neighborhood price data, which includes all sales, this section focuses only on those properties that are comparable to the subject, not the universe of sales.

If there was difficulty in locating comparable properties, i.e. the subject is a "rambler" or "rancher" and one or more of the comparable properties was a "split level" or "split foyer", etc., then for purposes of this section, all such properties in the subject's neighborhood are to be treated as comparable and counted.

Field	Protocol
Comparable properties offered for sale	Enter the number of comparable properties currently offered for sale, including those under contract, within the subject neighborhood together with the price range.
Comparable sales	Enter the number of comparable sales that occurred within the 12-month period preceding the effective date of the appraisal, and within the subject neighborhood, together with the price range.

Enter factual data in each field or line.

Field	Protocol
Address	<ul style="list-style-type: none"> Enter the address that can be used to locate each property. Enter community, if needed, to identify property. For rural properties, list location by road name, nearest intersection and/or side road.
Proximity to Subject	<ul style="list-style-type: none"> Enter proximity in straight-line distance and direction. For example, "1.5 miles NE" or "3 blocks south". If comparable distance from the subject is more than a generally accepted distance, or located outside the defined neighborhood boundaries, be sure to explain why the sale is applicable in the "Summary of Sales Comparison Approach" section.
Sale Price	<ul style="list-style-type: none"> Enter the purchase price (total paid) for the subject and each of the comparable sales. This means the closed or settled price of the comparable sale. If the appraisal involves a refinance of the subject, enter "Refi" as the subject's sale price.
Sale Price / Gross Liv. Area	<ul style="list-style-type: none"> Enter price per square foot for the above grade living area for the subject, if a purchase transaction, and each comparable sale.
Data Source(s)	<ul style="list-style-type: none"> Enter data source(s) used for sales and property information.
Verification Source (s)	<ul style="list-style-type: none"> Enter verification source(s), the document or party from which the additional proof was obtained. MLS by itself is not considered a verification source. Contacting someone with first-hand knowledge of the transaction (agent, broker, buyer, seller, etc.), especially where it involves confirmation of seller concessions, is the preferred method of verification. A single source may be used if the quality of data is such that sales data are confirmed and verified by settled transactions. Information provided should permit the reader of the report to locate the data from the sources cited.
Verification Source (s)	<ul style="list-style-type: none"> Do not use, as market data, sales that are not verified and adjusted to reflect the terms and conditions of sale.

Value Adjustments

Adjustments are made to the price of the sale properties for price-influencing dissimilarities between each sale and

the subject property. Not all dissimilarities require adjustment because not all dissimilarities achieve price differentials in the market. All adjustments must be extracted from and supported by the actions of the market.

For each adjustment item, enter the description of the adjustment and whether it is an upward or downward adjustment. Do not make an adjustment unless it has a material effect on value.

Be careful that adjustments are reasonable and not excessive. If a property is overvalued, there is a high probability that the reason can be traced to an excessive adjustment made in one or more of the areas above the room count line. Make adjustments only if the dissimilarity has a noticeable effect on the value. Small differences do not usually require adjustments.

Field	Protocol
Sales or Financing Concessions	<ul style="list-style-type: none"> Report the type of financing such as Conventional, FHA or VA, etc. Report the type and amount of sales concession for each comparable sale listed. If no concessions exist, the appraiser must note "none." The appraiser is required to make market-based adjustments to the comparable sales for any sales or financing concessions that may have affected the sales price. The adjustment for such affected comparable sales must reflect the difference between the sales price with the sales concessions and what the property would have sold for without the concessions.
Date of Sale / Time	<ul style="list-style-type: none"> State month and year of settlement. Showing the contract date and settled date is also acceptable. Time adjustments, if any, must be supported by the market and consistent with the neighborhood market conditions noted. If this is the case, show both the contract date and settled date as any time adjustment should be calculated using the contract date (meeting of the minds) rather than the settled date. Explanation is required for any time adjustments.
Location	<ul style="list-style-type: none"> Enter the name of the subdivision or PUD. If none is applicable enter the neighborhood name that is commonly used to refer to the property's location or, Location adjustments may be warranted for positive or negative factors that influence sales price such as a busy street versus a quiet street rather than using the name of the community or subdivision. Explain any adjustments made in this area.
Leasehold / Fee Simple	<ul style="list-style-type: none"> State whether the property was sold as Fee Simple or as a Leasehold Estate. An adjustment is required if the estate differs from the rights appraised for the subject property.
Site	<ul style="list-style-type: none"> Enter the site size in square feet or acreage. Make adjustments only for measurable differences. Small differences in lot sizes do not usually call for an adjustment if the size is typical. If necessary, consider the possibility of excess or surplus land.
View	<ul style="list-style-type: none"> Describe the view from the site, i.e. similar homes, commercial area, water view, scenic view, etc. Such terms as "Average" or "Good" are only to be used as adjuncts, i.e. "Residential/Average", "Water view/Good". Make adjustments only if the view is superior or inferior to the subject. If the subject has a superior view and adjustments are made, a photograph of the view amenity is recommended; likewise for an inferior view.
Design (Style)	<ul style="list-style-type: none"> Enter the style according to a description used by local custom. Be consistent with improvement description.
Quality of Construction	<ul style="list-style-type: none"> Enter "Good", "Average", "Fair", etc. using the quality rating from your cost service subscription or provider. Adjustments may also be warranted for interior construction quality and should be explained. For example, the second floor of a 1-½ story home finished with lower grade

	materials and finish compared to first floor.
Actual Age	<ul style="list-style-type: none"> Enter only the actual age of the subject and each comparable sale.
Condition	<ul style="list-style-type: none"> Enter the condition of the subject and comparable sales. Ratings to be used are: "New", "Good", "Average", "Fair" and "Poor" or a combination if more accurate. Consider required repairs or alterations, to the subject, completed when determining the need for adjustments to the comparable sales.
Above Grade Room Count	<ul style="list-style-type: none"> Enter room count, consistent with the description of improvements on the front of the appraisal form. Up to three adjustments may be entered: <ul style="list-style-type: none"> The first line is for bathroom count differences. A deficiency or surplus in the number of baths should be adjusted first. The second line adjustment is for room count. The third is for a difference in square footage. Explain any comparable property that has an adjustment in both square feet and room count.
Gross Living Area	<ul style="list-style-type: none"> Enter the total square footage of the above grade living areas. Adjust for market recognized differences where warranted.
Basement & Finished Rooms Below Grade	<ul style="list-style-type: none"> Provide total square footage of basement area and/or enter percentage of basement in relation to first floor area. Enter the type of rooms below grade: bedroom, recreation room, laundry, full bath, etc. Explain any special features or finishes in the "Summary of Sales Comparison Approach." If no basement, enter none or " N/A"
Functional Utility	<ul style="list-style-type: none"> Enter "Average", "Superior" or "Inferior" as a total of the items rated in the Improvement Analysis compared to the subject. Use the "Summary of Sales Comparison Approach" to explain differences. Adjust for functional obsolescence observed in the subject, and not found in the comparables. Floor plan of the subject is required when functional obsolescence is attributable to layout or poor floor plan.
Heating / Cooling	<ul style="list-style-type: none"> Enter type of heating and cooling systems, e.g. Gas FWA C/Air. Any adjustment for differences in heating and cooling systems should be based on market expectations.
Energy Efficient Items	<ul style="list-style-type: none"> Describe energy efficient items: storm windows and doors, solar installations, replacement windows, etc. and enter an adjustment for differences if warranted. If none, so state.
Garage / Carport	<ul style="list-style-type: none"> Enter description of garage/carport. Calculate adjustments in accordance with market acceptance of carport value versus garage and size (one car, two cars, etc.).
Porch, Patio, Deck	<ul style="list-style-type: none"> Enter these features for the subject and comparable sales if they exist. Base any adjustments on local market expectations.
Blank Lines	<ul style="list-style-type: none"> Three blank lines are provided for the appraiser's use to describe additional amenities, features or individual characteristics not listed or addressed elsewhere in the sales grid, e.g. woodstove, fireplace, fencing, pool or other. Enter appropriate adjustments. For example, a pool located in an area that expects pools might bring a dollar premium in comparison to a comparable without a pool.
Net Adjusted (Total)	<ul style="list-style-type: none"> Mark either [+] or [-] box to indicate if the total net adjustments will increase or decrease the value and note by how much. If any adjustment is excessive, review the

	<p>comparable sales to determine if the best ones were selected. If the total adjustments appear excessive in relation to the sale price; the appraiser should reexamine the comparability of that sale.</p> <ul style="list-style-type: none"> • Explain any adjustment that appears to be excessive.
Adjusted Sale Price of Comparables	<ul style="list-style-type: none"> • Total all of the adjustments and add them to or subtract them from the sales price of each comparable. Generally, adjustments should not exceed 10% for line items, 15% for net adjustments and 25% for gross adjustments. If any adjustments exceed stated guidelines an explanation must be provided including reasons for not using more similar comparable sales.
Research sale or transfer history of subject & comps	<ul style="list-style-type: none"> • Enter an "X " in the applicable box indicating whether you "did" or "did not" research the sale or transfer history of the subject property and comparable sales. If not, provide explanation.
Research prior sales or transfers of subject property	<ul style="list-style-type: none"> • Enter an "X " in the applicable box indicating whether your research "did" or "did not" reveal any <u>prior sales</u> or transfers of the subject property for the <u>three years</u> prior to the effective date of this appraisal.
Data Source(s)	<ul style="list-style-type: none"> • Enter data source(s) used for sales and transfer information. • Appraisers are to be familiar with the data source(s), e.g. how the data is gathered and how often it is updated
Research prior sales or transfers of comparable sales	<ul style="list-style-type: none"> • Enter an "X " in the applicable box indicating whether your research "did" or "did not" reveal any <u>prior sales</u> or transfers of the comparable sales <u>for the year prior to the date of sale of the comparable sale</u>.
Data Source(s)	<ul style="list-style-type: none"> • Enter data source(s) used for sales and transfer information. Two sources are recommended for researching prior sales and transfers, local MLS and local public records at a minimum. • Appraisers should be familiar with the data source(s), e.g. how the data is gathered and how often it is updated.

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales in the "Additional Comments" section or an addendum).

Field	Protocol
Date of Prior Sale / Transfer	<ul style="list-style-type: none"> • Report the date(s) of prior sale(s) or transfer(s) of the subject that occurred within three years of the effective date of the appraisal. • Report the date(s) of prior sale(s) or transfer(s) of each comparable sale for the year prior to the date of the comparable sale.
Price of Prior Sale / Transfer	<ul style="list-style-type: none"> • Report the price of the prior sale(s) or transfer(s) of the subject that occurred within three years of the effective date of the appraisal. • Report the price of the prior sale(s) or transfer(s) of each comparable for the year prior to the date of the comparable sale.
Data Source(s)	<ul style="list-style-type: none"> • Identify data source(s) used.
Effective Date of Data Source(s)	<ul style="list-style-type: none"> • Enter the date the data was published or updated by the source. For example, the local MLS may update their database multiple times during the week or month whereas property transfers recorded at the local land records office may take six or eight weeks after settlement. The property transfer records may have an effective date that is eight weeks earlier than the appraisal date and the MLS data is within one week of the

appraisal date.

Narrative Comments

Field	Protocol
Analysis of prior sale or transfer history of subject and comparable sales	<ul style="list-style-type: none">• Provide analysis of prior sale or transfer history of the subject and comparable sales.• Analysis may address changes in property conditions between sale dates or verifying if prior sale was an arm's-length transaction.
Summary of Sales Comparison Approach	<ul style="list-style-type: none">• Explain comparable selection and any necessary explanation of adjustments.• Explain any adjustments exceeding guidelines.• Explain which comparable sale or sales is/are given most weight or consideration and why.
Indicated Value by Sales Comparison Approach	<ul style="list-style-type: none">• Enter the Indicated Value

Section 7 – Reconciliation

The appraiser should consider all appropriate approaches to value and all information relevant to the subject property and the market conditions in the opinion of market value.

If there is insufficient space in the reconciliation section to list and describe any "repairs, alterations or required inspections" noted, then the appraiser is instructed to insert a reference in the reconciliation section "see **Additional Comments** section on the next page" and list and describe the items under the heading "**Repairs, Alterations, Required Inspections**". If necessary, due to space limitations, use an addendum with the same heading.

Field	Protocol
Indicated Value by:	<ul style="list-style-type: none">• Enter the Indicated Value for each of the approaches to value developed. If the approach was not developed, enter "ND or "Not Dev" for not developed.• Reconcile the three approaches to value with a brief description of the validity of each approach with respect to the appraisal assignment.

This appraisal is made

Field	Protocol
Mark this box "as is"	when: <ul style="list-style-type: none">• There is/are no repair(s), alteration(s) or required inspection condition(s) noted.• Establishing the "as is" value for a regular 203(k) when needed.• The property is ineligible for FHA financing and is being rejected.

This appraisal is made

Field	Protocol
Mark this box "per plans & specs"	when the appraisal involves: <ul style="list-style-type: none">• Proposed construction, or• Under construction, less than 90% complete, or a• 203(k) with a Plan Review and Specification of Repairs prepared by a 203(k)

Consultant.

This appraisal is made

Field	Protocol
Mark this box "subject to repairs or alterations"	when the appraisal involves existing housing, or new construction more than 90% complete with only buyer preference items remaining (floor coverings, appliances, landscaping packages (soil must be stabilized to prevent erosion)), requiring repairs or alterations to: <ul style="list-style-type: none">• Protect the health and safety of the occupants• Protect the security of the property• Correct physical deficiencies or conditions affecting structural integrity• Complete buyer preference items for new homes, or to• Complete repairs/improvements noted in work order or contractor estimates for the Streamline K• Meet FHA Minimum Property Requirements
The appraiser must indicate the extent of repairs and note this in the appropriate section of the appraisal, or in the "additional comments" section, or in an addendum, under the heading of "Reconciliation – Required Repairs" listing the repairs noted together with an estimated cost to cure.	

This appraisal is made

Field	Protocol
Mark this box "subject to a required inspection"	when the appraisal calls for a required inspection to: <ul style="list-style-type: none">• Certify the condition and/or status of a mechanical or structural element of the property• Protect the health and safety of the occupants• Protect the security of the property• Meet FHA Minimum Property Requirements or Minimum Property Standards
The appraiser must indicate the reasoning for any required inspections and note this in the appropriate section of the appraisal, or in the "additional comments" section, or in an addendum, under the heading of "Reconciliation – Required Inspection " listing the required inspections.	
The value "subject to completion per plans and specifications", "subject to the following repairs or alterations", or "subject to the following required inspection" must be consistent with the subject property condition(s) described.	
Opinion of Market Value	<ul style="list-style-type: none">• Enter the opinion of Market Value
Final Reconciliation	<ul style="list-style-type: none">• This entry should contain the appraiser's reasoning for arriving at the final value.
Date of Value	<ul style="list-style-type: none">• Enter the date when the property was inspected.

More than one box may be marked in the reconciliation section depending on the assignment and property conditions.

Section 8 – Additional Comments

These comment lines provide additional space for the appraiser to fully describe any item, area or condition where the commentary exceeds the space provided in other sections of the report. It is recommended that any information carried forward to the additional comments section, or an addendum if needed, follow the sequence of the form with a proper heading identifying said section.

For example, the neighborhood "market conditions" comments exceed the space provided on the form. In that

case, on page one in neighborhood market conditions enter "See additional comments", in the "additional comments" section enter the heading "Neighborhood Market Conditions" and provide the narrative in this section.

Follow the same procedure for any section of the report where commentary exceeds space provided. This will provide the reader with the proper identification and linkage of additional comments together with a logical flow of information in a standardized reporting format.

Section 9 – Cost Approach

If the subject property is new construction (less than one year old), or the Cost Approach is recognized in the market as a basis for pricing, the appraiser may complete the Cost Approach; however, it is not required for an FHA appraisal. If, however, the subject is a unique property, has specialized improvements, is manufactured housing, or the client requests the Cost Approach be completed, then the Cost Approach is required and must be completed. The square foot method is to be used.

- State the Remaining Economic Life as a single number or as a range. This line must be completed for every FHA appraisal whether or not the cost approach is completed. An explanation is required if the remaining economic life is less than 30 years.

Cost Approach To Value	
Provide adequate information for the lender/client to replicate the below cost figures and calculations.	
Field	Protocol
Support for opinion of site value	<ul style="list-style-type: none"> • Provide a summary of the comparable land sales or other methods (abstraction, allocation, land residual, extraction) of estimating site value in support of the opinion of site value.
Reproduction or Replacement Cost	<ul style="list-style-type: none"> • Mark the box indicating which cost estimating method was used • Reproduction Cost – exact duplicate with all deficiencies and obsolescence • Replacement Cost – cost at current prices with equivalent utility.
Source of Cost Data	<ul style="list-style-type: none"> • Provide the name of the cost service and reference page numbers of cost tables or factors. Reviewer or reader must be able to replicate.
Quality Rating	<ul style="list-style-type: none"> • Enter the quality rating of the cost tables or factors referenced.
Effective Date	<ul style="list-style-type: none"> • Enter the edition and date of latest updates referenced.
Comments	<ul style="list-style-type: none"> • Describe how physical depreciation was calculated • Describe functional or external obsolescence, • Enter gross living area calculations or refer to property sketch.
Economic Life	<ul style="list-style-type: none"> • Enter remaining economic life of improvements (required for all FHA appraisals).
Opinion of Site Value	<ul style="list-style-type: none"> • Enter the Opinion Of Site Value
Dwelling Sq. Ft. @ \$	<ul style="list-style-type: none"> • Enter the GLA, multiply it by the square foot factor – enter result.
Basement Sq. Ft. @ \$	<ul style="list-style-type: none"> • Enter basement square feet, multiply it by square foot factor – enter result.
Blank Line	<ul style="list-style-type: none"> • Use this line for lump sum adjustments for plumbing fixtures, dormers, fireplaces, built-in appliances, pools, etc. Add together – enter the sum.
Gar/Crprt Sq. Ft @ \$	<ul style="list-style-type: none"> • Enter the car storage square feet, multiply it by square foot factor – enter result.
Total Cost New	<ul style="list-style-type: none"> • Add the results of the first five lines together – enter the sum.
Less Depreciation	<ul style="list-style-type: none"> • Enter the amount of estimated depreciation as a specific dollar amount, as a percentage

	or as a combination of both. Entries made in either functional or external depreciation require explanation in the comments section. Add together all forms of depreciation – enter the sum and deduct this total from the total cost new.
Depreciated Cost	<ul style="list-style-type: none"> Enter the difference from the total cost new less depreciation.
"As-is" Value of Site Improvements	<ul style="list-style-type: none"> Enter the "as-is" value of site improvements
Blank Line	<ul style="list-style-type: none"> Enter marketing costs here; generally averages 6%. Also, if applicable, identify and include impact fees.
Indicated Value	<ul style="list-style-type: none"> Add together depreciated cost of improvements, "as-is" value of site improvements, marketing expense and/or impact fees – enter the total.

Section 10 – Income Approach

In a single-family residential property, the Income Approach is generally not recognized as a basis for buying by the market. The approach typically provides minimal applicability in the opinion of market value. Therefore, the Income Approach is not required for FHA appraisals completed on the Uniform Residential Appraisal Report, Fannie Mae Form 1004.

Income Approach To Value (not required for FHA appraisals)	
Field	Protocol
Income Approach	<ul style="list-style-type: none"> Enter "N/A" in each blank field in this section of the report.

Section 11 – PUD Information

A PUD is a project that includes common property and improvements owned and maintained by an owners' association for the use and benefit of the individual units in the subdivision. If not applicable, leave blank.

Project Information for PUDs (if applicable)	
Field	Protocol
Developer/ Builder in control of HOA	<ul style="list-style-type: none"> Enter an "X" in the box indicating whether or not the developer/builder is in control of the Home Owners' Association (HOA).
Unit Type(s)	<ul style="list-style-type: none"> Enter an "X" in the box indicating unit type, Detached or Attached.

Provide the following information for PUDs only if the developer is in control of the HOA and the subject property is an attached dwelling unit.

The information requested is self-explanatory. Appraisers may choose to answer the last question referencing common elements and recreational facilities in support of a location adjustment regardless of dwelling style.

Field	Protocol
Legal name of project	
Total number of phases	Total number of units
Total units rented	Total number of units sold
Total units for sale	

Data source(s)	• Provide source(s) of information, e.g. HOA board, management company, etc.
Was the project created by the conversion of an existing building(s) into a PUD? If Yes, date of conversion.	
Does the project contain any multi-dwelling units? Yes No Data source(s)	
Are the units, common elements, and recreation facilities complete? Yes No If no, describe the status of completion.	
Describe common elements and recreational facilities.	

Uniform Residential Appraisal Report (Fannie Mae Form 1004 March 2005)

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/APPENDIX D: VALUATION PROTOCOL (01/06)/D-2: Manufactured Home Appraisal Report (01/06)

D-2: Manufactured Home Appraisal Report (01/06)

This section provides specific instructions for completing the Manufactured Home Appraisal Report (Fannie Mae Form 1004C March 2005).

This report form is designed to report an appraisal of a one-unit manufactured home; including a unit in a planned unit development (PUD), based on an interior and exterior inspection of the subject property. This form is not designed to report an appraisal of a conventionally constructed "stick" or "site" built home or a unit in a condominium or cooperative project. Manufactured homes within a condominium regime or a cooperative project are not eligible as collateral for a FHA-insured loan.

A manufactured home is defined as a structure that is transportable in one or more sections. In the traveling mode, the home is eight feet or more in width and forty feet or more in length and is built on a permanent chassis and designed to be used as a dwelling when connected to the required utilities, which includes the plumbing, heating, air-conditioning and electrical systems contained therein. A manufactured home is designed and constructed to the Federal Manufactured Home Construction and Safety Standards (MHCSS) as evidenced by an affixed certification label. Manufactured homes may also be referred to as mobile homes, sectionals, multi-sectionals, double-wides, triple-wides or single wides. Modular housing is built to the local/state codes and is not to be considered manufactured housing. When erected on site, to be eligible for FHA insurance the manufactured home is:

- Built on or after June 15, 1976 based on MHCSS,
- At least 400 square feet in gross living area,
- Built and remains on a permanent chassis,
- Designed to be used as a dwelling with a permanent foundation which is designed and constructed to HUD/FHA criteria and,
- Have a HUD Certification Label/Seal affixed to the exterior of the home.

Appraisers are reminded to pay particular attention to Appraiser's Certifications #8 and #11 of the Manufactured Home Appraisal Report and the Competency Rule of USPAP which addresses an appraiser's familiarity with a specific property type.

Section 1 – Subject

This section provides the factual data to identify the property and the parties to the appraisal process. The *FHA case number together with *borrower and/or *property information will be supplied by the lender/client who engages the appraiser.

Field	Protocol

*File Number	<ul style="list-style-type: none"> • Insert the FHA Case Number at the top right corner of the page. • The FHA appraisal may not be transmitted to the lender without a case number.
*Property Address	<ul style="list-style-type: none"> • Enter the property street number and name, city, state and zip code for the property. A post office box number is not acceptable. Enter the nearest intersection if a house number is not available.
*Borrower	<ul style="list-style-type: none"> • Enter the name of the borrower/mortgagor.
Owner of Public Record	<ul style="list-style-type: none"> • Enter the name of the owner as listed in public records. If the seller is not the owner of public record the appraiser must explain.
County	<ul style="list-style-type: none"> • Enter the name of the county in which the property is located. It further provides locational parameters. If not applicable enter "N/A".
Legal Description	<ul style="list-style-type: none"> • Enter the legal description of the property. The four types of legal descriptions are: lot and block system, geodetic survey, government survey system and metes and bounds system. If the space provided is insufficient, enter this information with the heading "Legal Description" in the "Additional Comments" section of the form report or attach this information as an addendum.
Assessor's Parcel #	<ul style="list-style-type: none"> • Enter the parcel number assigned by the local tax assessor. For those areas that do not have an assessor's parcel number, enter the tax identification number.
Tax Year	<ul style="list-style-type: none"> • Enter the current tax year used by the locale, e.g. fiscal year or actual year.
R. E. Taxes \$	<ul style="list-style-type: none"> • Enter the dollar amount of the annual real estate taxes, including all relevant taxes (school district tax, fire district tax, etc.). Manufactured homes must be taxed as real estate to be eligible for Title II FHA insurance.
Neighborhood Name	<ul style="list-style-type: none"> • Enter the name of the subdivision, if applicable, or the commonly known local neighborhood designation. If the subject property is in a planned unit development or manufactured housing park, provide the name of the development.
Map Reference	<ul style="list-style-type: none"> • Enter location map reference, page number and coordinates, from source used. This reference should relate to the location maps most commonly used in the locale.
Census Tract	<ul style="list-style-type: none"> • Enter the census tract number. The census tract number must be provided. • Census tract numbers have four digits and may have a two digit decimal suffix. Where the basic census tract number is less than four digits, the Census Bureau includes leading zeros except when displaying numbers on maps or printed reports. To uniquely identify a census tract, a two-digit state code and three-digit county code precede the four-or six-digit census tract number. The Census Bureau has an internet resource guide for locating census information. It can be found at URL: www.census.gov
Occupant	<ul style="list-style-type: none"> • Mark the box signifying the occupancy status at the time of the appraisal. If vacant, the appraiser should note in the "Improvements" section under "condition of property" whether the utilities were on or off at the time of the appraisal. If off, condition the appraisal on a satisfactory re-inspection that the utility that was off at the time of the appraisal does not require alteration, repair or further inspection.
Special Assessments \$	<ul style="list-style-type: none"> • Report the dollar amount of special assessments for the subject property, if any, and provide a brief explanation for the assessment. Special assessments can include municipal bond debt for off-site improvements. Larger than typical special assessments may affect marketability. If not applicable enter "N/A".
PUD HOA\$	<ul style="list-style-type: none"> • Enter the dollar amount of the HOA fee and mark the box indicating if the fees are paid "per year" or "per month".

Property Rights Appraised	<ul style="list-style-type: none"> Mark the appropriate box indicating the property rights appraised for the subject property as of the date of the appraisal. "Other" includes Land Trust.
Assignment Type	<ul style="list-style-type: none"> Mark the appropriate box indicating the assignment type.
Lender/Client	<ul style="list-style-type: none"> Enter the name of the lender/client who ordered and will receive the appraisal report. After the client's name add "its successors or assigns". The use of the appraisal is to support FHA's decision to provide mortgage insurance on the real property that is the subject of the appraisal; therefore, intended users include the lender/client and FHA. Enter the lender/client's address.
Address	
Currently offered for sale or offered for sale in last 12 months.	<ul style="list-style-type: none"> The appraiser's certification states in part "I have researched, verified, analyzed and reported on any current agreement of sale of the subject property, any offering for sale of the subject property in the twelve months prior to the effect date of the appraisal..." Mark the appropriate box indicating whether the subject is currently offered for sale or has been offered for sale in the 12-month period prior to the effective date of the appraisal. If there are multiple actions, report each instance. Research may reveal an expired or withdrawn listing. The prior listing may provide a good indication of the upper limit of value.
Report data source (s) used, offering price(s), and date (s)	<ul style="list-style-type: none"> Complete this field regardless of whether the property is currently offered for sale or has been for sale in the 12 months preceding the date of the appraisal. Identify source(s) used, price(s) and date(s) of current or prior listings.

Section 2 - Contract

This section must be completed when the appraisal assignment involves a purchase transaction, otherwise enter "N/A" for not applicable. FHA requires that the appraiser be provided with a complete copy of the ratified sales contract, including all addenda, for the subject property. It provides the agreed-on contract price (accepted offer), date of sale, and all financial terms implicit in the offer. If unable to obtain this information, the appraiser is to state what efforts were made to obtain it.

Field	Protocol
Analyze Contract of Sale	<ul style="list-style-type: none"> Explain the results of the analysis (terms and conditions) of the contract of sale or why the analysis was not performed. The analysis may include a reference to the number of pages contained in the contract for sale provided. The analysis should include a description of any non-realty items included in the contract
Contract Price \$	<ul style="list-style-type: none"> Enter the final agreed upon contract price for purchase transaction. If the manufactured home is new construction, does the contract price include: all delivery, installation and setup costs.
Date of Contract	<ul style="list-style-type: none"> Enter the date of the contract. This is the date when all parties have agreed to the terms of, and signed the contract.
Is The Property Seller The Owner of Public Record	<ul style="list-style-type: none"> Mark the appropriate box indicating whether or not the seller is the owner of public record. The appraiser is instructed to contact the lender/client if the seller is someone other than the owner of record. The property may not be eligible for FHA financing if it involves flipping (resale in less than 90 days). The lender will make a determination for any exceptions to FHA's Flipping Rule and advise the appraiser. Report where the information was obtained.
Data Source(s)	

Sales Concessions Downpayment Assistance	<ul style="list-style-type: none"> Mark the appropriate box indicating whether or not there is any financial assistance (loan charges, sales concessions, gift or down payment assistance, etc.) paid by any party on behalf of the borrower. If necessary, use the "Additional Comments" section of the appraisal reporting form or an addendum and enter the heading "Sales Concessions" completing the description. If yes, the appraiser is to report the total dollar amount and describe the items to be paid. If the sale involves personal property (e.g. above ground pool, lawn mower, furniture, etc.) it should be identified and excluded from the valuation.
Manufacturer's Invoice	<ul style="list-style-type: none"> Applies only to new construction (initial sale from manufacturer). Mark the appropriate box and explain the results of the analysis (terms and conditions) of the manufacturer's invoice or why the analysis was not performed. If the invoice is not available, the appraiser is to note the unavailability.
Retailer's Name	<ul style="list-style-type: none"> Applies only to new construction (initial sale from manufacturer). Provide name of retailer or distributor who sold unit.

Section 3 – Neighborhood

This section should reflect the area surrounding the subject property. The appraiser must observe neighborhood characteristics and surrounding properties to make determinations that will be incorporated into the valuation of the subject property. In all instances, the appraiser must mark the appropriate box for each line in neighborhood characteristics and housing trends. Failure to note conditions that may adversely affect the value of the property is poor appraisal practice and violates the Uniform Standards of Professional Appraisal Practice.

NOTE: Race and the racial composition of the neighborhood are not appraisal factors.

Neighborhood Characteristics	
Field	Protocol
Location	<ul style="list-style-type: none"> Enter the type of area surrounding the subject property. Urban – relates to a city Suburban – relates to an area adjacent to a city Rural – relates to the country or beyond the suburban area
Built-up	<ul style="list-style-type: none"> Enter the built-up percentage – the percentage of available land that has been improved. Land such as a state park would not be considered available land.
Growth	<ul style="list-style-type: none"> Enter the growth rate. If many lots are available, the growth rate may be rapid, stable or slow, but if the neighborhood is fully developed, select the "stable" box.

Manufactured Housing Trends	
Field	Protocol
Property Values	<ul style="list-style-type: none"> Mark the box describing the current trend in property values for manufactured housing in the community. Comparing manufactured housing units that have been sold and resold in recent years is an effective way to determine market trends. Appraisers who use this method, however, should make sure to factor in any improvements or changes made to the property between sales. If the subject property is one of few manufactured homes in the neighborhood, indicate this scarcity in market conditions, identify the most predominant housing type within neighborhood and address trends in value for that identified type.
Demand/Supply	<ul style="list-style-type: none"> Mark the appropriate demand/supply trend. To determine the equilibrium status of supply and demand in the neighborhood, compare the number of houses sold to the

	<p>number of houses listed for sale in a recent time period. The similarity or difference between the number of houses sold and listed, not the absolute numbers, should determine the demand/supply level.</p> <ul style="list-style-type: none"> If the subject property is one of few manufactured homes in the neighborhood, indicate this scarcity under market conditions, identify the most predominant housing type within neighborhood and address trends in demand/supply for that identified type.
Marketing Time	<ul style="list-style-type: none"> Mark the appropriate marketing time – the typical length of time a property most similar to the subject property would have to stay on the market before being sold at a price near its market value.

Manufactured Housing	
Field	Protocol
Price Age	<ul style="list-style-type: none"> Indicate the low and high neighborhood prices and ages as well as the predominant value and age of manufactured housing. The high and low for both price and age should exclude the extreme. If the subject property is one of few manufactured homes in the neighborhood, indicate this paucity under market conditions, identify the most predominant housing type/style within neighborhood and address prices and ages for that identified type.

Present Land Use %	
One-Unit, 2-4 Unit, Multi-Family, Commercial, Other	<ul style="list-style-type: none"> Estimate each type of land usage in the neighborhood. If there is no land in the neighborhood with one of the designated classifications, enter a "0". If a portion of the land consists of parks or other unspecified classifications, enter the estimated percentages on the "Other" line and explain in the neighborhood description section.
Neighborhood Boundaries	<ul style="list-style-type: none"> The appraiser must clearly define the boundaries – north, south, east and west – of the subject's neighborhood. Providing a description of neighborhood boundaries by physical features such as streets, rail lines, other man-made barriers or well defined natural barriers (i.e. rivers, lakes, etc.) details the make up and understanding regarding neighborhood composition.

Neighborhood Narrative	
Neighborhood Description	<ul style="list-style-type: none"> Discuss factors that would attract residents or cause them to reject the neighborhood. These are typical factors important to discuss: <ul style="list-style-type: none"> Level of maintenance and condition of homes Housing styles, ages, sizes, etc. Land uses Proximity to employment and amenities, including travel distance and time to local employment sources and community amenities Employment stability, in terms of variety of employment opportunities and industries Overall appeal of the neighborhood as compared to competitive neighborhoods in the same market Convenience to shopping with respect to distance, time and required means of transportation Convenience to schools in terms of the distance and time for travel to school
Market Conditions (including support for the above)	<ul style="list-style-type: none"> Provide relevant information in support of conclusions relating to trends in property values, demand/supply and marketing time. Provide a description of the prevalence and impact of sales and financing concessions

conclusions)	<p>and/or down payment assistance in the subject's market area.</p> <ul style="list-style-type: none"> Other areas of discussion may include days on market, list to sale price ratios, and/or financing availability.
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Section 4 – Site

This information provides the description of the land underlying the subject property. Insert factual information on each of the lines provided and report the conclusions as directed. Consider all aspects of the physical description and reconcile them in the opinion of market value. This section of the appraisal requires the appraiser to consider any adverse site conditions or adverse external factors that may impact value.

Field	Protocol
Dimensions	<ul style="list-style-type: none"> List all dimensions of the site beginning with the frontage. If the shape of the site is irregular, show the boundary dimensions (85' X 150' X 195' X 250'), or attach a property survey, site plan or plat or legal description with the comment, "see attached _____." Do not list site area on the dimensions line.
Area	<ul style="list-style-type: none"> Enter the site area in square feet or acres. This entry must be consistent with the dimensions provided in the "Dimensions" field.
Shape	<ul style="list-style-type: none"> Describe the shape of the site, e.g. triangular, square, rectangular, irregular, flag lot.
View	<ul style="list-style-type: none"> Briefly describe the view from the property (None is not an acceptable response). Identify a view with a significant positive or negative influence on the value. Photographs are recommended for any negative or positive view influences affecting value or marketability.
Specific Zoning Classification	<ul style="list-style-type: none"> Enter the specific zoning classification used by the local municipality or jurisdiction, e.g., R-1 If none exist enter "None Exist".
Zoning Description	<ul style="list-style-type: none"> Describe what the specific classification means. Include a general statement describing what the zoning permits. For example: R-1 = Residential-Single Family If "None Exists" describe the prevalent use of sites in the neighborhood.
Zoning Compliance	<ul style="list-style-type: none"> Determine whether the current use is in compliance with the zoning ordinances. Mark the box indicating whether the use is Legal, Legal Non-Conforming (Grandfathered Use), No Zoning, or Illegal Use. If the existing property does not comply with all of the current zoning regulations (use, lot size, improvement size, off street parking, etc.) but is accepted by the local zoning authority, enter "Legal Non-Conforming" and provide a brief explanation. If the use is not legal, the property is not eligible for FHA mortgage insurance.
Highest and Best Use	<ul style="list-style-type: none"> Mark the appropriate box. This entry represents the highest and best use of the site, as improved, in relation to the neighborhood and current market conditions. If current use represents the highest and best use, mark "yes". If it does not, mark "no" and provide a detailed explanation.
Utilities	<ul style="list-style-type: none"> Mark either "Public" or "Other." If "Other" is marked, describe. Public utilities mean governmentally supplied and regulated. Public does not include any community systems sponsored, owned or operated by the developer or a private company not subject to government regulation or financial assistance. Note if there are mechanical chlorinators or water-flow that decreases noticeably while running simultaneous plumbing fixtures. Visually inspect the septic system and its surrounding area. If there are obvious or readily observable signs of system failure, "require inspection" to ensure that the system is in proper working order.

	<p>Note: The appraiser shall indicate whether a public water or sewage disposal system is available to the site. If available, connection must be made to public or community water/sewage disposal system if connection costs are reasonable. The lender will determine whether connection is feasible.</p>
Off-site Improvements– Type	<ul style="list-style-type: none"> Briefly describe the off-site improvements under "Type" and mark Public or Private. For example: "Street-Asphalt; Public", "Alley-None" Public refers to an improvement dedicated to and accepted by a unit of government – not including Home Owner's Associations.
FEMA Special Flood Hazard Area	<ul style="list-style-type: none"> FEMA (Federal Emergency Management Agency) is responsible for mapping flood hazard areas. If the property is within a Special Flood Hazard Area, mark "YES". Otherwise, mark "NO". Attach a copy of the flood map panel for properties located within an identified flood hazard area. <p>Note: To be eligible for FHA-insurance, the finished grade level beneath a manufactured home must be at or above the 100-year return frequency elevation. If the site supporting a manufactured home is within a FEMA designated flood hazard area, the lender should order a FEMA Elevation Certificate to determine whether the manufactured home qualifies for FHA-insurance.</p>
FEMA Flood Zone	<ul style="list-style-type: none"> Enter the FEMA Zone designation. Only properties within Special Flood Hazard Areas, such as zones "A" a special flood hazard area and "V" a coastal area, require flood insurance. Zones "B" "C" and "X" do not.
FEMA Map # and FEMA Map Date	<ul style="list-style-type: none"> Enter the FEMA Map number and map date. If it is not shown on any map, enter "Not Mapped."
Are utilities and off site improvements typical for the market area?	<ul style="list-style-type: none"> Mark the appropriate box indicating whether the utilities and off-site improvements are typical for the market area. If "No" is marked, explain why the utilities and/or off site improvement are not typical.
Is site size, shape and topography conforming?	<ul style="list-style-type: none"> Mark the appropriate box indicating whether the site size, shape and topography are generally conforming to and acceptable in the market area. If "no" is marked, explain why and its impact on value and/or marketability.
Vehicular access	<ul style="list-style-type: none"> Mark the appropriate box indicating whether there is adequate vehicular access to the subject property. If "no" is marked, provide explanation.
Street maintenance	<ul style="list-style-type: none"> Mark the appropriate box indicating whether the street is properly maintained. If "no" is marked, describe the condition of the street, lack of an all weather surface and/or adequacy maintenance.
Any adverse site conditions or external factors	<ul style="list-style-type: none"> Mark the appropriate box indicating whether there are any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.). If "No" is marked, no comment is necessary, if "Yes" is marked, a detailed explanation is required. Describe any adverse site conditions or adverse factors. Consider easements affecting the functional utility of the property in the conclusions of both the highest and best use and market value. For example, discuss adverse easements, encroachments, slide areas, illegal or non-conforming zoning use, etc. Consider surface, sub-surface and overhead easements. List any adverse environmental conditions, including hazardous wastes, toxic substances and others. Explain all deficiencies that do not require repair (extreme slope, etc.) and consider them in the opinion of value. Discuss the observations with direct relationship to value and consider them in the approaches to value.

Section 5 – HUD Data Plate

The Federal Manufactured Home Construction and Safety Standards, Part 24 of the Code of Federal Regulations (CFR) 3280, requires that “each manufactured home shall bear a data plate affixed in a permanent manner near the main electrical panel or other readily accessible or visible location.” Typically, the HUD Data Plate is adjacent to the electric service panel, the utility room or within a cabinet in the kitchen. Over time, homeowners often remove this sheet and it is common for the data plate to be missing from a manufactured home.

Copies of the data plate are generally available only from the manufacturer of the home or the in-plant inspection agency responsible for inspecting the home prior to its shipment from the manufacturing plant. If the data plate is missing, locating a replacement or the specific data plate information from the manufacturer or in-plant inspection agency may be impractical or expensive. Some manufacturers are no longer in business or the in-plant inspection agency may no longer have the information.

The HUD Data Plate (Manufacturer’s Data Plate) provides information on:

1. Name and address of the manufacturing plant where the home was constructed;
2. Serial number, model designation and date of manufacture (date the certification label was applied to the home).
3. Compliance statement;
4. List of certification label(s) number(s);
5. List of major factory installed equipment, and
6. Roof zone and wind zone maps designating the zones for which the home has been constructed.

The heating/cooling certification and insulation maps may be on the data plate, or may be in separate documentation provided with the home. The data plate is not required to include the heating and cooling certification. Manufacturers and in-plant inspection agencies are not required to maintain the heating and cooling certification information.

The **Certification Label** (aka HUD Seal) is a 2 inch by 4 inch aluminum plate, permanently attached to the home, located at one end of each section of the home, approximately one foot up from the floor and one foot in from the road side, or as near that location on a permanent part of the exterior of the home as practicable. This Certification Label is often referred to as the HUD Label, or the HUD Tag. Etched on the Certification Label is the Certification Label Number, also referred to as the HUD Label Number. Label numbers **are not** required to be sequential on multi-section homes.

Verifications of the Certification Label Numbers are available from the manufacturer, the in-plant inspection agency, and HUD, sometimes at-cost. Contacts for the in-plant inspection agencies are available on HUD’s manufactured housing website. Information on requesting these verifications is available at the website for the manufactured housing program at <http://www.hud.gov/offices/hsg/sfh/mhs/mhslabels.cfm>.

Field	Protocol
HUD Data Plate	<ul style="list-style-type: none"> • Mark the appropriate box to indicate if the Data Plate is attached. If the Data Plate is missing and/or the appraiser is unable to locate it, the appraiser only needs to report this fact and is not required to secure the Data Plate information from another source.
Certification Label (aka HUD Seal)	<ul style="list-style-type: none"> • To be eligible for FHA-insured financing, the manufactured home must have a HUD Certification Label affixed to the tail-light end of each transportable section. • If the appraiser is unable to locate the HUD Certification Label (HUD Seal), the lender must be notified.
Manufacturer’s Serial # or VIN #	<ul style="list-style-type: none"> • Enter the manufacturer’s serial number or VIN # which can be found on the HUD Data Plate. If the Data Plate is missing, the serial number is stamped on the foremost cross member of the supporting frame of the hitch-end of the manufactured home.

HUD Certification Label #(s)	<ul style="list-style-type: none"> Enter the label #s for each section.
Manufacturer's Name, Trade/Model, and date of Manufacture	<ul style="list-style-type: none"> Provide the manufacturer's name, model name of the subject unit and date of manufacturer. This information can be found on the HUD Data Plate.
Wind, Roof Load and Thermal Zones	<ul style="list-style-type: none"> The HUD Data Plate contains wind, roof load and thermal zone maps which designate the zone for which the home was constructed. Mark the appropriate box. Mark the appropriate box indicating whether the subject meets zone requirements for its location. Marked "no" if the zone map indicates the manufactured home was constructed for a geographic area different from where the home is located, the appraiser should note and highlight this discrepancy. Mark "no" if the Data Plate is missing. The appraiser should note: Date plate missing, unable to determine compliance with wind, roof load and thermal zones requirements.

Section 6 – Improvements

This section describes the subject improvements. Accurately report the conditions observed. Describe needed repairs, or the existence of any functional or external obsolescence. Enter factual information on each of the lines provided and report the conclusions. Consider all aspects of the physical description and reconcile them in the opinion of market value.

General Description	
Field	Protocol
Units/Additions	<ul style="list-style-type: none"> Mark the appropriate box. The Manufactured Home Appraisal Report is designed solely for the valuation of a one-unit manufactured home. The appraiser is to indicate if the original manufactured home (as delivered and installed) to the site has been altered or added on to by marking the box for additions.
# of Stories	<ul style="list-style-type: none"> Enter the number of stories <i>above grade</i>, including half stories. Do not include the basement.
Design (Style)	<ul style="list-style-type: none"> Enter a brief description of the house design style using historical or contemporary fashion. For example: Cape Cod, bi-level, split level, split foyer, colonial, town house, etc. Do not use builder's model name. Avoid generic descriptions such as Traditional or Conventional.
# of Sections	<ul style="list-style-type: none"> Mark the appropriate box denoting the number of sections. Mark "Other" if subject made up of four or more sections.
Type	<ul style="list-style-type: none"> Mark the box that identifies the type of dwelling, "Det." (Detached), "Att." (Attached), "S-Det." (Semi-Detached) or "End Unit" (End unit of a group of rowhouses or townhouses).
Stage of Construction	<ul style="list-style-type: none"> Mark the box signifying the stage of construction, Existing, Proposed or New Construction (new construction would only apply to foundation).
Year Built	<ul style="list-style-type: none"> If the manufactured home is less than one year old, include both the month and year completed. If it is over one year old, insert the year built.
Effective Age (Yrs)	<ul style="list-style-type: none"> Enter the effective age of the improvements. A range is acceptable. The effective age reflects the condition of the property relative to similar competitive properties. The

effective age may be greater than, less than or equal to the actual age.

- Note any significant difference between the actual and effective ages and explain in the "condition of property" comments section.

Attic – Enter the attic and observe the interior roofing for insulation, deficient materials, leaks or readily observable evidence of significant water damage, structural problems, previous fire damage, FRT sheathing, exposed and frayed wiring and adequate ventilation by vent, fan or window. If any of these deficiencies exist, condition the appraisal on their repair and prepare the appraisal "subject to repairs" and/or "subject to inspection".

The attic must be entered, at a minimum, by head and shoulders, whether access is by pull-down stairway or scuttle. Size of the scuttle and accessibility of the attic dictate the level of entry.

Field	Protocol
None	Enter "X" if there is no attic.
Drop Stair	Enter "X" if this item exists.
Stairs	Enter "X" if this item exists.
Floor	Enter "X" if this item exists.
Scuttle	Enter "X" if this item exists.
Finished	Enter "X" if this item exists.
Heated	Enter "X" if the attic is heated.

Foundation

The appraiser is required to inspect the foundation and basement. The appraiser must address all visible deficiencies and may require a recommendation for an inspection. Consider deferred maintenance and physical deterioration in the valuation process.

Basement

Generally, may be partially or completely below grade (ground level). Do not count the basement in the finished gross living area at the grade level. The information provided must be consistent with the description in the Foundation section.

Foundation	
Field	Protocol
Poured Concrete	<ul style="list-style-type: none"> • Mark this box if any part of the foundation system has a concrete slab.
Concrete Runners	<ul style="list-style-type: none"> • Mark this box if any part of the foundation system has concrete runners upon which the manufactured home rests in some fashion.
Block & Pier	<ul style="list-style-type: none"> • Mark this box if the manufactured home is supported by concrete/masonry blocks constructed on free standing piers or by a continuous perimeter enclosure.
Other-Att. Description	<ul style="list-style-type: none"> • Mark this box if the foundation supporting the manufactured home does not fall under the above types and describe the foundation supporting the manufactured home.
Full Basement	<ul style="list-style-type: none"> • Mark this box if there is a full basement.
Partial Basement	<ul style="list-style-type: none"> • Mark this box if there is a partial basement. • For a dirt basement floor, determine whether such a property is typical for the area and is readily marketable. If so, it is not required that a concrete basement floor be installed. Mechanical equipment, however, must be located on a concrete pad.

Basement Area Sq Ft	<ul style="list-style-type: none"> Enter the square footage of the basement area using exterior dimensions.
Basement Finish %	<ul style="list-style-type: none"> Enter the percentage of basement (figure above) that is finished.
Outside Entry/Exit	<ul style="list-style-type: none"> Mark this box only if there is an outside entry/exit, otherwise leave blank. In there is an entry, make sure door is operable.
Sump Pump	<ul style="list-style-type: none"> Mark this box only if there is a sump pump, otherwise leave blank.
Evidence of Infestation	<ul style="list-style-type: none"> Mark this box if there is evidence of infestation, including the house and/or other structures within the legal boundaries of the property, otherwise leave blank. Examine the subject property for readily observable evidence of wood boring insects. Do not require a pest inspection based solely on the age of a property. Inspections are necessary whenever there is evidence of decay, pest infestation, suspicious damage or when it is customary to the area or required by state law.
Evidence of Dampness	<ul style="list-style-type: none"> Basement or crawl space area must not have excessive dampness or ponding of water. If any of these inadequacies exist, condition the appraisal "subject to repairs" to correct the condition, or "subject to inspection" to determine the source of problem and corrective measures necessary by a qualified party.
Evidence of Settlement	<ul style="list-style-type: none"> Mark this box if there is evidence of settlement, otherwise leave blank. Examine foundation for readily observable evidence of settlement. Hairline step-cracks are common, however, horizontal cracks, bulging walls or separation of sill plate from top of foundation wall are critical and require inspection.

Mechanical Systems

An appraiser must examine mechanical, plumbing and electrical systems of the subject property to ensure that they are in proper working order. This examination entails turning on the applicable systems and observing their performance. Electrical, plumbing and/or heating certifications may be called for by the appraiser when he/she cannot determine if one or all of these systems are working properly. An appraiser should not arbitrarily call for such certifications. However, they are still responsible for checking on the adequacy of these systems at the time of appraisal.

Heating and Cooling Systems	
Field	Protocol
Heating	<ul style="list-style-type: none"> Enter an "X" in the box indicating the type of heating system: FWA (forced warm air), HWBB (hot water baseboard), Radiant or "Other". If "Other" is marked, provide a brief description, e.g. EBB (for electric baseboard). Turn on the furnace/heating system to test functionality, weather permitting, and that no unusual noises are heard, no odors or smoke are emitted indicating a defective unit, etc. However, do not operate the systems if doing so may damage equipment or when outside temperatures will not allow system to operate. Note significant holes/deterioration on the unit. Determine whether there is an installed heat or cool-air source in each room by using the system's normal operating controls. It is not necessary to observe the uniformity of heat or cool-air to various rooms. Turn on the hot water to ensure that the water heater is operating appropriately.
Fuel	<ul style="list-style-type: none"> Enter type of fuel used: coal, gas, oil, propane, electric, etc.
Cooling	<ul style="list-style-type: none"> Enter an "X" in the box indicating the type of cooling system: Central Air Conditioning, Individual or Other. If "Other" is marked, provide a brief description, e.g. permanently affixed fans, zoned air-conditioning, etc. Turn on air conditioning system to test functionality, weather permitting, and that no

unusual noises are heard, no odors or smoke are emitted indicating a defective unit, etc. However, do not operate the systems if doing so may damage equipment or when outside temperatures will not allow system to operate.

- Note significant holes/deterioration on the unit

Exterior Materials/Condition

Enter the types of Materials and rate the observed Condition of the Materials (Good, Average, Fair, and Poor). Make every effort to describe accurately and explain in detail "Fair" and "Poor" ratings and whether or not the item (s) described require repair, replacement or further inspection. The rating must relate to the habitability of the house given local standards (Photo documentation of property condition is always advisable).

Exterior Description	materials/condition
Field	Protocol
Skirting	<ul style="list-style-type: none"> • If the manufactured home features skirting placed between the bottom of the home and the grade of the supporting ground, indicate the material type of the skirting. Note that FHA requires a properly enclosed crawl space (if crawl area with no basement) with a continuous perimeter enclosure of a permanent foundation-type construction i.e., poured concrete, block, brick, stone, treated wood, etc.) and rate the observed condition. • If the manufactured home has a crawl space and lacks a continuous perimeter enclosure of a permanent nature, note and highlight this absence. Note whether enclosed crawl area has adequate access and ventilation.
Exterior Walls	<ul style="list-style-type: none"> • Enter the material type: aluminum, vinyl or wood siding, brick veneer, stucco, stone, etc. • If a combination of materials, show the predominant portion first and rate the observed condition.
Roof Surface	<ul style="list-style-type: none"> • Enter the material type: composition shingle, asphalt shingle, wood, slate, clay tile, aluminum, built-up, etc. and rate the observed condition. • View the roof from ground level to determine if the integrity of the roof is sufficient. • Observe roof coverings, roof drainage systems, flashing, skylights, or chimneys for readily observable evidence of leakage or abnormal condensation on building components. • Note any evidence of deterioration of roofing materials (missing tiles, shingles, flashing). Deteriorated roofing materials include those that are worn, cupped, or curled. • If the roof is otherwise unobservable, look for telltale signs of roof problems on the interior, such as damage or water stains to the ceiling area of a room or closet. • The appraiser must note in the appraisal that he/she could not adequately observe the entire roof area (state which area(s) were unobservable). Based on the information reported by the appraiser, the underwriter will determine whether or not a roofing inspection is required.
Gutters and Downspouts	<ul style="list-style-type: none"> • Enter the material type: galvanized, aluminum, plastic, vinyl, PVC, etc. and rate the condition observed.
Window Type	<ul style="list-style-type: none"> • Enter window type: Double Hung, Single Hung, Casement, Sliders, etc. and identify the window frame material: wood, aluminum, steel, vinyl, etc. Rate the condition observed. • Bedroom windows with security bars require a quick release mechanism for emergency egress. If not so equipped, condition the appraisal on a "required repair".
Storm Sash / Insulated	<ul style="list-style-type: none"> • Describe storm sash material or state if windows are double glazed, etc. or a combination of the two. Rate the condition observed. If none, so state.
Screens	<ul style="list-style-type: none"> • Describe style (full, half, none) and rate the condition observed.

Doors	<ul style="list-style-type: none"> Describe exterior doors (type and material, i.e., wood, metal, fiberglass, etc.)
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A brief description of an amenity may include its material type and/or size and/or dimensions.

Amenities	
Field	Protocol
Woodstove #	<ul style="list-style-type: none"> Enter "X" if this amenity exists and provide a specific number.
Fireplace(s) #	<ul style="list-style-type: none"> Enter "X" if this amenity exists and provide a specific number
Fence	<ul style="list-style-type: none"> Enter "X" if this amenity exists. Describe material/type in additional features
Patio/Deck	<ul style="list-style-type: none"> Enter "X" if this amenity exists. Describe material/type in additional features
Porch	<ul style="list-style-type: none"> Enter "X" if this amenity exists. Describe material/type in additional features
Pool	<ul style="list-style-type: none"> Enter "X" if this amenity exists. Describe in additional features. Specify whether in-ground or above-ground. Above-ground pools are considered personal property and are not to be included in the value.
Other	<ul style="list-style-type: none"> Enter "X" if this line is used to report another amenity or salient feature not listed above that has contributory value. Describe "Other" in additional features. Be sure to compare the subject and comparable sales in relation to that amenity or feature and make the appropriate adjustments.

Interior Materials/Condition

Enter the types of materials and rate the observed Condition of the Materials (Good, Average, Fair, and Poor) and whether or not the item(s) described require repair, replacement or further inspection. Make every effort to describe accurately and explain in detail "Fair" and "Poor" ratings. The rating must relate to the habitability of the house given local standards.

Interior	materials/condition
Field	Protocol
Floors	<ul style="list-style-type: none"> Enter material type — tile, hardwood, carpet, etc.— and rate condition observed
Walls	<ul style="list-style-type: none"> Enter material type—plaster, drywall, paneled etc.— and rate condition observed
Trim/Finish	<ul style="list-style-type: none"> Enter material type — wood, metal, vinyl, etc.— and rate condition observed
Bath Floor	<ul style="list-style-type: none"> Enter material type—ceramic tile, vinyl, carpet, etc.— and rate condition observed
Bath Wainscot	<ul style="list-style-type: none"> Enter material type that protects walls from moisture — ceramic tile, fiberglass, etc. — and rate condition observed.

Car Storage

Field	Protocol

None	<ul style="list-style-type: none"> If the property does not have a garage, carport or driveway, mark "NONE".
Driveway # of Cars	<ul style="list-style-type: none"> If applicable, mark this box and enter the number of cars that can be parked. A single lane driveway is considered to be a one-car driveway. It would be considered a two car driveway if either car can be moved without disturbing the other.
Driveway Surface	<ul style="list-style-type: none"> Enter surface type: concrete, gravel, macadam, etc., if none so state.
Garage # of Cars	<ul style="list-style-type: none"> Enter the number of cars the structure can accommodate.
Carport # of Cars	<ul style="list-style-type: none"> Enter the number of cars the structure can accommodate.
Garage/Carport Type	<ul style="list-style-type: none"> If there is a garage, designate whether it is "Attached", "Detached" or "Built-in" and Enter an "X" in the box(es) indicating the style "Att.", "Det.", "Built-in"

Appliances

Make an entry [X] in the boxes to indicate that these items exist. An entry in a box means that the item was considered part of the real estate and is included in the value. If an item is personal property, put a "P" in the box and do not include it in the opinion of value.

Field	Protocol
Refrigerator	Enter "X" if this item exists. Enter "P" if personal property.
Range/Oven	Enter "X" if this item exists. Enter "P" if personal property.
Dishwasher	Enter "X" if this item exists. Enter "P" if personal property.
Disposal	Enter "X" if this item exists. Enter "P" if personal property.
Fan/Hood	Enter "X" if this item exists. Enter "P" if personal property.
Microwave	Enter "X" if this item exists. Enter "P" if personal property.
Washer/Dryer	Enter "X" if this item exists. Enter "P" if personal property.
Other	Enter "X" for existing item not listed above and describe. Do not include personalty.

Gross Living Area

Room design and count should reflect local custom. A dining area built as an L-shape off the kitchen may or may not be considered a room depending on the size. To determine whether one or two rooms should be counted, hypothetically insert a wall to separate the two areas that have been built as one: if the residents can use the resulting two rooms with the same or more utility without increased inconvenience, count the room as two. If the hypothetical wall would result in a lack of utility and increased inconvenience, count the room as one. The room count typically includes a living room (LR), dining room (DR), kitchen (KT), den (DN), recreation room (REC) and one or more bedrooms (BR). Typically, the foyer, bath and laundry room are not counted as rooms. A room is a livable area with a specific use.

Note: To be eligible for FHA financing, a manufactured home must have a gross living area of no less than 400 square feet.

Room Count and Gross Living Area

Field	Protocol
Finished area above grade contains	<ul style="list-style-type: none"> To complete this section, enter the total <i>number</i> of above grade rooms, the total number of bedrooms above grade, and the total number of bathrooms above grade. Do not include foyers, basement finished rooms or unfinished attic space. Enter the total square footage of the gross living area above grade.

Narrative Comments Section

The completion of this section is critical to the opinion of market value. The appraiser must discuss all adverse conditions and observed physical and functional deficiencies noted. If necessary, use the Additional Comments section of the form report, or an addendum, for additional discussion or description.

Field	Protocol
Additions or modifications	<ul style="list-style-type: none"> Describe any additions or modifications made to the manufactured home since its initial placement on the site. Any subsequent additions or modifications should not take the home out of compliance with the Manufactured Home Construction and Safety Standards (MHCSS). If the appraiser suspects that an addition or modification to the home poses a risk to the structural integrity of the home, the appraiser is to notify the lender.
Installer's Name Date Installed Model Year	<ul style="list-style-type: none"> If available, indicate the name of the person or company that installed the manufactured home, the date of installation and the model year of the manufactured home. If information not readily available, the appraiser is to note such.
Permanent Foundation System	<ul style="list-style-type: none"> Mark the applicable box. To be eligible for a FHA-insured financing, the design of the permanent foundation must be in compliance with FHA criteria as evidenced by an engineer's certification verifying such compliance. The appraiser should indicate if a copy of the required engineer's certification of compliance of the design of the permanent foundation was provided.
Removal of towing hitch, wheels and axels	<ul style="list-style-type: none"> Mark the appropriate box. The appraiser must inspect the underside of the manufactured home and determine if the towing hitch, running gear (wheels and axels) have been removed. If not removed, or unable to determine due to lack of access, the manufactured home is not eligible for FHA-insured financing and the lender must be notified.
Utility Connections	<ul style="list-style-type: none"> Mark the appropriate box indicating whether the manufactured home is permanently connected to public water and sewer or well and septic and other utilities. If "no" is marked, the manufactured home is not eligible for FHA-insured financing and the appraiser must notify the lender.
Gross Living Area Acceptable to Market	<ul style="list-style-type: none"> Mark the appropriate box indicating whether the living area of the manufactured home is in concert with market expectations for overall living size, room size and layout. If "no" is marked, an explanation is required. The analysis should reveal the living size and dimensions are not in keeping with market expectations for the neighborhood (substandard) and factor this deficiency in the opinion of value. If the gross living area of the manufactured home is less than 400 square feet, the home is not eligible for FHA-insured financing and the appraiser must notify the lender.
Additional Features	<ul style="list-style-type: none"> Use this space to describe special energy efficient features such as solar energy or geothermal systems and/or to further describe the additional features, Please elaborate on any special or unusual aspects of items, e.g. gas fireplace or wood burning fireplace, 16' X 32' inground pool, etc.
Rate quality of construction	<ul style="list-style-type: none"> Rate the quality of construction of the manufactured homes by marking the appropriate box and identify cost service used. Report the source of the rating determination, e.g. Nationally published cost services such as the N.A.D.A. Manufactured Housing Appraisal Guide or the Marshall & Swift Residential Cost Handbook
Condition of the property (including needed repairs, deterioration,	<ul style="list-style-type: none"> Describe any physical deterioration and/or functional or external depreciation noted at the property. Provide a conclusion as to the overall condition of the improvements that is supported by the previous descriptive sections.

renovations, remodeling, etc.)	<ul style="list-style-type: none"> Describe needed repairs.
Physical deficiencies or adverse conditions	<ul style="list-style-type: none"> Enter an "X " in the applicable box indicating whether or not there are any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property. If the response is "No", no explanation is required or needed. However, if the response is "Yes", a full and detailed explanation is required and, if necessary, condition the appraisal on the "repair or alteration of the condition" or a "required inspection" by appropriately qualified individuals or entities, which may include professional engineers, tradespersons, HUD Fee Inspectors. <p>Lead-Based Paint Hazard</p> <ul style="list-style-type: none"> If the manufactured home was built before 1978, this may indicate a lead paint hazard. For all FHA insured properties, correction is required to all defective paint in or on structures and/or property improvements built before January 1, 1978 in accordance with 24 CFR Part 35. Observe all interior and exterior surfaces, such as walls, stairs, deck porch, railing, windows or doors for defective (chipping, flaking or peeling) paint. (Exterior surfaces include surfaces on fences, detached garages, storage sheds and other outbuildings and appurtenant structures.). Note any areas affected (be specific) and condition the appraisal on their repair subject to the satisfaction of the condition.
Property conformity	<ul style="list-style-type: none"> Enter an "X " in the applicable box indicating whether or not the subject generally conforms to the neighborhood (functional utility, style, condition, use, construction, etc.). If the response is "Yes", no explanation is required or needed. However, if the response is "No", an explanation is required.

Section 7 – Cost Approach

The appraiser is only required to complete the cost approach if the manufactured home is new construction (initial sale from manufacturer). If the manufactured home is over one year old and the retailer's invoice, stating the retail purchase price of the home, is available, a copy of the invoice should be appended to the appraisal report. If the manufactured home is new construction less than one year old but title has been re-conveyed after the initial sale or if the home is over a year old, the cost approach is not required by FHA. For cost estimates, the appraiser must rely upon a nationally published cost service such as the N.A.D.A. Manufactured Housing Appraisal Guide or the Marshall & Swift Residential Cost Handbook. The use of a nationally published cost service will enable a reader/reviewer of the appraisal to replicate the appraiser's estimate.

If the manufactured home is new construction (an initial sale from manufacturer) and the retail purchase price, including delivery, installation and set up costs, of the home is available, the appraiser may rely upon the retail purchase price and exclude reliance upon a cost service. An opinion of value of the supporting site is still required. A copy of the invoice stating the retail purchase price and all delivery, installation and set up costs must be appended to the appraisal report. The validity and reliability of the value of the manufactured home derived by the cost approach must be discussed in the reconciliation section.

State the Remaining Economic Life as a single number or as a range. This line must be completed for every FHA appraisal whether or not the cost approach is completed. An explanation is required if the remaining economic life is less than 30 years.

Cost Approach To Value	
Provide adequate information for the lender/client to replicate the below cost figures and calculations.	
Field	Protocol
Support for opinion of site value	<ul style="list-style-type: none"> Provide a summary of the comparable land sales or other methods (abstraction, allocation, land residual, extraction) of estimating site value in support of the opinion of site value.
Reproduction or Replacement Cost	<ul style="list-style-type: none"> Mark the box indicating which cost estimating method was used Reproduction Cost – exact duplicate with all deficiencies and obsolescence Replacement Cost – cost at current prices with equivalent utility.

Source of Cost Data	<ul style="list-style-type: none"> Provide the name of the cost service and reference page numbers of cost tables or factors. Reviewer or reader must be able to replicate. If retail purchase price is available, append a copy of the retail purchase price invoice, including all delivery, installation and set up costs, to the appraisal report.
Effective Date of Cost data	<ul style="list-style-type: none"> Enter the edition and date of latest updates referenced
Quality Rating	<ul style="list-style-type: none"> Enter the quality rating of the manufactured home derived from the cost service.
Opinion of Site Value	<ul style="list-style-type: none"> Enter the Opinion Of Site Value based on recent comparable land sales provided above

Cost Approach using Marshall & Swift

Field	Protocol
Section (width) Marshall & Swift	<ul style="list-style-type: none"> Determine how many sections (single wide = one section, double wide = two sections, etc) make up the subject manufactured home. Based upon the selected quality rating of the manufactured home, choose the corresponding page of square foot costs for that quality rating. Compute the GLA (Gross Living Area) for home (width multiplied by length) and multiply by appropriate rate per square foot from the square foot costs table. Make any square foot or lump sum adjustments to reflect value of items of home that are above and beyond those detailed basic description for the selected quality square foot costs.
Subtotal	<ul style="list-style-type: none"> Enter the total of the selected quality rating per square foot times the GLA and any square foot and lump sum adjustments
Cost Multiplier	<ul style="list-style-type: none"> Enter the appropriate cost multiplier factor, if applicable.
Modified Cost Multiplier Subtotal	<ul style="list-style-type: none"> Multiply the Cost Multiplier times the subtotal of the square foot cost new – enter result.
Physical Depreciation or Condition Modifier	<ul style="list-style-type: none"> If applicable, enter the amount of estimated depreciation as a specific dollar amount.
Functional Obsolescence	<ul style="list-style-type: none"> Enter the amount of estimated depreciation as a specific dollar amount. Provide an explanation in the “comments section” if functional obsolescence is present and adjusted for.
External Obsolescence	<ul style="list-style-type: none"> Enter the amount of estimated depreciation as a specific dollar amount. Provide an explanation in the comments section if external obsolescence present and adjusted for.
Depreciated Modified Subtotal (not shown on 1004C form)	<ul style="list-style-type: none"> Add the total estimated physical, functional and external depreciation and subtract from the amount entered for Modified Cost Multiplier Subtotal
Delivery, Installation and Setup	<ul style="list-style-type: none"> If applicable, enter the deliver, installation and setup costs and add to the cost new. Note: Marshall and Swift includes delivery, installation and setup cost in the square foot.
Other Depreciated Site Improvements	<ul style="list-style-type: none"> Enter the depreciated value of any site improvement.
Market Value of Subject Site	<ul style="list-style-type: none"> Enter value site value from as provided above.
Indicated Value by	<ul style="list-style-type: none"> Add any additional delivery, installation and setup costs from above together with the

the Cost Approach	depreciated value of site improvements and the market value of the supporting site for a final indication of value by the Cost Approach.
NOTE:	<ul style="list-style-type: none"> To properly employ the Marshall & Swift Cost Guide, follow the Marshall & Swift instructions.
Economic Life	<ul style="list-style-type: none"> State Remaining Economic Life as a single number or as a range.

Cost Approach using N.A.D.A. Appraisal Guide	
Field	Protocol
Exterior Dimensions	<ul style="list-style-type: none"> Determine the length and width of the subject manufactured home.
N.A.D.A Data Identification	<ul style="list-style-type: none"> Enter the edition month(s) and year of the N.A.D.A Manufactured Housing Appraisal Guide
MH State	<ul style="list-style-type: none"> Enter the state in which the manufactured home is located.
Region	<ul style="list-style-type: none"> Based upon the state in which the manufactured home is located and using the Regional Code Map of the N.A.D.A Guide, enter the appropriate region.
Size	<ul style="list-style-type: none"> Enter the exterior length and width of the manufactured home.
Gray Pages	<ul style="list-style-type: none"> Using the region code in the Gray Pages section of the N.A.DA. Guide, find the Trade Name of the home. This will provide a page number.
White Pages Section (lists homes by manufacturer, model/trade name and by regional location)	<ul style="list-style-type: none"> Using the page number located in the Gray Pages section, go to that page number in the White Pages Section, Part 1 of the N.A.D.A. Guide and locate the Trade Name and find the page number listed for the Manufacturer's Name, Model name for the listed width and Region Code.
Yellow Pages (not listed in 1004C Cost Chart, provides current depreciated replacement value)	<ul style="list-style-type: none"> Using the page number located in the White Pages section, go to that page number in the Value Chart found in the Yellow Pages Section of the N.A.D.A. Guide and, using the length and width of the subject manufactured home, determine the base retail book value.
Black SVS pg.	<ul style="list-style-type: none"> Use the Black Pages SVS (Supplemental Value Section) section of the N.A.D.A. Guide when a home is not listed in the Gray or White Pages section.
Green Section (not listed in 1004C Cost Chart, provides older home conversion chart, condition modifier, accessory values, etc.)	<ul style="list-style-type: none"> Use the Green Pages section of the N.A.D.A. Guide section of the N.A.D.A. Guide for older homes, to adjust for condition and add for components and accessories not addressed in the Yellow Pages Section.
NOTE:	<ul style="list-style-type: none"> To properly employ the N.A.D.A. Appraisal Guide, follow the N.A.D.A. instructions.
Indicated Value by the Cost Approach	<ul style="list-style-type: none"> Add the value of the supporting site to final, modified value of the manufactured home for the final indication of value.

Economic Life	<ul style="list-style-type: none"> State Remaining Economic Life as a single number or as a range.
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Section 8 – Sales Comparison Approach

Comparable Data Pool

The appraiser is required to report the number of comparable properties currently offered for sale, as of the effective date of the appraisal, and the number of comparable sales in the subject neighborhood, within 12 months of the effective date of the appraisal, in this section. Unlike the neighborhood price data, which includes all sales, this section focuses only on those properties that are comparable to the subject, not the universe of sales.

If there was difficulty in locating comparable properties, i.e. the subject is a manufactured home and one or more of the similar style properties was a “stick or site built ” home, then for purposes of this section, all such properties in the subject’s neighborhood are to be treated as comparable and counted.

At least two of the comparable sale properties must be manufactured homes. It may be necessary to expand search parameters outside the immediate market area to locate truly comparable sales. If that is the case, an explanation is required and should be consistent with the neighborhood analysis provided.

Field	Protocol
Comparable properties offered for sale	<ul style="list-style-type: none"> Enter the number of comparable properties currently offered for sale, including those under contract, within the subject neighborhood together with the price range.
Comparable sales	<ul style="list-style-type: none"> Enter the number of comparable sales that occurred within the 12 month period preceding the effective date of the appraisal, and within the subject neighborhood, together with the price range.

Enter factual data in each field or line.

Field	Protocol
Address	<ul style="list-style-type: none"> Enter the address that can be used to locate each property. Enter community, if needed, to identify property. For rural properties, list location by road name, nearest intersection and side road.
Proximity to Subject	<ul style="list-style-type: none"> Enter proximity in straight-line distance and direction. For example, "1.5 miles NE" or "3 blocks south". If comparable distance from the subject is more than a generally accepted distance, or located outside the defined neighborhood boundaries, be sure to explain why the sale is applicable in the "Summary of Sales Comparison Approach" section.
Sale Price	<ul style="list-style-type: none"> Enter the purchase price (total paid) for the subject and each of the comparable sales. This means the closed or settled price of the comparable sale. If the appraisal involves a refinance of the subject, enter “Refi” as the subject’s sale price, If the assignment is for an REO appraisal, enter REO as the subject’s sales price.
Sale Price / Gross Liv. Area	<ul style="list-style-type: none"> Enter price per square foot for the above grade living area for the subject, if a purchase transaction, and each comparable sale.
Manufactured Home	<ul style="list-style-type: none"> Indicate whether the comparable sale is a manufactured home. At least 2 of the comparable sale properties must be manufactured homes.
Data Source(s)	<ul style="list-style-type: none"> Enter data source(s) used for sales and property information.

Verification Source (s)	<ul style="list-style-type: none"> • Enter verification source(s). The document or organization from which the additional proof was obtained. • Contacting someone with first-hand knowledge of the transaction (agent, broker, buyer, seller, etc.) especially where it involves confirmation of seller concessions, is the preferred method of verification. • A single source may be used if the quality of data is such that sales data are confirmed and verified by settled transactions. Information provided should permit the reader of the report to locate the data from the sources cited. • Do not use as market data sales that are not verified and adjusted to reflect the terms and conditions of sale.
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Value Adjustments

Adjustments are made to the prices of the sale properties for price-influencing dissimilarities between each sale and the subject property. Not all dissimilarities require adjustment because not all dissimilarities achieve price differentials in the market. All adjustments must be extracted from the market and supported by the actions of the market.

For each adjustment item, enter the description of the adjustment and whether it is an upward or downward adjustment. Do not make an adjustment unless it has a material effect on value.

The value factors of Location, Site, View, Design, Quality of Construction, Age, Condition and Functional Utility are all subjective factors that require subjective adjustments. Be careful that adjustments are reasonable and not excessive. If a property is overvalued, there is a high probability that the reason can be traced to an excessive adjustment somewhere in this section. Make adjustments only if the dissimilarity has a noticeable effect on the value. Small differences do not usually require adjustments. Always explain subjective adjustments.

VALUE ADJUSTMENTS	
Field	Protocol
Sales or Financing Concessions	<ul style="list-style-type: none"> • Report the type of financing such as Conventional, FHA or VA, etc. • Report the type and amount of sales concession for each comparable sale listed. If no concessions exist, the appraiser must note "none." • The appraiser is required to make market-based adjustments to the comparable sales for any sales or financing concessions that may have affected the sales price. The adjustment for such affected comparable sales must reflect the difference between the sales price with the sales concessions and what the property would have sold for without the concessions.
Date of Sale / Time	<ul style="list-style-type: none"> • State month and year of settlement. Showing the contract date and settled date is also acceptable. • Time adjustments, if any, must be supported by the market and consistent with the neighborhood market conditions noted. If this is the case, show both the contract date and settled date as any time adjustment should be calculated using the contract date (meeting of the minds) rather than the settled date. Explanation is required for any time adjustments.
Location	<ul style="list-style-type: none"> • Enter the name of the subdivision or PUD. If none is applicable enter the neighborhood name that is commonly used to refer to the property's location or, • Location adjustments may be warranted for positive or negative factors that influence sales price such as busy street versus quiet street. • Explain any adjustments made in this area.
Leasehold / Fee Simple	<ul style="list-style-type: none"> • State whether the property was sold as Fee Simple or as a Leasehold Estate. An adjustment is required if the estate differs from the rights appraised for the subject property.
Site	<ul style="list-style-type: none"> • Enter the site size. Make adjustments only for measurable differences. Small differences

	<ul style="list-style-type: none"> in lot sizes do not usually call for an adjustment if the size is typical. If necessary, consider the possibility of excess or surplus land.
View	<ul style="list-style-type: none"> Describe the view from the site, i.e. similar homes, commercial area, water view, scenic view, etc. Such terms as "Average" or "Good" are only to be used as adjuncts, i.e. "Residential/Average", "Water view/Good". Make adjustments only if the view is superior or inferior to the subject. If the subject has a superior view and adjustments are made, a photograph of the view amenity is recommended.
Design (Style)	<ul style="list-style-type: none"> Enter the style according to a description used by local custom. Be consistent with improvement description.
Quality of Construction	<ul style="list-style-type: none"> Enter "Good", "Average", "Fair", etc. using the quality rating from your cost service subscription or provider. Adjustments may also be warranted for interior construction quality and should be explained.
Actual Age	<ul style="list-style-type: none"> Enter only the actual age of the subject and each comparable sale.
Condition	<ul style="list-style-type: none"> Enter the condition of the subject and comparable sales. Only ratings to be used are: "New", "Good", "Average", "Fair" and "Poor" Consider required repairs or alterations to the subject completed when determining the need for adjustments to the comparable sales.
Above Grade Room Count	<ul style="list-style-type: none"> Enter room count, consistent with the description of improvements on the front of the appraisal form. Up to three adjustments may be entered: <ul style="list-style-type: none"> The first line is for bathroom count differences. A deficiency or surplus in the number of baths should be adjusted first. The second line adjustment is for room count. The third is for a difference in square footage. Explain any comparable property that has an adjustment in both square feet and room count.
Gross Living Area	<ul style="list-style-type: none"> Enter the total square footage of the above grade living areas.
Basement & Finished Rooms Below Grade	<ul style="list-style-type: none"> Provide total square footage of basement area and/or enter percentage of basement in relation to first floor area. Enter the type of rooms below grade: bedroom, recreation room, laundry, full bath, etc. Explain any special features or finishes in the "Summary of Sales Comparison Approach."
Functional Utility	<ul style="list-style-type: none"> Enter "Equal", "Superior" or "Inferior" as a total of the items rated in the Improvement Analysis compared to the subject. Use the "Summary of Sales Comparison Approach" to explain differences. Adjust for functional obsolescence observed in the subject, recorded on Page 1, and not found in the comparables. Floor plan of the subject is required when functional obsolescence is attributable to layout or poor floor plan.
Heating / Cooling	<ul style="list-style-type: none"> Enter type of heating and cooling systems, e. g. Gas FWA C/Air. Any adjustment for differences in heating and cooling systems should be based on market expectations.
Energy Efficient Items	<ul style="list-style-type: none"> Describe energy efficient items: storm windows and doors, solar installations, replacement windows, etc. and enter an adjustment for differences if warranted. If none, so state.
Garage / Carport	<ul style="list-style-type: none"> Enter description of garage/carport used car storage. Calculate adjustments in

	accordance with market acceptance of carport value versus garage and size (one car, two cars, etc.).
Porch, Patio, Deck	<ul style="list-style-type: none"> Enter these features for the subject and comparables if they exist. Base any adjustments on local market expectations.
Blank Lines	<ul style="list-style-type: none"> Three blank lines are provided for the appraiser's use to describe additional amenities, features or individual characteristics not listed or addressed elsewhere in the sales grid, e.g. woodstove, fireplace, fencing, pool or other. Enter appropriate adjustments. For example, a pool located in an area that expects pools might bring a dollar premium in comparison to a comparable without a pool.
Net Adjusted (Total)	<ul style="list-style-type: none"> Mark either [+] or [-] box to indicate if the total net adjustments will increase or decrease the value and note by how much. If any adjustment is excessive, review the comparable sales to determine if the best ones were selected. If the total adjustments appear excessive in relation to the sale price; the appraiser should reexamine the comparability of that sale. Explain any adjustment that appears to be excessive.
Adjusted Sale Price of Comparables	<ul style="list-style-type: none"> Total all of the adjustments and add them to or subtract them from the sales price of each comparable. Generally, adjustments should not exceed 10% for line items, 15% for net adjustments and 25% for gross adjustments. If any adjustments exceed stated guidelines an explanation must be provided including reasons for not using more similar comparable sales.
Research sale or transfer history of subject & comps	<ul style="list-style-type: none"> Enter an "X " in the applicable box indicating whether you "did" or "did not" research the sale or transfer history of the subject property and comparable sales. If not, provide explanation.
Prior sales or transfers of subject property	<ul style="list-style-type: none"> Enter an "X " in the applicable box indicating whether your research "did" or "did not" reveal any <u>prior sales</u> or transfers of the subject property for the <u>three years</u> prior to the effective date of this appraisal.
Data Source(s)	<ul style="list-style-type: none"> Enter data source(s) used for sales and transfer information. Appraisers are to be familiar with the data source(s), e.g. how the data is gathered and how often it is updated Be familiar with the data source(s), i.e. how the data is gathered and how often it is updated, what is the publication date of the data, what is the effective date of the data.
Prior sales or transfers of comparable sales	<ul style="list-style-type: none"> Enter an "X " in the applicable box indicating whether your research "did" or "did not" reveal any <u>prior sales</u> of transfers of the comparable sales <u>for the year prior to the date of sale of the comparable sale</u>.
Data Source(s)	<ul style="list-style-type: none"> Enter data source(s) used for sales and transfer information. Two sources are recommended for researching prior sales and transfers, local MLS and local public records at a minimum. Appraisers should be familiar with the data source(s), e.g. how the data is gathered and how often it is updated.

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales in the "Additional Comments" section or an addendum).

Field	Protocol
Date of Prior Sale / Transfer	<ul style="list-style-type: none"> Report the date(s) of prior sale(s) or transfer(s) of the subject that occurred within three years of the effective date of the appraisal. Report the date(s) of prior sale(s) or transfer(s) of each comparable sale for the year

	prior to the date of the comparable sale.
Price of Prior Sale /Transfer	<ul style="list-style-type: none"> Report the price of the prior sale(s) or transfer(s) of the subject that occurred within three years of the effective date of the appraisal. Report the price of the prior sale(s) or transfer(s) of each comparable for the year prior to the date of the comparable sale.
Data Source(s)	<ul style="list-style-type: none"> Enter data source(s) used.
Effective Date of Data Source(s)	<ul style="list-style-type: none"> Enter the date the data was published or updated by the source. For example, the local MLS may update their database multiple times during the week or month whereas property transfers at the local land records office may take six or eight weeks to be recorded. The property transfer records may have an effective date that is eight weeks earlier than the appraisal date and the MLS data is within one week of the appraisal date.

Narrative Comments

Field	Protocol
Analysis of prior sale or transfer history of subject and comparable sales	<ul style="list-style-type: none"> Provide analysis of prior sale or transfer history of the subject and comparable sales. Analysis may address changes in property conditions between sale dates or verifying if prior sale was an arm's-length transaction.
Summary of Sales Comparison Approach	<ul style="list-style-type: none"> Explain comparable selection and any necessary explanation of adjustments. Explain any adjustments exceeding guidelines. Explain which comparable sale or sales is/are given most weight or consideration and why.
Indicated Value by Sales Comparison Approach	<ul style="list-style-type: none"> Enter the Indicated Value

Section 9 – Reconciliation

The appraiser should consider all appropriate approaches to value and all information relevant to the subject property and the market conditions in the opinion of market value.

If there is insufficient space in the reconciliation section to list and describe the valuation conditions noted, then the appraiser is instructed to insert a reference in the reconciliation section "see **Additional Comments** section on the next page" and list and describe the items under the heading "**Required Repairs/Inspections**". If necessary, due to space limitations, use an addendum with the same heading.

Field	Protocol
Indicated Value by:	<ul style="list-style-type: none"> Enter the Indicated Value for each of the approaches to value developed. If the approach was not developed, enter "ND or "Not Dev" for not developed. Reconcile the three approaches to value with a brief description of the validity of each approach with respect to the appraisal assignment.

This appraisal is made

Field	Protocol
Mark this box	when:

"as is"	<ul style="list-style-type: none"> • There is/are no Property Condition(s) noted. • Establishing the "as is" value for a regular 203(k) when needed. • The property is ineligible for FHA financing and is being rejected.
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This appraisal is made

Mark this box "per plans & specs"	when the appraisal involves: <ul style="list-style-type: none"> • Proposed construction, or • Under construction, less than 90% complete, or a • 203(k) with a Plan Review and Specification of Repairs prepared by a 203(k) Consultant.
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This appraisal is made

Mark this box "subject to repairs or alterations"	when the appraisal involves existing housing, or new construction more than 90% complete with only buyer preference items remaining (floor coverings, appliances, landscaping packages (soil must be stabilized to prevent erosion)), requiring repairs or alterations to: <ul style="list-style-type: none"> • Protect the health and safety of the occupants • Protect the security of the property • Correct physical deficiencies or conditions affecting structural integrity • Complete buyer preference items for new homes, or to • Complete repairs/improvements noted in work order or contractor estimates for the Streamline K • Meet FHA Minimum Property Requirements
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The appraiser must indicate the extent of repairs and note this in the appropriate section of the appraisal, or in the "additional comments" section, or in an addendum, under the heading of "Reconciliation – Required Repairs" listing the repairs noted together with an estimated cost to cure.

This appraisal is made

Field	Protocol
Mark this box "subject to a required inspection"	when the appraisal calls for a required inspection to: <ul style="list-style-type: none"> • Certify the condition and/or status of a mechanical or structural element of the property • Protect the health and safety of the occupants • Protect the security of the property • Meet FHA Minimum Property Requirements or Minimum Property Standards

More than one box may be marked depending on the assignment and property conditions.

The appraiser must indicate the reasoning for any required inspections and note this in the appropriate section of the appraisal, or in the "additional comments" section, or in an addendum, under the heading of "Reconciliation – Required Inspection " listing the required inspections.

The value "subject to completion per plans and specifications", "subject to the following repairs or alterations", or "subject to the following required inspection" must be consistent with the subject property condition(s) described.

Opinion of Market Value	<ul style="list-style-type: none"> • Enter the opinion of Market Value
Final Reconciliation	<ul style="list-style-type: none"> • This entry should contain the appraiser's reasoning for arriving at the final value.
Date of Value	<ul style="list-style-type: none"> • Enter the date when the property was inspected.

More than one box may be marked in the reconciliation section depending on the assignment and property conditions.

Section 10 – Additional Comments

These comment lines provide additional space for the appraiser to fully describe any item, area or condition where the commentary exceeds the space provided in other sections of the report. It is recommended that any information carried forward to the additional comments section, or an addendum if needed, follow the sequence of the form with a proper heading identifying said section.

For example, the neighborhood “market conditions” comments exceed the space provided on the form. In that case, on page one in neighborhood market conditions enter “See additional comments”, in the “additional comments” section enter the heading “Neighborhood Market Conditions” and provide the narrative in this section. Follow the same procedure for any section of the report where commentary exceeds space provided. This will provide the reader with the proper identification and linkage of additional comments together with a logical flow of information in a standardized reporting format.

Section 11 – Income Approach

In a single-family residential property, the Income Approach is generally not recognized as a basis for buying by the market. The approach typically provides minimal applicability in the opinion of market value. Therefore, the Income Approach is not required for FHA appraisals completed on the Manufactured Home Appraisal Report, Fannie Mae Form 1004C.

Income Approach To Value (not required for FHA appraisals)	
Field	Protocol
Income Approach	<ul style="list-style-type: none"> Enter “N/A” in each blank field in this section of the report.

Section 12 – PUD Information

A PUD is a project that includes common property and improvements owned and maintained by an owners’ association for the use and benefit of the individual units in the subdivision. If not applicable, leave blank.

Project Information for PUDs (if applicable)	
Field	Protocol
Developer/Builder in control of HOA	<ul style="list-style-type: none"> Enter an “X” in the box indicating whether or not the developer/builder is in control of the Home Owners’ Association (HOA).
Unit Type(s)	<ul style="list-style-type: none"> Enter an “X” in the box indicating unit type, Detached or Attached.

Provide the following information for PUDs only if the developer is in control of the HOA and the subject property is an attached dwelling unit.

The information requested is self-explanatory. Appraisers may choose to answer the last question referencing common elements and recreational facilities in support of a location adjustment regardless of dwelling style.

Field	Protocol	
Legal name of project		
Total number of phases	Total number of units	Total number of units sold
Total units rented		

Total units for sale	
Data source(s)	<ul style="list-style-type: none"> Provide source(s) of information, e.g. HOA board, management company, etc.
Was the project created by the conversion of an existing building(s) into a PUD? If Yes, date of conversion.	
Does the project contain any multi-dwelling units? Yes No Data source(s)	
Are the units, common elements, and recreation facilities complete? Yes No If no, describe the status of completion.	
Describe common elements and recreational facilities.	

Manufactured Home Appraisal Report (Fannie Mae Form 1004C March 2005)

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/APPENDIX D: VALUATION PROTOCOL (01/06)/D-3: Individual Condominium Unit Appraisal Report (01/06)

D-3: Individual Condominium Unit Appraisal Report (01/06)

This section provides specific instructions for completing the Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073 March 2005, Condo).

This report form is designed to report an appraisal of a unit in a condominium project or a condominium unit in a planned unit development (PUD) based on an interior and exterior inspection of the subject property. This form is not designed to report an appraisal of a manufactured home or a unit in a cooperative project.

Section 1 - Subject

This section provides the factual data to identify the property and the parties to the appraisal process. The *FHA case number together with *borrower and/or *property information will be supplied by the lender/client who engages the appraiser.

Field	Protocol
*File Number	<ul style="list-style-type: none"> Insert the FHA Case Number at the top right corner of the page. The FHA appraisal may not be transmitted to the lender without a case number.
*Property Address	<ul style="list-style-type: none"> Enter the property street number and name, city, state and zip code for the property. A post office box number is not acceptable. Enter Unit #
*Borrower	<ul style="list-style-type: none"> Enter the name of the borrower/mortgagor.
Owner of Public Record	<ul style="list-style-type: none"> Enter the name of the owner as listed in public records. If the seller is not the owner of public record the appraiser must explain.
County	<ul style="list-style-type: none"> Enter the name of the county in which the property is located. It further provides locational parameters. If not applicable enter "N/A".
Legal Description	<ul style="list-style-type: none"> Enter the legal description of the property. The four types of legal descriptions are: lot and block system, geodetic survey, government survey system and metes and bounds system. If the space provided is insufficient, enter "see attached addendum" and create addendum with the heading "Legal Description" and complete the legal description.
Assessor's Parcel #	<ul style="list-style-type: none"> Enter the parcel number assigned by the local tax assessor. For those areas that do not have an assessor's parcel number, enter the tax identification number.
Tax Year	<ul style="list-style-type: none"> Enter the current tax year used by the locale, e.g. fiscal year or actual year.

R. E. Taxes \$	<ul style="list-style-type: none"> Enter the dollar amount of the annual real estate taxes, including all relevant taxes (school district tax, fire district tax, etc.).
Project Name	<ul style="list-style-type: none"> Enter the name of the condominium project. The name of the project can be obtained from the condominium documents or public records.
Phase #	<ul style="list-style-type: none"> Enter the phase number of the subject, if applicable. Refer to condominium documents, public records or confirm through Management Company.
Map Reference	<ul style="list-style-type: none"> Enter location map reference, page number and coordinates, from source used. This reference should relate to the location maps most commonly used in the locale.
Census Tract	<ul style="list-style-type: none"> Enter the census tract number. Census tract numbers must be provided. The Census Bureau has an internet resource guide for locating census information. It can be found at URL: www.census.gov
Occupant	<ul style="list-style-type: none"> Mark the box signifying the occupancy status at the time of the appraisal. If vacant, the appraiser should note in the "Unit Description" section under "condition of the property" whether the utilities were on or off at the time of the appraisal. If off, condition the appraisal on a satisfactory re-inspection that the utility that was off at the time of the appraisal does not require alteration, repair or further inspection.
Special Assessments \$	<ul style="list-style-type: none"> Report the dollar amount of special assessments for the subject property, if any, and provide a brief explanation for the assessment. Special assessments can include municipal bond debt for off-site improvements. Larger than typical special assessments may affect marketability. If not applicable enter "N/A".
HOA\$	<ul style="list-style-type: none"> Enter the dollar amount of the HOA fee (Condo fee) and mark the box indicating if the fees are paid "per year" or "per month".
Property Rights Appraised	<ul style="list-style-type: none"> Mark the appropriate box indicating the property rights appraised for the subject property as of the date of the appraisal. "Other" includes Land Trust.
Assignment Type	<ul style="list-style-type: none"> Mark the appropriate box indicating the assignment type.
Lender/Client	<ul style="list-style-type: none"> Enter the name of the lender/client who ordered and will receive the appraisal report. After the client's name add "its successors or assigns". The use of the appraisal is to support FHA's decision to provide mortgage insurance on the real property that is the subject of the appraisal; therefore, intended users include the lender/client and FHA. Enter the lender/client's address.
Address	
Currently offered for sale or offered for sale in last 12 months.	<ul style="list-style-type: none"> The appraiser's certification states in part "I have researched, verified, analyzed and reported on any current agreement of sale of the subject property, any offering for sale of the subject property in the twelve months prior to the effect date of the appraisal..." Mark the appropriate box indicating whether the subject is currently offered for sale or has been offered for sale in the 12-month period prior to the effective date of the appraisal. If there are multiple actions, report each instance. Research may reveal an expired or withdrawn listing. The prior listing may provide a good indication of the upper limit of value.
Report data source (s) used, offering price(s), and date (s)	<ul style="list-style-type: none"> Complete this field regardless of whether the property is for sale or has been for sale in the 12 months preceding the date of the appraisal. Enter source(s) used, price(s) and date(s) of current or prior listings.

Section 2 - Contract

This section must be completed when the appraisal assignment involves a purchase transaction, otherwise enter "N/A" for not applicable. FHA requires that the appraiser be provided with a complete copy of the ratified sales contract, including all addenda, for the subject property. It provides the agreed-on contract price (accepted offer), date of sale, and all financial terms implicit in the offer. If unable to obtain this information, the appraiser is to state what efforts were made to obtain it.

Field	Protocol
Analyze Contract for Sale	<ul style="list-style-type: none"> Explain the results of the analysis (terms and conditions) of the contract of sale or why the analysis was not performed. The analysis may include a reference to the number of pages contained in the contract for sale provided.
Contract Price \$	<ul style="list-style-type: none"> Enter the final agreed upon contract price.
Date of Contract	<ul style="list-style-type: none"> Enter the date of the contract. This is the date when all parties have agreed to the terms of, and signed the contract.
Is The Property Seller The Owner of Public Record Data Source(s)	<ul style="list-style-type: none"> Mark the appropriate box indicating whether or not the seller is the owner of public record. The appraiser is instructed to contact the lender/client if the seller is someone other than the owner of record. The property may not be eligible for FHA financing if it involves flipping (resale in less than 90 days). The lender will make a determination for any exceptions to FHA's Flipping Rule and advise the appraiser. Report where the information was obtained.
Sales Concessions Downpayment Assistance	<ul style="list-style-type: none"> Mark the appropriate box indicating whether or not there is any financial assistance (loan charges, sales concessions, gift or down payment assistance, etc.) paid by any party on behalf of the borrower. If necessary, use an addendum and enter the heading "Sales Concessions" completing the description. If yes, the appraiser is to report the total dollar amount and describe the items to be paid. If the sale involves personal property (e.g. above ground pool, lawn mower, furniture, etc.) is should be identified and excluded from the valuation.

Section 3 – Neighborhood

This section should reflect the area surrounding the subject property. The appraiser must observe neighborhood characteristics and surrounding properties to make determinations that will be incorporated into the valuation of the subject property. In all instances, the appraiser must mark the appropriate box for each line in neighborhood characteristics and housing trends. Failure to note conditions that may adversely affect the value of the property is poor appraisal practice and violates the Uniform Standards of Professional Appraisal Practice.

NOTE: Race and the racial composition of the neighborhood are not appraisal factors.

Neighborhood Characteristics	
Field	Protocol
Location	<ul style="list-style-type: none"> Enter the type of area surrounding the subject property. Urban – relates to a city Suburban – relates to an area adjacent to a city Rural – relates to the country or beyond the suburban area
Built-up	<ul style="list-style-type: none"> Enter the built-up percentage – the percentage of available land that has been improved. Land such as a state park would not be considered available land.
Growth	<ul style="list-style-type: none"> Enter the growth rate. If many lots are available, the growth rate may be rapid, stable or slow, but if the neighborhood is fully developed, select the "stable" box.

Condominium Unit Housing Trends

Field	Protocol
Property Values	<ul style="list-style-type: none">Mark the box describing the current trend in property values for condominium units in the community. Comparing individual condominium units that have been sold and resold in recent years is an effective way to determine market trends. Appraisers who use this method, however, should make sure to factor in any improvements or changes made to the property between sales.
Demand/ Supply	<ul style="list-style-type: none">Mark the appropriate demand/supply trend. To determine the equilibrium status of supply and demand in the neighborhood, compare the number of condominium units sold to the number of condominium units listed for sale in a recent time period. The similarity or difference between the number of units sold and listed, not the absolute numbers, should determine the demand/supply level.
Marketing Time	<ul style="list-style-type: none">Mark the appropriate marketing time – the typical length of time a property similar to the subject property would have to stay on the market before being sold at a price near its market value.

Condominium Housing

Price	<ul style="list-style-type: none">Indicate the low and high neighborhood prices and ages as well as the predominant value and age. The high and low for both price and age should exclude the extreme.
Age	

Present Land Use %

One-Unit, 2-4 Unit, Multi-Family, Commercial, Other	<ul style="list-style-type: none">Estimate each type of land usage in the neighborhood. If there is no land in the neighborhood with one of the designated classifications, enter a "0". If a portion of the land consists of parks or other unspecified classifications, enter the estimated percentages on the "Other" line and explain in the neighborhood description section.
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Neighborhood Narrative

Neighborhood Boundaries	<ul style="list-style-type: none">The appraiser must clearly define the boundaries – north, south, east and west – of the subject's neighborhood. Providing a description of neighborhood boundaries by physical features such as streets, rail lines, other man-made barriers or well defined natural barriers (i.e. rivers, lakes, etc.) details the make up and understanding regarding neighborhood composition.
Neighborhood Description	<ul style="list-style-type: none">Discuss factors that would attract residents or cause them to reject the neighborhood. These are typical factors important to discuss:<ul style="list-style-type: none">Level of maintenance and condition of homesHousing styles, ages, sizes, etc.Land usesProximity to employment and amenities, including travel distance and time to local employment sources and community amenitiesEmployment stability, in terms of variety of employment opportunities and industriesAppeal to market regarding the overall appeal of the neighborhood as compared to competitive neighborhoods in the same marketConvenience to shopping with respect to distance, time and required means of

	<ul style="list-style-type: none"> transportation Convenience to schools in terms of the distance and time for travel to school
Market Conditions (including support for the above conclusions)	<ul style="list-style-type: none"> Provide relevant information in support of conclusions relating to trends in property values, demand/supply and marketing time. Provide a description of the prevalence and impact of sales and financing concessions and/or down payment assistance in the subject's market area. Other areas of discussion may include days on market, list to sale price ratios, and/or financing availability.

Section 4 – Project Site

This information provides the description of the land underlying the subject project. Insert factual information on each of the lines provided and report the conclusions as directed. Consider all aspects of the physical description and reconcile them in the opinion of market value. This section of the appraisal requires the appraiser to consider any adverse site conditions or adverse external factors that may impact value.

Field	Protocol
Topography	<ul style="list-style-type: none"> Enter site topography, e.g. basically level, or it may be moderately sloping, strongly sloping, or steeply sloped, hilly, rolling, flat, etc. Provide an explanation regarding whether the topography affects marketability and/or value.
Size	<ul style="list-style-type: none"> Enter the project site area in square feet if less than one acre. Enter the acreage only if more than one acre. How does size of subject compare to typical sites in market area?
Density	<ul style="list-style-type: none"> Enter density classification as shown in zoning or other public records for unit per acre, i.e. low density may be town houses or garden style projects; high density may be mid-rise or high-rise projects.
View	<ul style="list-style-type: none"> Briefly describe the view from the unit (None is not an acceptable response). Identify a view with a significant positive or negative influence on the value. Photographs are recommended for any negative or positive view influences affecting value or marketability.
Specific Zoning Classification	<ul style="list-style-type: none"> Enter the specific zoning classification used by the local municipality or jurisdiction, e.g., R15, DR-3, etc. If none exist enter "None Exist".
Zoning Description	<ul style="list-style-type: none"> Describe what the specific classification means. Include a general statement describing what the zoning permits. For example: R15 = Low Density Multi-Family Residential If "No Zoning" exists, describe the prevalent use of sites in the neighborhood.
Zoning Compliance	<ul style="list-style-type: none"> Determine whether the current use is in compliance with the zoning ordinances. Mark the box indicating whether it is Legal, Legal Non-Conforming (Grandfathered Use), No Zoning, or Illegal Use. If the existing property does not comply with all of the current zoning regulations (use, lot size, improvement size, off street parking, etc.) but is accepted by the local zoning authority, enter "Legal Non-Conforming" and provide a brief explanation. Mark the appropriate box "yes" or "no" indicating that the zoning regulations permit rebuilding to current density. If the use is not legal, the property is not eligible for FHA mortgage insurance.
Highest and Best Use	<ul style="list-style-type: none"> Mark the appropriate box. This entry questions the categorization as the highest and best use of the site as improved or, as proposed and completed, in relation to the neighborhood and current market conditions. If current use represents the highest and best use, mark "yes". If it does not, mark "no" and provide an explanation.

Utilities	<ul style="list-style-type: none"> Mark either "Public" or "Other." If "Other" is marked, describe. Public utilities mean governmentally supplied and regulated. Public does not include any community systems sponsored, owned or operated by the developer or a private company not subject to government regulation or financial assistance. Note if there are mechanical chlorinators or water-flow that decreases noticeably while running simultaneous plumbing fixtures. Visually inspect the septic system and its surrounding area. If there are obvious or readily observable signs of system failure, "require inspection" to ensure that the system is in proper working order. <p>Note: The appraiser shall indicate whether a public water or sewage disposal system is available to the site. If available, connection must be made to public or community water/sewage disposal system if connection costs are reasonable. The lender will determine whether connection is feasible.</p>
Off-site Improvements– Type	<ul style="list-style-type: none"> Briefly describe the off-site improvements by which the property is accessed. Under "Type", enter road surface material and mark Public or Private. For example: "Street-Asphalt; Public", "Alley-None" Public refers to an improvement dedicated to and accepted by a unit of government – not including Home Owner's Associations.
FEMA Special Flood Hazard Area	<ul style="list-style-type: none"> FEMA (Federal Emergency Management Agency) is responsible for mapping flood hazard areas. If the property is within a Special Flood Hazard Area, mark "YES". Otherwise, mark "NO". Attach a copy of the flood map panel for properties located within an identified flood hazard area.
FEMA Flood Zone	<ul style="list-style-type: none"> Enter the FEMA Zone designation. Only properties within Special Flood Hazard Areas, such as zones "A" a special flood hazard area and "V" a coastal area, require flood insurance, Zones "B" "C" and "X" do not.
FEMA Map # and FEMA Map Date	<ul style="list-style-type: none"> Enter the FEMA Map number and map date. If it is not shown on any map, enter "Not Mapped."
Are utilities and off site improvements typical for the market area	<ul style="list-style-type: none"> Mark the appropriate box indicating whether the utilities and off-site improvements are typical for the market area. If "No" is marked, explain what is typical.
Any adverse site conditions or external factors	<ul style="list-style-type: none"> Mark the appropriate box indicating whether there are any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.). If "No" is marked, no comment is necessary, if "Yes" is marked, an explanation is required. Describe any adverse site conditions or adverse factors. Consider easements affecting the functional utility of the property in the conclusions of both the highest and best use and market value. For example, discuss adverse easements, encroachments, slide areas, illegal or non-conforming zoning use, etc. Consider surface, sub-surface and overhead easements. List any adverse environmental conditions, including hazardous waste, toxic substances and others. Explain all deficiencies that do not require repair (extreme slope, etc.) and consider them in the opinion of value. Discuss the observations with direct relationship to value and consider them in the final opinion of value.

Section 5 – Project Information

This section describes the subject condominium project information. Accurately report the conditions observed including the overall condition of the project and quality of construction. Enter factual information on each of the

lines provided and report the conclusions. Consider all aspects of the project information and reconcile them in the opinion of market value.

Field	Protocol
Data source (s) for project information	<ul style="list-style-type: none"> Enter the data source(s) for the project information, i.e. condo documents, public records, property management company, board or association officials, etc.
Project Description	<ul style="list-style-type: none"> Mark the box that best identifies the type of project description. Some projects may contain more than one building type. In those cases, mark the appropriate boxes. If "other" is marked, enter a brief description for the project description.

General Description	
Field	Protocol
# of Stories	<ul style="list-style-type: none"> Enter the number of stories for the project property type, i.e. number of stories for garden, mid-rise, or high-rise projects, townhouse, etc.
# of Elevator(s)	<ul style="list-style-type: none"> Enter the number of elevators. If none, enter "walk up".
Stage of Construction	<ul style="list-style-type: none"> Mark the box indicating the stage of construction, Existing, Proposed or Under Construction. Properties that are either Proposed or Under Construction require plans and specifications for the appraiser to review.
Year Built	<ul style="list-style-type: none"> Enter the year built.
Effective Age (Yrs)	<ul style="list-style-type: none"> Enter the effective age of the improvements. A range is acceptable. The effective age reflects the condition of the property relative to similar competitive properties. The effective age may be greater than, less than or equal to the actual age. Note any significant difference between the actual and effective ages and explain in the "condition of property" comments section.
Exterior Walls	<ul style="list-style-type: none"> Enter the type of construction material: aluminum, vinyl, wood siding, brick veneer, stucco, etc. If a combination of materials, show the predominant portion first.

General Description	
Field	Protocol
Roof Surface	<ul style="list-style-type: none"> Enter material type used for roof covering: composition shingle, wood, slate, clay tile, gravel, built-up, etc.
Total # Parking	<ul style="list-style-type: none"> Enter the total number of parking spaces for the condominium project.
Ratio (spaces/units)	<ul style="list-style-type: none"> Enter the ratio, total number of parking spaces divided by the total number of units.
Type	<ul style="list-style-type: none"> Enter the type of parking in the condominium project, such as open, garage, carport, or assigned.
Guest Parking	<ul style="list-style-type: none"> Enter the number of guest, visitor, or non-assigned parking spaces in the condominium project.

Subject Phase

Field	Protocol
# of Units	<ul style="list-style-type: none"> Enter the total number of units in the subject's phase.
# of Units Completed	<ul style="list-style-type: none"> Enter the number of units in the subject phase that have been completed.
# of Units for Sale	<ul style="list-style-type: none"> Enter the number of units in the subject's phase currently offered for sale.
# of Units Sold	<ul style="list-style-type: none"> Enter the number of units in the subject's phase that have been purchased.
# of Units Rented	<ul style="list-style-type: none"> Enter the number of units in the subject's phase that are rented.
# of Owner Occupied Units	<ul style="list-style-type: none"> Enter the number of units in the subject's phase that are owner occupied.

If Project Completed

Field	Protocol
# of Phases	<ul style="list-style-type: none"> Enter the total number of phases of construction in the subject project.
# of Units	<ul style="list-style-type: none"> Enter the total number of units in the subject project.
# of Units for Sale	<ul style="list-style-type: none"> Enter the number for sale in the subject project.
# of Units Sold	<ul style="list-style-type: none"> Enter the number of units sold in the subject project.
# of Units Rented	<ul style="list-style-type: none"> Enter the number of units rented in the subject project.
# of Owner Occupied Units	<ul style="list-style-type: none"> Enter the number of owner occupied units in the subject project.

If Project Incomplete

Field	Protocol
# of Planned Phases	<ul style="list-style-type: none"> Enter the total number of planned phases for the subject project.
# of Planned Units	<ul style="list-style-type: none"> Enter the number or planned units for the subject project.
# of Units for Sale	<ul style="list-style-type: none"> Enter the number of units for sale in the subject project.
# of Units Sold	<ul style="list-style-type: none"> Enter the number of units sold in the subject project.
# of Units Rented	<ul style="list-style-type: none"> Enter the number of units rented in the subject project.
# of Owner Occupied Units	<ul style="list-style-type: none"> Enter the number of owner occupied units in the subject project.

Field	Protocol
Project Primary Occupancy	<ul style="list-style-type: none"> Mark the box indicating the occupancy type for the project, i.e. Principle Residence, Second Home or Tenant.
Is the developer/builder in	<ul style="list-style-type: none"> Mark the box indicating whether or not the developer/builder is in control of the HOA.

control of the HOA	
Management Group	<ul style="list-style-type: none"> Mark the box identifying the type of management group. If management agent is marked, provide name of management company and phone number.
Does any single entity own more than 10% of the total units in the project?	<ul style="list-style-type: none"> Enter an "X" in the applicable box indicating whether or not a single entity owns more than 10% of the total units in the project. If "yes", provide the name of the entity and the number of units owned. It is possible to have multiple entities in this category.
Was the project created by conversion?	<ul style="list-style-type: none"> Enter an "X" in the applicable box indicating whether or not the project was created by a conversion. If "yes", describe the original use and the date of conversion.
Are the units, common elements, and recreation facilities complete?	<ul style="list-style-type: none"> Enter an "X" in the applicable box indicating whether or not the common elements and recreational facilities have been completed. If "no", provide an explanation describing what remains to be completed.
Is there any commercial space in the project?	<ul style="list-style-type: none"> Enter an "X" in the applicable box indicating whether or not there is commercial space in the project. If "yes" describe the commercial space and provide the overall percentage of commercial space.
Describe the condition of the project and quality of construction	<ul style="list-style-type: none"> Describe the overall condition and maintenance of the project. Note any evidence of physical deterioration Rate the project's condition (Good, Average, Fair, Poor). Rate the quality of construction giving consideration to the durability and quality of the materials and finish.
Describe the common elements and recreational facilities	<ul style="list-style-type: none"> Describe common elements and recreational areas such as parking areas, pools, courts, club houses, fitness centers, etc.
Are any common elements leased to or by the HOA?	<ul style="list-style-type: none"> Enter an "X" in the box indicating whether or not any of the common elements are leased to the HOA. If "yes" provide a description of the rental terms and options and comment on any effect on the marketability or value of the project.
Is the project subject to ground rent?	<ul style="list-style-type: none"> Enter an "X" in the box indicating whether or not the project is subject to a ground rent. If "yes", enter the dollar amount of the annual ground rent and describe the terms, restrictions, and conditions of the lease agreement and what effect, if any, it has on the marketability or value of the project.
Are the parking facilities adequate for the project size and type?	<ul style="list-style-type: none"> Enter an "X" in the box indicating whether or not the parking facilities are adequate for the project size and type. If "no" describe and comment on the effect of value and marketability. For example, projects of similar size, type and quality have garage parking whereas the subject project has assigned open spaces.

Section 6 – Project Analysis

Field	Protocol
Analyze the Condominium Project Budget	<ul style="list-style-type: none"> Explain the results of analysis of the condominium project budget or why the analysis was not performed. The analysis includes adequacy of the fees and reserves to meet operating expenses which may include: legal and accounting, utilities, trash removal, snow removal, repairs and maintenance, recreational areas maintenance and upkeep, gardening and yard maintenance, taxes, insurance, facility rentals, etc.

Are there any other fees for the use of the project facilities	<ul style="list-style-type: none"> Enter an "X" in the box indicating whether or not there are any fees other than the regular HOA fee for use of the project facilities. If "yes", report the charges and describe.
Compared to other competitive projects	<ul style="list-style-type: none"> Mark the box that best indicates the subject project's unit charge comparability to competitive projects of similar quality and design. If either the "High" or "Low" box is marked, an explanation is required.
Are there any special or unusual characteristics of the project known to appraiser?	<ul style="list-style-type: none"> Enter an "X" in the box indicating whether or not there are any special or unusual characteristics of the project known to the appraiser (information from condo documents, budget, HOA meetings, or other sources). If "yes", describe and explain the effect on value and marketability. For example, condo increasing by 30% to cover major repair due to lack of adequate reserves for building maintenance.

Section 7 – Unit Description

Mechanical Systems

An appraiser must examine mechanical, plumbing and electrical systems of the subject property to ensure that they are in proper working order. This examination entails turning on the applicable systems and observing their performance. Do not operate the systems if doing so may damage equipment, or when outside temperatures will not allow the system to operate.

Field	Protocol
Unit Charge	<ul style="list-style-type: none"> Enter the monthly condo/HOA fee, multiply by 12 and enter result per year.
Annual Assessment per Sq.Ft. of GLA	<ul style="list-style-type: none"> Divide the annual assessment charge per year by the GLA to compute the assessment per square foot.
Utilities included in monthly assessment	<ul style="list-style-type: none"> Enter an "X" in the appropriate box or boxes identifying which utilities are included in the unit monthly assessment. If "other" is marked, please describe.

General Description

Field	Protocol
Floor #	<ul style="list-style-type: none"> Enter the floor level location of the unit.
# of levels	<ul style="list-style-type: none"> Enter the number of levels contained in the subject unit.
Heating Type	<ul style="list-style-type: none"> Enter the type of heating system: FWA (forced warm air), HWBB (hot water baseboard), HWRad (hot water radiant) EBB (for electric baseboard), etc. Turn on the furnace/heating system to test functionality, weather permitting, and that no unusual noises are heard, no odors or smoke are emitted indicating a defective unit, etc. However, do not operate the systems if doing so may damage Turn on the hot water to ensure that the water heater is operating appropriately. Note any significant deterioration to heating system.
Fuel	<ul style="list-style-type: none"> Enter type of fuel used: natural gas, oil, propane, electric, etc.
Cooling Type	<ul style="list-style-type: none"> Enter an "X" in the box indicating the type of cooling system: Central Air Conditioning, Individual or Other. If "Other" is marked, provide a brief description, e.g. permanently

affixed fans, zoned air-conditioning, etc.

- Turn on the air conditioning system to test functionality, weather permitting, and that no unusual noises are heard, no odors or smoke are emitted indicating a defective unit, etc. However, do not operate the systems if doing so may damage equipment or when outside temperatures will not allow system to operate.
- Note significant holes/deterioration on the unit

Interior Materials/Condition

Enter the types of Materials and the Condition of the Materials (Good, Average, Fair, and Poor). Make every effort to describe accurately and explain in detail "Fair" and "Poor" ratings. The rating must relate to the habitability of the house given local standards.

Interior	materials/condition
Field	Protocol
Floors	• Enter floor type — tile, hardwood, carpet, etc. — and note the condition.
Walls	• Enter type of walls — plaster, drywall, paneled, etc. — and note the condition.
Trim/Finish	• Enter type of molding — wood, metal, vinyl, etc. — and note the condition.
Bath Wainscot	• Enter type that protects walls from moisture — ceramic tile, fiberglass, etc. — and note the condition.
Doors	• Enter door types — wood, metal, hollow core, etc. — and note the condition.

Amenities	
Field	Protocol
Fireplace(s) #	• Enter "X" if this amenity exists and provide a specific number
Woodstove #	• Enter "X" if this amenity exists and provide a specific number
Deck/Patio	• Enter "X" if this amenity exists.
Porch/Balcony	• Enter "X" if this amenity exists.
Other	• Enter "X" in this box if applicable and describe amenity or feature.

Appliances

Make an entry [X] in the boxes to indicate that these items exist. An entry in a box means that the item was considered part of the real estate and is included in the value. If an item is personal property, put a "P" in the box and do not include it in the opinion of value. Treat non-functioning equipment as existing, but as deferred maintenance in the valuation process.

Field	Protocol
Refrigerator	Enter "X" if this item exists. Enter "P" if personal property.
Range/Oven	Enter "X" if this item exists. Enter "P" if personal property.
Disp / Microwave	Enter "X" if this item exists. Enter "P" if personal property.

Dishwasher	Enter "X" if this item exists. Enter "P" if personal property.
Washer/Dryer	Enter "X" if this item exists. Enter "P" if personal property.

Car Storage

Field	Protocol
None	<ul style="list-style-type: none"> Mark "NONE" if there is no car storage space.
Type of Space	<ul style="list-style-type: none"> Enter an "X" in the box or boxes signifying type of storage space, if applicable.
# of Cars	<ul style="list-style-type: none"> Enter the number of cars the space can accommodate, if applicable.
Assigned or Owned	<ul style="list-style-type: none"> Mark this box indicating whether, space(s) are assigned or owned, if applicable.
Parking Space #	<ul style="list-style-type: none"> Enter the parking space #/

Gross Living Area

The appraiser must attach a sketch of the subject unit that indicates interior perimeter unit dimensions rather than exterior dimensions (include the calculations to show how you arrived at the estimated gross living area) or attach a copy of the floor plan (along with dimensions) provided in the condo documents which also lists the square footage.

Room Count, Gross Living Area and Heating and Cooling separately metered

Field	Protocol
Finished area above grade contains	<ul style="list-style-type: none"> To complete this section, enter the total <i>number</i> of above grade rooms, the total number of bedrooms above grade, and the total number of bathrooms above grade. Do not include foyers, basement finished rooms or unfinished attic space. Enter the total square footage of the gross living area above grade.
Are heating and cooling separately metered?	<ul style="list-style-type: none"> Enter an "X" in the box indicating whether or not the heating and cooling for the individual units separately metered? " If "No", describe and comment on compatibility to other projects in the market area.

Narrative Comments Section

The completion of this section is critical to the opinion of market value. The appraiser must discuss all adverse conditions and observed physical and functional deficiencies noted. If necessary, use the Additional Comments section of the form report, or an addendum, for additional discussion or description.

Field	Protocol
Additional Features	<ul style="list-style-type: none"> Use this space to describe special energy efficient features such as solar energy or geothermal systems and/or to further describe the additional features, Please elaborate on any special or unusual aspects of items, e.g. gas fireplace or wood burning fireplace.
<u>Condition of the property</u> (including needed repairs, deterioration, renovations,	<ul style="list-style-type: none"> Describe any physical deterioration and/or functional or external depreciation noted at the property. Provide a conclusion as to the overall condition of the improvements that is supported by the previous descriptive sections. Describe needed repairs.

remodeling, etc.)	
Physical deficiencies or adverse conditions	<ul style="list-style-type: none"> Enter an "X " in the applicable box indicating whether or not there are any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property. If the response is "No", no explanation is required or needed. However, if the response is "Yes", a full and detailed explanation is required and, if necessary, condition the appraisal on the "repair or alteration of the condition" or a "required inspection" by appropriately qualified individuals or entities, which may include professional engineers, tradespersons, HUD Fee Inspectors. <p>Lead-Based Paint Hazard</p> <ul style="list-style-type: none"> If the home was built before 1978, this may indicate a lead paint hazard. For all FHA insured properties, correction is required to all defective paint in or on structures and/or property improvements built before January 1, 1978 in accordance with 24 CFR Part 35. Observe all interior and exterior surfaces, such as walls, stairs, deck porch, railing, windows or doors for defective (chipping, flaking or peeling) paint. (Exterior surfaces include surfaces on fences, detached garages, storage sheds and other outbuildings and appurtenant structures.). Note any areas affected (be specific) and condition the appraisal on their repair subject to the satisfaction of the condition.
Property conformity	<ul style="list-style-type: none"> Enter an "X " in the applicable box indicating whether or not the subject generally conforms to the neighborhood (functional utility, style, condition, use, construction, etc.). If the response is "Yes", no explanation is required or needed. However, if the response is "No", an explanation is required.

Section 8 – Prior Sale History

Field	Protocol
Research sale or transfer history of subject & comps	<ul style="list-style-type: none"> Enter an "X " in the applicable box indicating whether you "did" or "did not" research the sale or transfer history of the subject property and comparable sales. If not, provide explanation.
Prior sales or transfers of subject property	<ul style="list-style-type: none"> Enter an "X " in the applicable box indicating whether your research "did" or "did not" reveal any <u>prior sales</u> or transfers of the subject property for the <u>three years</u> prior to the effective date of this appraisal.
Data Source(s)	<ul style="list-style-type: none"> Enter data source(s) used for sales and transfer information. Two sources are recommended for researching prior sales and transfers, local MLS and local public records at a minimum. Be familiar with the data source(s), i.e. how the data is gathered and how often it is updated, what is the publication date of the data, what is the effective date of the data.
Prior sales or transfers of comparable sales	<ul style="list-style-type: none"> Enter an "X " in the applicable box indicating whether your research "did" or "did not" reveal any <u>prior sales</u> of transfers of the comparable sales <u>for the year prior to the date of sale of the comparable sale</u>.
Data Source(s)	<ul style="list-style-type: none"> Enter data source(s) used for sales and transfer information. Two sources are recommended for researching prior sales and transfers, local MLS and local public records at a minimum. Be familiar with the data source(s), i.e. how the data is gathered and how often it is updated, what is the publication date of the data, what is the effective date of the data.

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales in the "Additional Comments" section or an addendum).

Field	Protocol
Date of Prior Sale / Transfer	<ul style="list-style-type: none"> Report the date(s) of prior sale(s) or transfer(s) of the subject that occurred within three years of the effective date of the appraisal. Report the date(s) of prior sale(s) or transfer(s) of each comparable sale for the year prior to the date of the comparable sale.
Price of Prior Sale /Transfer	<ul style="list-style-type: none"> Report the price of the prior sale(s) or transfer(s) of the subject that occurred within three years of the effective date of the appraisal. Report the price of the prior sale(s) or transfer(s) of each comparable for the year prior to the date of the comparable sale.
Data Source(s)	<ul style="list-style-type: none"> Identify data source(s) used.
Effective Date of Data Source(s)	<ul style="list-style-type: none"> Enter the date the data was published or updated by the source. For example, the local MLS may update their database multiple times during the week or month whereas property transfers at the local land records office may take six or eight weeks to be recorded. The property transfer records may have an effective date that is eight weeks earlier than the appraisal date and the MLS data is within one week of the appraisal date.
Analysis of prior sale or transfer history of subject and comparable sales	<ul style="list-style-type: none"> Provide analysis of prior sale or transfer history of the subject and comparable sales. Analysis may address changes in property conditions between sale dates or verifying if prior sale was an arm's-length transaction.

Section 9 – Sales Comparison Approach

Comparable Data Pool

The appraiser is required to report the number of comparable properties currently offered for sale, as of the effective date of the appraisal, and the number of comparable sales in the subject neighborhood, within 12 months of the effective date of the appraisal, in this section. Unlike the neighborhood price data, which includes all sales, this section focuses only on those properties that are comparable to the subject, not the universe of sales.

If there was difficulty in locating comparable properties, i.e. the subject is a "high-rise" and it is the only sale within the project in the past 12 months, and one or more of the comparable properties was a "mid-rise" or "garden style", then for purposes of this section, all such properties in the subject's neighborhood are to be treated as comparable and counted.

Field	Protocol
Comparable properties offered for sale	Enter the number of comparable properties currently offered for sale, including those under contract, within the subject neighborhood together with the price range.
Comparable sales	Enter the number of comparable sales that occurred within the 12 month period preceding the effective date of the appraisal, and within the subject neighborhood, together with the price range.

Enter factual data in each field or line.

Field	Protocol
Address and unit #	<ul style="list-style-type: none"> Enter the address and unit number for the subject and each comparable sale.
Project Name and Phase	<ul style="list-style-type: none"> Enter the project name and phase number for the subject and each comparable sale.

Proximity to Subject	<ul style="list-style-type: none"> Enter proximity in straight-line distance and direction. For example, "1.5 miles NE" or "3 blocks south". If comparable distance from the subject is more than a generally accepted distance, or located outside the defined neighborhood boundaries, be sure to explain why the sale is applicable in the "Summary of Sales Comparison Approach" section.
Sale Price	<ul style="list-style-type: none"> Enter the purchase price (total paid) for the subject and each of the comparable sales. This means the closed or settled price of the comparable sale. If the appraisal involves a refinance of the subject, enter "Refi" as the subject's sale price.
Sale Price / Gross Liv. Area	<ul style="list-style-type: none"> Enter price per square foot for the above grade living area for the subject, if a purchase transaction, and each comparable sale.
Data Source(s)	<ul style="list-style-type: none"> Enter data source(s) used for sales information.
Verification Source (s)	<ul style="list-style-type: none"> Enter verification source(s), the document or party from which the additional proof was obtained. MLS by itself is not considered a verification source. Contacting someone with first-hand knowledge of the transaction (agent, broker, buyer, seller, etc.) especially where it involves confirmation of seller concessions is the preferred method of verification. A single source may be used if the quality of data is such that sales data are confirmed and verified by settled transactions. Information provided should permit the reader of the report to locate the data from the sources cited. Do not use as market data sales that are not verified and adjusted to reflect the terms and conditions of sale.

Value Adjustments

Adjustments are made to the prices of the sale properties for price-influencing dissimilarities between each sale and the subject property. Not all dissimilarities require adjustment because not all dissimilarities achieve price differentials in the market. All adjustments must be extracted from and supported by the actions of the market.

For each adjustment item, enter the description of the adjustment and whether it is an upward or downward adjustment. Do not make an adjustment unless it has a material effect on value.

VALUE ADJUSTMENTS	
Field	Protocol
Sales or Financing Concessions	<ul style="list-style-type: none"> Report the type of financing such as Conventional, FHA or VA, etc. Report the type and amount of sales concession for each comparable sale listed. If no concessions exist, the appraiser must note "none." The appraiser is required to make market-based adjustments to the comparable sales for any sales or financing concessions that may have affected the sales price. The adjustment for such affected comparable sales must reflect the difference between the sales price with the sales concessions and what the property would have sold for without the concessions.
Date of Sale / Time	<ul style="list-style-type: none"> State month and year of the sale. Showing the contract date and settled date is also acceptable. Time adjustments, if any, must be supported by the market and consistent with the neighborhood market conditions noted. If this is the case, show both the contract date and settled date as any time adjustment should be calculated using the contract date (meeting of the minds) rather than the settled date.
Location	<ul style="list-style-type: none"> Enter the name of the subdivision or PUD. If none is applicable enter the neighborhood name that is commonly used to refer to the property's location.

Leasehold / Fee Simple	<ul style="list-style-type: none"> State whether the property was sold as Fee Simple or as a Leasehold Estate. An adjustment is required if the estate differs from the rights appraised for the subject property, and the difference is recognized by the local market.
HOA Mo. Assessment	<ul style="list-style-type: none"> Enter the monthly unit charges Any adjustments made for value differences should be explained.
Common Elements And Rec. Facilities	<ul style="list-style-type: none"> List the common elements and recreational facilities. Adjust for differences where and if warranted.
Floor Location	<ul style="list-style-type: none"> Enter the floor location of the unit. Adjust for any differences attributable to floor location within a project if warranted.
View	<ul style="list-style-type: none"> Describe the view from the unit, water view, skyline, etc. Such terms as "Average" or "Good" are only to be used as adjuncts, i.e. "Skyline/Average", "Water view/Good". Make adjustments only if the view is superior or inferior to the subject. If the subject has a superior view and adjustments are made, a photograph of the view amenity is recommended.
Design (Style)	<ul style="list-style-type: none"> Enter the style according to a project description used. Be consistent with improvement description.
Quality of Construction	<ul style="list-style-type: none"> Enter "Good", "Average", "Fair", etc. using the quality rating from your cost service subscription or provider. Adjustments may also be warranted for interior construction quality and should be explained and justified.
Actual Age	<ul style="list-style-type: none"> Enter only the actual age of the subject and each comparable sale.
Condition	<ul style="list-style-type: none"> Enter the condition of the subject and comparable sales. Only ratings to be used are: "New", "Good", "Average", "Fair" and "Poor" Consider any assumed repairs or alterations to the structure and the roof when determining the need for adjustments to the comparable sales.
Above Grade Room Count	<ul style="list-style-type: none"> Enter room count, consistent with the description of improvements on the front of the appraisal form. Up to three adjustments may be entered: The first line is for bathroom count differences. A deficiency or surplus in the number of baths should be adjusted first. The second line adjustment is for room count. The third is for a difference in square footage. Explain any property that has an adjustment in both square feet and room count.
Gross Living Area	<ul style="list-style-type: none"> Enter the total square footage of the above grade living areas. Adjustments for differences in square footage should be market derived.
Basement & Finished Rooms Below Grade	<ul style="list-style-type: none"> Show full or partial basement with basement finish percentage, i.e. Full 75%, Partial 50%. Enter the type of rooms below grade: bedroom, recreation room, laundry, full bath, etc. Include below grade improvements found in the subject property or comparable sales. Make appropriate adjustments to reflect differences between the comparable sales and the subject property. Explain any special features or finishes in the "Summary of Sales Comparison Approach." If no basement enter N/A
Functional Utility	<ul style="list-style-type: none"> Enter "Equal", "Superior" or "Inferior" as a total of the items rated in the Improvement Analysis compared to the subject. Use the "Summary of Sales Comparison Approach" to explain differences. Adjust for functional obsolescence observed in the subject noted in the unit description

	<p>and not found in the comparable sales.</p> <ul style="list-style-type: none"> • Extract dollar adjustments from the market. For example, a poor floor design that includes two bedrooms so that the entrance to one is gained by passing through the other typically requires a negative adjustment for functional obsolescence. • Floor plan of the subject is required when functional obsolescence is attributable to layout or poor floor plan.
Heating / Cooling	<ul style="list-style-type: none"> • Enter an adjustment for differences in heating and cooling systems. Any adjustment should be based on market expectations.
Energy Efficient Items	<ul style="list-style-type: none"> • Describe energy efficient items: storm windows and doors, solar installations, replacement windows, etc. and enter an adjustment for differences if warranted. If none, so state.
Garage / Carport	<ul style="list-style-type: none"> • Enter an adjustment for car storage. Calculate adjustments in accordance with market acceptance of carport value versus garage and size (one car, two cars, etc.).
Porch, Patio, Deck	<ul style="list-style-type: none"> • Enter an adjustment for these features. Base any adjustments on local market expectations.
Blank Lines	<ul style="list-style-type: none"> • Three blank lines are provided for the appraiser's use to describe additional amenities, features or individual characteristics not listed or addressed elsewhere in the sales grid, e.g. woodstove, fireplace, fencing, other. • Enter appropriate adjustments where warranted.
Net Adjusted (Total)	<ul style="list-style-type: none"> • Mark either [+] or [-] box to indicate if the total net adjustments will increase or decrease the value and note by how much. If any adjustment is excessive, review the comparable sales to determine if the best ones were selected. If the total adjustments appear excessive in relation to the sale price; the appraiser should reexamine the comparability of that sale. • Explain any adjustment that appears to be excessive.
Adjusted Sale Price of Comparables	<ul style="list-style-type: none"> • Total all of the adjustments and add them to or subtract them from the sales price of each comparable. Generally, adjustments should not exceed 10% for line items, 15% for net adjustments and 25% for gross adjustments. If any adjustments exceed stated guidelines a detailed explanation must be provided including reasons for not using more similar comparable sales.
Summary of Sales Comparison Approach	<ul style="list-style-type: none"> • Use this section to explain comparable selection; • Use this section to provide required explanations for subjective adjustments made in any of the following value factors: Location, Site, View, Design, Quality of Construction, Age, Condition and Functional Utility; • Use this section to explain any adjustments exceeding guidelines; • Use this section to explain which comparable sale or sales is/are given most weight or consideration and why.
Indicated Value by Sales Comparison Approach	<ul style="list-style-type: none"> • Enter the Indicated Value

Section 10 – Income Approach

In a single-family residential property, the Income Approach is generally not recognized as a basis for buying by the market. The approach typically provides minimal applicability in the opinion of market value; therefore, the Income Approach is not required for FHA appraisals completed on the Individual Condominium Unit Appraisal Report, Fannie Mae Form 1073. However, if adequate data is available, the Income Approach should be completed.

Income Approach To Value (not required for FHA appraisals)

Field	Protocol
Estimated Monthly Market Rent	<ul style="list-style-type: none">Enter the subject's estimated market rent and multiply it by the Gross Rent Multiplier (ratio between sales price and gross monthly rental income).
Summary of Income Approach	<ul style="list-style-type: none">Provide support for market rent and GRM if developed.

Section 11– Reconciliation

The appraiser should consider all appropriate approaches to value and all information relevant to the subject property and the market conditions in the opinion of market value.

If there is insufficient space in the reconciliation section to list and describe the "repairs, alterations or required inspections" noted, then the appraiser is instructed to insert a reference in the reconciliation section "**see Attached Addendum**" and list and describe the items under the heading "**Repairs, Alterations, Required Inspections.**"

Field	Protocol
Indicated Value by:	<ul style="list-style-type: none">Enter the Indicated Value for each of the approaches to value developed. If the approach was not developed, enter "ND or "Not Dev" for not developed.Reconcile the approaches to value with a brief description of the validity of each approach with respect to the appraisal assignment.

This appraisal is made

Field	Protocol
Mark this box "as is"	when: <ul style="list-style-type: none">There is/are no Property Condition(s) noted.Establishing the "as is" value for a regular 203(k) when needed.

This appraisal is made

Mark this box "per plans & specs"	when the appraisal involves: <ul style="list-style-type: none">Proposed construction, orUnder construction, less than 90% complete, or a203(k) with a Plan Review and Specification of Repairs prepared by a 203(k) Consultant.
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This appraisal is made

Mark this box "subject to repairs or alterations"	when the appraisal involves existing housing, or new construction more than 90% complete with only buyer preference items remaining (floor coverings, appliances, landscaping packages (soil must be stabilized to prevent erosion)), requiring repairs or alterations to: <ul style="list-style-type: none">Protect the health and safety of the occupantsProtect the security of the propertyCorrect physical deficiencies or conditions affecting structural integrityComplete buyer preference items for new homes, or toComplete repairs/improvements noted in work order or contractor estimates for the Streamline K
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- Meet FHA Minimum Property Requirements

The appraiser must indicate the extent of repairs and note this in the appropriate section of the appraisal, or in the "additional comments" section, or in an addendum, under the heading of "Reconciliation – Property Conditions" listing the repairs noted together with an estimated cost to cure.

This appraisal is made

Field	Protocol
Mark this box "subject to a required inspection"	when the appraisal calls for a required inspection to: <ul style="list-style-type: none"> • Certify the condition and/or status of a mechanical or structural element of the property • Protect the health and safety of the occupants • Protect the security of the property • Meet FHA Minimum Property Requirements or Minimum Property Standards
More than one box may be marked depending on the assignment and property conditions.	
The appraiser must indicate the reasoning for any required inspections and note this in the appropriate section of the appraisal, or in the "additional comments" section, or in an addendum, under the heading of "Reconciliation - Valuation Conditions" listing the required inspections.	
The value "subject to completion per plans and specifications", "subject to the following repairs or alterations", or "subject to the following required inspection" must be consistent with the subject property conditions described.	
Opinion of Market Value	<ul style="list-style-type: none"> • Enter the opinion of Market Value
Final Reconciliation	<ul style="list-style-type: none"> • This entry should contain the appraiser's reasoning for arriving at the final value.
Date of Value	<ul style="list-style-type: none"> • Enter the date when the property was inspected.

Additional Comments - Addendum

It may become necessary to include commentary that carries beyond the provided space of the appraisal reporting form. The use of an addendum provides the additional space for the appraiser to fully describe any item, area or condition where the commentary exceeds the space provided in other sections of the report. It is recommended that any information carried forward to the addendum, if needed, follow the sequence of the form with a proper heading identifying said section.

For example, the neighborhood "market conditions" comments exceed the space provided on the form. In that case, on page one in neighborhood market conditions enter "See additional comments", in the "additional comments" section enter the heading "Neighborhood Market Conditions" and provide the narrative in this section. Follow the same procedure for any section of the report where commentary exceeds space provided. This will provide the reader with the proper identification and linkage of additional comments together with a logical flow of information in a standardized reporting format.

Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073 March 2005)

FHA Single Family/4150.2, CHG-1: Valuation Analysis for Home Mortgage Insurance for Single-Family One- to Four-Unit Dwellings/APPENDIX D: VALUATION PROTOCOL (01/06)/D-4: Small Residential Income Property Appraisal Report (01/06)

D-4: Small Residential Income Property Appraisal Report (01/06)

This section provides specific instructions for completing the Small Residential Income Property Appraisal Report (Fannie Mae Form 1025 March 2005)

This report form is designed to report an appraisal of a two-four unit property, including a two-four unit property in a planned unit development (PUD), based on an interior and exterior inspection of the subject property. A two-four unit property located in a condominium project requires the appraiser to inspect the project and complete the project information section of the Individual Condominium Unit Appraisal Report. This form is not designed to report an appraisal of a manufactured home, therefore, where one or more of the units is a manufactured home, the appraiser is required to complete the following sections of the Manufactured Home Appraisal Report: HUD Data Plate and Improvements sections.

Section 1 - Subject

This section provides the factual data to identify the property and the parties to the appraisal process. The *FHA case number together with *borrower and/or *property information will be supplied by the lender/client who engages the appraiser.

Field	Protocol
*File Number	<ul style="list-style-type: none"> Insert the FHA Case Number at the top right corner of the page. The FHA appraisal may not be transmitted to the lender without a case number.
*Property Address	<ul style="list-style-type: none"> Enter the property street number and name, city, state and zip code for the property. A post office box number is not acceptable. Enter the nearest intersection if a house number is not available.
*Borrower	<ul style="list-style-type: none"> Enter the name of the borrower/mortgagor.
Owner of Public Record	<ul style="list-style-type: none"> Enter the name of the owner as listed in public records. If the seller is not the owner of public record the appraiser must explain.
County	<ul style="list-style-type: none"> Enter the name of the county in which the property is located. It further provides locational parameters. If not applicable enter "N/A".
Legal Description	<ul style="list-style-type: none"> Enter the legal description of the property. The four types of legal descriptions are: lot and block system, geodetic survey, government survey system and metes and bounds system. If the space provided is insufficient, enter this information with the heading "Legal Description" in the "Additional Comments" section of the form report or attach this information as an addendum.
Assessor's Parcel #	<ul style="list-style-type: none"> Enter the parcel number assigned by the local tax assessor. For those areas that do not have an assessor's parcel number, enter the tax identification number.
Tax Year	<ul style="list-style-type: none"> Enter the current tax year used by the locale, e.g. fiscal year or actual year.
R. E. Taxes \$	<ul style="list-style-type: none"> Enter the dollar amount of the annual real estate taxes, including all relevant taxes (school district tax, fire district tax, etc.).
Neighborhood Name	<ul style="list-style-type: none"> Enter the name of the subdivision, if applicable, or the commonly known local neighborhood designation. If the subject property is in a planned unit development, provide the name of the development.
Map Reference	<ul style="list-style-type: none"> Enter location map reference, page number and coordinates, from source used. This reference should relate to the location maps most commonly used in the locale.
Census Tract	<ul style="list-style-type: none"> Enter the census tract number. The census tract number must be provided. The Census Bureau has an internet resource guide for locating census information. It can be found at URL: www.census.gov
Occupant	<ul style="list-style-type: none"> Mark the box signifying the occupancy status at the time of the appraisal. If vacant, the appraiser should note in the "Improvements" section under "condition of property" whether the utilities were on or off, for each of the units, at the time of the appraisal. If

	off, condition the appraisal on a satisfactory re-inspection that the utility that was off at the time of the appraisal does not require alteration, repair or further inspection.
Special Assessments \$	<ul style="list-style-type: none"> Report the dollar amount of special assessments for the subject property, if any, and provide a brief explanation for the assessment. Special assessments can include municipal bond debt for off-site improvements. Larger than typical special assessments may affect marketability. If not applicable enter "N/A".
PUD HOA\$	<ul style="list-style-type: none"> Enter the dollar amount of the HOA fee and mark the box indicating if the fees are paid "per year" or "per month".
Property Rights Appraised	<ul style="list-style-type: none"> Mark the appropriate box indicating the property rights appraised for the subject property as of the date of the appraisal. "Other" includes Land Trust.
Assignment Type	<ul style="list-style-type: none"> Mark the appropriate box indicating the assignment type.
Lender/Client	<ul style="list-style-type: none"> Enter the name of the lender/client who ordered and will receive the appraisal report. After the client's name add "its successors or assigns". The use of the appraisal is to support FHA's decision to provide mortgage insurance on the real property that is the subject of the appraisal; therefore, intended users include the lender/client and FHA. Enter the lender/client's address.
Address	
Currently offered for sale or offered for sale in last 12 months.	<ul style="list-style-type: none"> The appraiser's certification states in part "I have researched, verified, analyzed and reported on any current agreement of sale of the subject property, any offering for sale of the subject property in the twelve months prior to the effect date of the appraisal..." Mark the appropriate box indicating whether the subject is currently offered for sale or has been offered for sale in the 12-month period prior to the effective date of the appraisal. If there are multiple actions, report each instance. Research may reveal an expired or withdrawn listing. The prior listing may provide a good indication of the upper limit of value.
Report data source (s) used, offering price(s), and date (s)	<ul style="list-style-type: none"> Complete this field regardless of whether the property is currently offered for sale or has been for sale in the 12 months preceding the date of the appraisal. Identify source(s) used, price(s) and date(s) of current or prior listings.

Section 2 - Contract

This section must be completed when the appraisal assignment involves a purchase transaction, otherwise enter "N/A" for not applicable. FHA requires that the appraiser be provided with a complete copy of the ratified sales contract, including all addenda, for the subject property.

It provides the agreed-on contract price (accepted offer), date of sale, and all financial terms implicit in the offer. If unable to obtain this information, the appraiser is to state what efforts were made to obtain it.

Field	Protocol
Analyze Contract for Sale	<ul style="list-style-type: none"> Explain the results of the analysis (terms and conditions) of the contract of sale or why the analysis was not performed. The analysis may include a reference to the number of pages contained in the contract for sale provided.
Contract Price \$	<ul style="list-style-type: none"> Enter the final agreed upon contract price.
Date of Contract	<ul style="list-style-type: none"> Enter the date of the contract. This is the date when all parties have agreed to the terms of, and signed the contract.

Is The Property Seller The Owner of Public Record	<ul style="list-style-type: none"> Mark the appropriate box indicating whether or not the seller is the owner of public record. The appraiser is instructed to contact the lender/client if the seller is someone other than the owner of record. The property may not be eligible for FHA financing if it involves flipping (resale in less than 90 days). The lender will make a determination for any exceptions to FHA's Flipping Rule and advise the appraiser. Report where the information was obtained.
Data Source(s)	
Sales Concessions Downpayment Assistance	<ul style="list-style-type: none"> Mark the appropriate box indicating whether or not there is any financial assistance (loan charges, sales concessions, gift or down payment assistance, etc.) paid by any party on behalf of the borrower. If necessary, use the "Additional Comments" section of the appraisal reporting form or an addendum and enter the heading "Sales Concessions" completing the description. If yes, the appraiser is to report the total dollar amount and describe the items to be paid. If the sale involves personal property (e.g. above ground pool, lawn mower, furniture, etc.) is should be identified and excluded from the valuation.

Section 3 – Neighborhood

This section should reflect the area surrounding the subject property. The appraiser must observe neighborhood characteristics and surrounding properties to make determinations that will be incorporated into the valuation of the subject property. In all instances, the appraiser must mark the appropriate box for each line in neighborhood characteristics and housing trends. Failure to note conditions that may adversely affect the value of the property is poor appraisal practice and violates the Uniform Standards of Professional Appraisal Practice.

NOTE: Race and the racial composition of the neighborhood are not appraisal factors.

Neighborhood Characteristics	
Field	Protocol
Location	<ul style="list-style-type: none"> Enter the type of area surrounding the subject property. Urban – relates to a city Suburban – relates to an area adjacent to a city Rural – relates to the country or beyond the suburban area
Built-up	<ul style="list-style-type: none"> Enter the built-up percentage – the percentage of available land that has been improved. Land such as a state park would not be considered available land.
Growth	<ul style="list-style-type: none"> Enter the growth rate. If many lots are available, the growth rate may be rapid, stable or slow, but if the neighborhood is fully developed, select the "stable" box.

Two-Four Unit Housing Trends	
Field	Protocol
Property Values	<ul style="list-style-type: none"> Mark the box describing the current trend in property values for Two-Four Unit single family homes in the community. If the subject property is the sole or one of only several 2-4 unit single family homes in the neighborhood or marketplace, indicate this scarcity under market conditions, identify the most predominate housing type in the neighborhood and address trends in value for that identified type. Comparing houses that have been sold and resold in recent years is an effective way to determine market trends. Appraisers who use this method, however, should make sure to factor in any improvements or changes made to the property between sales.
Demand/ Supply	<ul style="list-style-type: none"> Mark the appropriate demand/supply trend. If the subject property is the sole or one of only several 2-4 unit single family homes in the neighborhood or marketplace, indicate

	<p>this scarcity under market conditions, identify the most predominant housing type in the neighborhood and address trends in demand/supply for that identified type. To determine the equilibrium status of supply and demand in the neighborhood, compare the number of 2-4 unit properties sold to the number of 2-4 unit properties listed for sale in a recent time period. The similarity or difference between the numbers of houses sold and listed, not the absolute numbers, should determine the demand/supply level.</p>
Marketing Time	<ul style="list-style-type: none"> Mark the appropriate marketing time – the typical length of time a property similar to the subject property would have to stay on the market before being sold at a price near its market value.

Two-Four Unit Housing	
Price	<ul style="list-style-type: none"> Indicate the low and high neighborhood prices and ages as well as the predominant value and age. The high and low for both price and age should exclude the extreme.
Age	

Present Land Use %	
One-Unit, 2-4 Unit, Multi-Family, Commercial, Other	<ul style="list-style-type: none"> Estimate each type of land usage in the neighborhood. If there is no land in the neighborhood with one of the designated classifications, enter a "0". If a portion of the land consists of parks or other unspecified classifications, enter the estimated percentages on the "Other" line and explain in the neighborhood description section.

Neighborhood Narrative	
Neighborhood Boundaries	<ul style="list-style-type: none"> The appraiser must clearly define the boundaries – north, south, east and west – of the subject's neighborhood. Providing a description of neighborhood boundaries by physical features such as streets, rail lines, other man-made barriers or well defined natural barriers (i.e. rivers, lakes, etc.) details the make up and understanding regarding neighborhood composition.
Neighborhood Description	<ul style="list-style-type: none"> Discuss factors that would attract investors or cause them to reject the neighborhood. Some typical factors important to discuss include: <ul style="list-style-type: none"> Vacancy / rent loss Level of maintenance and condition of homes Housing styles, ages, sizes, etc. Proximity to employment and amenities, including travel distance and time to local employment sources and community amenities Employment stability, in terms of variety of employment opportunities and industries Overall appeal of the neighborhood as compared to competitive neighborhoods in the same market Convenience to shopping with respect to distance, time and required means of transportation Convenience to schools in terms of the distance and time for travel to school
Market Conditions (including support for the above conclusions)	<ul style="list-style-type: none"> Provide relevant information in support of conclusions relating to trends in property values, demand/supply and marketing time. Provide a description of the prevalence and impact of sales and financing concessions and/or down payment assistance in the subject's market area. Other areas of discussion may include days on market, list to sale price ratios, and/or financing availability.

Section 4 – Site

This information provides the description of the land underlying the subject property. Insert factual information on each of the lines provided and report the conclusions as directed. Consider all aspects of the physical description and reconcile them in the opinion of market value. This section of the appraisal requires the appraiser to consider any adverse site conditions or adverse external factors that may impact value.

Field	Protocol
Dimensions	<ul style="list-style-type: none"> List all dimensions of the site beginning with the frontage. If the shape of the site is irregular, show the boundary dimensions (85' X 150' X 195' X 250') or attach a property survey or legal description of the site.
Area	<ul style="list-style-type: none"> Enter the site area in square feet or acres. This entry must be consistent with the dimensions provided in the "Dimensions" field.
Shape	<ul style="list-style-type: none"> Describe the shape of the site, e.g. triangular, square, rectangular, irregular, flag lot.
View	<ul style="list-style-type: none"> Briefly describe the view from the property (None is not an acceptable response). Identify a view with a significant positive or negative influence on the value. Photographs are recommended for any negative or positive view influences affecting value or marketability.
Specific Zoning Classification	<ul style="list-style-type: none"> Enter the specific zoning classification used by the local municipality or jurisdiction, e.g., R-3, R-5. If none exists enter "None Exists".
Zoning Description	<ul style="list-style-type: none"> Describe what the specific classification means. Include a general statement describing what the zoning permits. For example: R-3 = single family and two-family, up to 3 dwelling units per acre If "No Zoning" exists describe the prevalent use of sites in the neighborhood.
Zoning Compliance	<ul style="list-style-type: none"> Determine whether the current use is in compliance with the zoning ordinances. Mark the box indicating whether it is a Legal, Legal Non-Conforming (Grandfathered Use), No Zoning, or an Illegal Use. If the existing property does not comply with all of the current zoning regulations (use, lot size, improvement size, off street parking, etc.) but is accepted by the local zoning authority, enter "Legal Non-Conforming" and provide a brief explanation. If the use is not legal, the property is not eligible for FHA mortgage insurance.
Highest and Best Use	<ul style="list-style-type: none"> Mark the appropriate box. This entry represents the highest and best use of the site, as improved, in relation to the neighborhood and current market conditions. If current use represents the highest and best use, mark "yes". If it does not, mark "no" and provide an explanation.
Utilities	<ul style="list-style-type: none"> Mark either "Public" or "Other." If "Other" is marked, describe. Public utilities mean governmentally supplied and regulated. Public does not include any community systems sponsored, owned or operated by the developer or a private company not subject to government regulation or financial assistance. Note if there are mechanical chlorinators or water-flow that decreases noticeably while running simultaneous plumbing fixtures. Visually inspect the septic system and its surrounding area. If there are obvious or readily observable signs of system failure, "require inspection" to ensure that the system is in proper working order. <p>Note: The appraiser shall indicate whether a public water or sewage disposal system is available to the site. If available, connection must be made to public or community water/sewage disposal system if connection costs are reasonable. The lender will determine whether connection is feasible.</p>
Off-site Improvements–	<ul style="list-style-type: none"> Briefly describe the off-site improvements under "Type" and enter road surface material and mark Public or Private. For example: "Street-Asphalt; Public", "Alley-None"

Type	<ul style="list-style-type: none"> Public refers to an improvement dedicated to and accepted by a unit of government – not including Home Owner's Associations.
FEMA Special Flood Hazard Area	<ul style="list-style-type: none"> FEMA (Federal Emergency Management Agency) is responsible for mapping flood hazard areas. If the property is within a Special Flood Hazard Area, mark "YES". Otherwise, mark "NO". Attach a copy of the flood map panel for properties located within an identified flood hazard area.
FEMA Flood Zone	<ul style="list-style-type: none"> Enter the FEMA Zone designation. Only properties within Special Flood Hazard Areas, such as zones "A" a special flood hazard area and "V" a coastal area, require flood insurance. Zones "B" "C" and "X" do not.
FEMA Map # and FEMA Map Date	<ul style="list-style-type: none"> Enter the FEMA Map number and map date. If it is not shown on any map, enter "Not Mapped."
Are utilities and off site improvements typical for the market area	<ul style="list-style-type: none"> Mark the appropriate box indicating whether the utilities and off-site improvements are typical for the market area. If "No" is marked, explain why the utilities and/or off site improvement are not typical.
Any adverse site conditions or external factors	<ul style="list-style-type: none"> Mark the appropriate box indicating whether there are any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.). If "No" is marked, no comment is necessary, if "Yes" is mark, an explanation is required. Describe any adverse site conditions or adverse factors. Consider easements affecting the functional utility of the property in the conclusions of both the highest and best use and market value. For example, discuss adverse easements, encroachments, slide areas, illegal or non-conforming zoning use, etc. Consider surface, sub-surface and overhead easements. List any adverse environmental conditions, including hazardous wastes, toxic substances and others. Explain all deficiencies that do not require repair (extreme slope, etc.) and consider them in the opinion of value. Discuss the observations with direct relationship to value and consider them in the approaches to value.

Section 5 – Improvements

This section describes the subject improvements. Accurately report the conditions observed. Describe needed repairs, or the existence of any functional or external obsolescence. Enter factual information on each of the lines provided and report the conclusions. Consider all aspects of the physical description and reconcile them in the opinion of market value.

General Description	
Field	Protocol
Units	<ul style="list-style-type: none"> Mark the appropriate box indicating number of units.
Accessory Unit	<ul style="list-style-type: none"> A 2-4 unit dwelling with an accessory unit is ineligible for FHA financing.
# of Stories	<ul style="list-style-type: none"> Enter the number of stories <i>above grade</i>, including half stories. Do not include the basement.
# of Buildings	<ul style="list-style-type: none"> Enter number of buildings.
Type	<ul style="list-style-type: none"> Mark the box that identifies the type of dwelling, "Det." (Detached), "Att." (Attached),

	"S-Det." (Semi-Detached) or "End Unit" (End unit of a group of rowhouses or townhouses).
Stage of Construction	<ul style="list-style-type: none"> Mark the box signifying the stage of construction, Existing, Proposed or Under Construction. Properties that are either Proposed or Under Construction require plans and specifications for the appraiser to review.
Design (Style)	<ul style="list-style-type: none"> Enter a brief description of the house design style using historical or contemporary fashion. For example: Cape Cod, bi-level, split level, split foyer, colonial, town house, rowhouse, etc. Do not use builder's model name. Avoid generic descriptions such as Traditional or Conventional.
Year Built	<ul style="list-style-type: none"> If the property is less than one year old, include both the month and year completed. If it is over one year old, insert the year completed.
Effective Age (Yrs)	<ul style="list-style-type: none"> Enter the effective age of the improvements. A range is acceptable. The effective age reflects the condition of the property relative to similar competitive properties. The effective age may be greater than, less than or equal to the actual age. Note any significant difference between the actual and effective ages and explain in the "condition of property" comments section.

Attic – Enter the attic and observe the interior roofing for insulation, deficient materials, leaks or readily observable evidence of significant water damage, structural problems, previous fire damage, FRT sheathing, exposed and frayed wiring and adequate ventilation by vent, fan or window. If any of these deficiencies exist, condition the appraisal on their repair and prepare the appraisal "subject to repairs" and/or "subject to inspection".

The attic must be entered, at a minimum, by head and shoulders, whether access is by pull-down stairway or scuttle. Size of the scuttle and accessibility of the attic dictate the level of entry.

Field	Protocol
None	Enter "X" if there is no attic.
Drop Stair	Enter "X" if this item exists.
Stairs	Enter "X" if this item exists.
Floor	Enter "X" if this item exists.
Scuttle	Enter "X" if this item exists.
Finished	Enter "X" if this item exists.
Heated	Enter "X" if the attic is heated.

Foundation

The appraiser is required to inspect the foundation and basement. The appraiser must address all visible deficiencies and may require a recommendation for an inspection. Consider deferred maintenance and physical deterioration in the valuation process.

Basement

Generally, may be partially or completely below grade (ground level). Do not count the basement in the finished gross living area at the grade level. The information provided must be consistent with the description in the Foundation section. If basement is finished and has a grade walk out entrance, count square foot GBA.

Foundation	
Field	Protocol
Concrete Slab	<ul style="list-style-type: none"> Mark this box if any part of the foundation system has concrete slab.

Crawl Space	<ul style="list-style-type: none"> • Mark this box if any part of the foundation system has crawl space. • Access to the space should be clear. Examine the crawl space for inadequate access (minimum entry of the head and shoulders). • Check the distance from the bottom of floor joists to ground. Space should be adequate for maintenance and repair. A minimum distance of 18 inches from the ground to the bottom of the joists is highly recommended but not mandated. • Check for insulation, and ventilation or for any structural problems. The support beams should be intact and of structural soundness.
Full Basement	<ul style="list-style-type: none"> • Mark this box if there is a full basement.
Partial Basement	<ul style="list-style-type: none"> • Mark this box if there is a partial basement. • For a dirt basement floor, determine whether such a property is typical for the area and is readily marketable. If so, it is not required that a concrete basement floor be installed. Mechanical equipment, however, must be located on a concrete pad.
Basement Area Sq Ft	<ul style="list-style-type: none"> • Enter the square footage of the basement area using exterior dimensions.
Basement Finish %	<ul style="list-style-type: none"> • Enter the percentage of basement (figure above) that is finished.
Outside Entry/Exit	<ul style="list-style-type: none"> • Mark this box only if there is an outside entry/exit, otherwise leave blank. • In there is an entry, make sure door is operable.
Sump Pump	<ul style="list-style-type: none"> • Mark this box only if there is a sump pump, otherwise leave blank.
Evidence of Infestation	<ul style="list-style-type: none"> • Mark this box if there is evidence of infestation, including the house and/or other structures within the legal boundaries of the property, otherwise leave blank. • Examine the subject property for readily observable evidence of wood boring insect. • Do not require a pest inspection based solely on the age of a property. Inspections are necessary whenever there is evidence of decay, pest infestation, suspicious damage or when it is customary to the area or required by state law.
Evidence of Dampness	<ul style="list-style-type: none"> • Mark this box if there evidence of dampness, otherwise leave blank. • Examine the foundation/basement for dampness or readily observable evidence of water damage. Signs of past water problems may include efflorescence, mold, mildew or stains on walls or mechanical equipment. • Basement or crawl space area must not have excessive dampness or ponding of water. • If any of these inadequacies exist, condition the appraisal "subject to repairs" to correct the condition, or "subject to inspection" to determine the source of problem and corrective measures necessary by a qualified party.
Evidence of Settlement	<ul style="list-style-type: none"> • Mark this box if there is evidence of settlement, otherwise leave blank. • Examine foundation for readily observable evidence of settlement. • Hairline step-cracks are common, however, horizontal cracks, bulging walls or separation of sill plate from top of foundation wall are critical and require inspection.

Mechanical Systems

An appraiser must examine the mechanical, plumbing and electrical systems of the subject property to ensure that they are in proper working order. This examination entails turning on the applicable systems and observing their performance. Electrical, plumbing and/or heating certifications may be called for by the appraiser when he/she cannot determine if one or all of these systems are working properly. An appraiser should not arbitrarily call for such certifications. However, the appraiser is still responsible for checking the functionality of these systems at the time of appraisal. Note the type of heating and cooling for each unit, if different.

Heating and Cooling Systems

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Field	Protocol
Heating	<ul style="list-style-type: none"> Enter an "X" in the box indicating the type of heating system: FWA (forced warm air), HWBB (hot water baseboard), Radiant or "Other". If "Other" is marked, provide a brief description, e.g. EBB (for electric baseboard). Turn on the furnace/heating system to test functionality, weather permitting, and that no unusual noises are heard, no odors or smoke are emitted indicating a defective unit, etc. However, do not operate the systems if doing so may damage equipment or when outside temperatures will not allow system to operate. Note significant holes/deterioration on the unit. Turn on the hot water to ensure that the water heater is operating appropriately.
Fuel	<ul style="list-style-type: none"> Enter type of fuel used: coal, gas, oil, propane, electric, etc.
Cooling	<ul style="list-style-type: none"> Enter an "X" in the box indicating the type of cooling system: Central Air Conditioning, Individual or Other. If "Other" is marked, provide a brief description, e.g. permanently affixed fans, zoned air-conditioning, etc.
Cooling	<ul style="list-style-type: none"> Turn on the air conditioning system to test functionality, weather permitting, and that no unusual noises are heard, no odors or smoke are emitted indicating a defective unit, etc. However, do not operate the systems if doing so may damage equipment or when outside temperatures will not allow system to operate. Note significant holes/deterioration on the unit

Exterior Materials/Condition

Enter the types of Materials and rate the observed Condition of the Materials (Good, Average, Fair, and Poor). Make every effort to describe accurately and explain in detail "Fair" and "Poor" ratings and whether or not the item (s) described require repair, replacement or further inspection. The rating must relate to the habitability of the house given local standards (Photo documentation of property condition is always advisable).

Exterior Description	materials/condition
Field	Protocol
Foundation Walls	<ul style="list-style-type: none"> Enter the material type: poured concrete, block, brick, stone, treated wood, etc. and rate the observed condition.
Exterior Walls	<ul style="list-style-type: none"> Enter the material type: aluminum, vinyl or wood siding, brick veneer, stucco, stone, etc. If a combination of materials, show the predominant portion first and rate the observed condition.
Roof Surface	<ul style="list-style-type: none"> Enter the material type: composition shingle, asphalt shingle, wood, slate, clay tile, aluminum, built-up, etc. and rate the observed condition. View the roof from ground level to determine if the integrity of the roof is sufficient. If the roof is otherwise unobservable, look for telltale signs of roof problems on the interior such as damage or water stains to ceiling area of a room or closet. Observe roof coverings, roof drainage systems, flashing, skylights, chimneys for readily observable evidence of leakage or abnormal condensation on building components. Note any evidence of deterioration of roofing materials (missing tiles, shingles, flashing). Deteriorated roofing materials include those that are worn, cupped, or curled. The appraiser must note in the appraisal that he/she could not adequately observe the entire roof area (state which area(s) were unobservable). Based on the information reported by the appraiser, the underwriter will determine whether or not a roofing inspection is required.
Gutters and Downspouts	<ul style="list-style-type: none"> Enter the material type: galvanized, aluminum, plastic, vinyl, PVC, etc. and rate the condition observed.

Window Type	<ul style="list-style-type: none"> Enter window type: Double Hung, Single Hung, Casement, Sliders, etc. and identify the window frame material: wood, aluminum, steel, vinyl, etc. Rate the condition observed. Bedroom windows with security bars require a quick release mechanism for emergency egress. If not so equipped, condition the appraisal on a "required repair".
Storm Sash / Insulated	<ul style="list-style-type: none"> Describe storm sash material or state if windows are double glazed, etc. or a combination of the two. Rate the condition observed. If none, so state.
Screens	<ul style="list-style-type: none"> Describe style (full, half, none) and rate the condition observed.

A brief description of an amenity may include its material type and/or size and/or dimensions.

Amenities	
Field	Protocol
Fireplace(s) #	<ul style="list-style-type: none"> Enter "X" if this amenity exists and provide a specific number.
Woodstove #	<ul style="list-style-type: none"> Enter "X" if this amenity exists and provide a specific number.
Patio/Deck	<ul style="list-style-type: none"> Enter "X" if this amenity exists. Describe material/type in additional features.
Fence	<ul style="list-style-type: none"> Enter "X" if this amenity exists. Describe material/type in additional features.
Pool	<ul style="list-style-type: none"> Enter "X" if this amenity exists. Describe in additional features. Specify whether in-ground or above-ground. Above-ground pools are considered personal property and are not to be included in the value.
Porch	<ul style="list-style-type: none"> Enter "X" if this amenity exists. Describe material/type in additional features.
Other	<ul style="list-style-type: none"> Enter "X" if this line is used to report another amenity or salient feature not listed above that has contributory value. Describe "Other" in additional features. Be sure to compare the subject and comparable sales in relation to that amenity or feature and make the appropriate adjustments.

Interior Materials/Condition

Enter the types of Materials and rate the observed Condition of the Materials (Good, Average, Fair, and Poor) and whether or not the item(s) described require repair, replacement or further inspection. Make every effort to describe accurately and explain in detail "Fair" and "Poor" ratings. The rating must relate to the habitability of the house given local standards (Photo documentation of property condition is always advisable). If the condition of materials varies significantly between the different units, address each unit separately. Use the Additional Comment section on page 4 if necessary.

Interior	materials/condition
Field	Protocol
Floors	<ul style="list-style-type: none"> Enter material type — tile, hardwood, carpet, etc. — and rate condition observed.
Walls	<ul style="list-style-type: none"> Enter material type — plaster, drywall, paneled etc. — and rate condition observed.
Trim/Finish	<ul style="list-style-type: none"> Enter material type — wood, metal, vinyl — and rate condition observed.
Bath Floor	<ul style="list-style-type: none"> Enter material type — ceramic tile, vinyl, carpet — and rate condition observed

Bath Wainscot	<ul style="list-style-type: none"> Enter material type that protects walls from moisture — ceramic tile, fiberglass, etc. — and rate condition observed.
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Car Storage

Field	Protocol
None	<ul style="list-style-type: none"> If the property does not have a garage, carport or driveway, mark "NONE".
Driveway # of Cars	<ul style="list-style-type: none"> If applicable, mark the box and enter the number of cars that can be parked. A single lane driveway is considered to be a one-car driveway. It would be considered a two car driveway if either car can be moved without disturbing the other.
Driveway Surface	<ul style="list-style-type: none"> Enter surface type: concrete, gravel, macadam, etc., if none so state.
Garage # of Cars	<ul style="list-style-type: none"> Enter the number of cars the structure can accommodate.
Carport # of Cars	<ul style="list-style-type: none"> Enter the number of cars the structure can accommodate.
Garage/Carport Type	<ul style="list-style-type: none"> If there is a garage, designate whether it is "Attached", "Detached" or "Built-in" and Enter an "X" in the box(es) indicating the style "Att.", "Det.", "Built-in"

Appliances

Field	Protocol
Refrigerator	Enter the number of refrigerators, enter 0 if none.
Range/Oven	Enter the number of range/ovens, enter 0 if none.
Dishwasher	Enter the number of dishwashers, enter 0 if none.
Disposal	Enter the number of disposals, enter 0 if none.
Microwave	Enter the number of microwaves, enter 0 if none.
Washer/Dryer	Enter the number of washer/dryers, enter 0 if none.
Other	Enter "X" for any other appliances not listed above and describe. Do not include personalty. Enter "none" if applicable.

Gross Living Area

The gross living area is obtained by drawing an imaginary line on the outside perimeter walls of each unit (similar to the method used to measure a single family dwelling). Do not include attic or basement areas that may be assigned to a unit.

Gross Building Area

The gross building area is the total finished area (including common areas – hallways, interior stairways, etc.) of the improvements, above and below grade, based upon exterior measurements. Use same method for calculating GBA of comparable sales and rentals.

Room Count and Square Feet of Gross Living Area

Field	Protocol
To complete this section	<ul style="list-style-type: none"> Enter, for each unit, the total number of rooms, the total number of bedrooms, and the total number of bathrooms.

- Enter the total square footage of the gross living area for each unit.
- If a unit is located in the basement but has a walk-out at grade entrance, included it in the gross building area.

Narrative Comments Section

The completion of this section is critical to the opinion of market value. The appraiser must discuss all adverse conditions and observed physical and functional deficiencies noted. If necessary, use the Additional Comments section of the form report, or an addendum, for additional discussion or description.

Field	Protocol
Additional Features	<ul style="list-style-type: none"> • Use this space to describe special energy efficient features such as solar energy or geothermal systems and/or to further describe the additional features, • Please elaborate on any special or unusual aspects of items, e.g. gas fireplace or wood burning fireplace, in-ground pool, etc.
Condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.)	<ul style="list-style-type: none"> • Describe any physical deterioration and/or functional or external depreciation noted at the property. • Provide a conclusion as to the overall condition of the improvements that is supported by the previous descriptive sections. • Describe needed repairs.
Physical deficiencies or adverse conditions	<ul style="list-style-type: none"> • Enter an "X " in the applicable box indicating whether or not there are any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property. If the response is "No", no explanation is required or needed. However, if the response is "Yes", a full and detailed explanation is required and, if necessary, condition the appraisal on the "repair or alteration of the condition" or a "required inspection" by appropriately qualified individuals or entities, which may include professional engineers, tradespersons, HUD Fee Inspectors. <p>Lead-Based Paint Hazard</p> <ul style="list-style-type: none"> • If the home was built before 1978, this may indicate a lead paint hazard. For all FHA insured properties, correction is required to all defective paint in or on structures and/or property improvements built before January 1, 1978 in accordance with 24 CFR Part 35. • Observe all interior and exterior surfaces, such as walls, stairs, deck porch, railing, windows or doors for defective (chipping, flaking or peeling) paint. (Exterior surfaces include surfaces on fences, detached garages, storage sheds and other outbuildings and appurtenant structures.). Note any areas affected (be specific) and condition the appraisal on their repair subject to the satisfaction of the condition.
Property conformity	<ul style="list-style-type: none"> • Enter an "X " in the applicable box indicating whether or not the subject generally conforms to the neighborhood (functional utility, style, condition, use, construction, etc.). If the response is "Yes", no explanation is required or needed. However, if the response is "No", a full and detailed explanation is required.
Subject to Rent Control	<ul style="list-style-type: none"> • Enter an "X" in the applicable box indicating whether property is subject to rent control • If yes, indicate ceilings on rent and any other pertinent controls.

Section 6 – Comparable Rental Data

The appraiser is required to report information on the subject and three comparable rental properties. Ideally, the properties used for comparable rentals will not be the same as those used in the Sales Comparison Analysis.

Enter factual data in each field or line.

The following properties represent the most current, similar, and proximate comparable rental properties to the

subject property. The analysis is intended to support the opinion of market rent for the subject property.

Field	Protocol
Address	<ul style="list-style-type: none"> Enter the address that can be used to locate each property. Enter community, if needed, to identify property. For rural properties, list location by road name, nearest intersection and side road.
Proximity to Subject	<ul style="list-style-type: none"> Enter proximity in straight-line distance and direction. For example, "1.5 miles NE" or "3 blocks south". If comparable distance from the subject is more than a generally accepted distance, or located outside the defined neighborhood boundaries, be sure to explain why the sale is applicable in the "Summary of Sales Comparison Approach" section.
Current Monthly Rent	<ul style="list-style-type: none"> Enter current monthly rent for the subject and each of the comparable rentals.
Rent/Gross Bldg. Area	<ul style="list-style-type: none"> Enter Rent/Gross Bldg Area for the subject and each of the comparable rentals.
Rent Control	<ul style="list-style-type: none"> Enter an "X" in the applicable box indicating rent control or not
Data Source(s)	<ul style="list-style-type: none"> Enter data source(s) used for sales and property information
Date of Lease(s)	<ul style="list-style-type: none"> Enter the date of lease for each of the subject units as well as the comparable rentals.
Location	<ul style="list-style-type: none"> Enter the neighborhood name that is commonly used to refer to the property's location. Location adjustments may be warranted for positive or negative factors that influence market rent such as busy street versus a quiet street. Explain any adjustments made in this area.
Actual Age	<ul style="list-style-type: none"> Enter only the actual age of the subject and each comparable rental.
Condition	<ul style="list-style-type: none"> Enter the condition of the subject and comparable rental. Ratings to be used are: "New", "Good", "Average", "Fair" and "Poor" or a combination if more accurate. Consider required repairs or alterations, to the subject, completed when determining the need for adjustments to the comparables rentals.
Gross Building Area	<ul style="list-style-type: none"> Enter the total Gross Building Area for the subject and each comparable.
Unit Breakdown	<ul style="list-style-type: none"> Enter total room count, number of bedrooms, number of baths and size for each unit in the subject. Enter total room count, number of bedrooms, number of baths, size in square feet, and the monthly rent for each unit in each of the three comparable rentals. Enter room count, total square footage and monthly rent for each of the comparable rentals.
Utilities included	<ul style="list-style-type: none"> Indicate which utilities, if any, (electric, water, heat, etc.) are included in the rent for the subject and the comparable rentals.
Analysis of rental data and support for estimated market rents	<ul style="list-style-type: none"> Provide analysis of rental data collected. Provide support for estimated market rents for the subject units. Discuss the adequacy of the comparable rentals. Address rental concessions if applicable.

Section 7 – Subject Rent Schedule

The appraiser is required to report information on the subject leases and provide an opinion of market rent.

Rent Schedule: The appraiser must reconcile the applicable indicated monthly market rents to provide an opinion of the market rent for each unit in the subject property.	
Leases	<ul style="list-style-type: none"> Provide the starting and termination dates of the leases for each unit of the subject. Provide comments on lease data, i.e. terms and conditions.
Actual Rent	<ul style="list-style-type: none"> Enter the rent for each unit, unfurnished or furnished, and then the total rent.
Total Actual Rent	<ul style="list-style-type: none"> Enter the total actual monthly rent for all units
Other Income	<ul style="list-style-type: none"> Enter any other monthly income. Itemize this information in the comments section below.
Total Actual Income	<ul style="list-style-type: none"> Enter the total actual monthly income.
Opinion of Market Rent	<ul style="list-style-type: none"> Enter opinion of market rent for each unit, unfurnished and furnished, and then the total rent.
Gross Monthly Rent	<ul style="list-style-type: none"> Enter the total estimated market rent for all units.
Other Income	<ul style="list-style-type: none"> Enter any other monthly income. Itemize this information in the comments section below, e.g. coin operated washers and dryers, garage rented for storage, etc.
Total Est. Income	<ul style="list-style-type: none"> Enter the total estimated monthly income.
Utilities included in estimated rents	<ul style="list-style-type: none"> Enter an "X" in the box indicating the applicable utility items included in the rent. If the "other" box is marked, describe.
Comments on actual or estimated rents	<ul style="list-style-type: none"> Provide comments on actual or estimated rents and other monthly income (including personal property) such as itemizing other monthly income; differences, or lack thereof, between actual rent and market rent.

Section 8 – Prior Sale History

Field	Protocol
Research sale or transfer history of subject & comps	<ul style="list-style-type: none"> Enter an "X" in the applicable box indicating whether you "did" or "did not" research the sale or transfer history of the subject property and comparable sales. If not, provide explanation.
Research prior sales or transfers of subject property	<ul style="list-style-type: none"> Enter an "X" in the applicable box indicating whether your research "did" or "did not" reveal any <u>prior sales</u> or transfers of the subject property for the <u>three years</u> prior to the effective date of this appraisal.
Data Source(s)	<ul style="list-style-type: none"> Enter data source(s) used for sale and transfer information. Appraisers are to be familiar with the data source(s), e.g. how the data is gathered and how often it is updated
Research prior sales or transfers of comparable sales	<ul style="list-style-type: none"> Enter an "X" in the applicable box indicating whether your research "did" or "did not" reveal any <u>prior sales</u> of transfers of the comparable sales <u>for the year prior to the date of sale of the comparable sale</u>.
Data Source(s)	<ul style="list-style-type: none"> Enter data source(s) used for sales and transfer information. Two sources are recommended for researching prior sales and transfers, local MLS and local public records at a minimum. Appraisers should be familiar with the data source(s), e.g. how the data is gathered and how often it is updated.

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales in the "Additional Comments" section or an addendum).

Field	Protocol
Date of Prior Sale/Transfer	<ul style="list-style-type: none"> Report the date(s) of prior sale(s) or transfer(s) of the subject that occurred within three years of the effective date of the appraisal. Report the date(s) of prior sale(s) or transfer(s) of each comparable sale for the year prior to the date of the comparable sale.
Price or Prior Sale/Transfer	<ul style="list-style-type: none"> Report the price of the prior sale(s) or transfer(s) of the subject that occurred within three years of the effective date of the appraisal. Report the price of the prior sale(s) or transfer(s) of each comparable for the year prior to the date of the comparable sale.
Data Source(s)	<ul style="list-style-type: none"> Identify the data source(s) used.
Effective Date of Data Source(s)	<ul style="list-style-type: none"> Enter the date the data was published or updated by the source for the subject and comparable sales. For example, the local MLS may update their database multiple times during the week or month whereas property transfers recorded at the local land records office may take six or eight weeks after settlement. The property transfer records may have an effective date that is eight weeks earlier than the appraisal date and the MLS data is within one week of the appraisal date.
Analysis of prior sale or transfer history of subject and comparable sales	<ul style="list-style-type: none"> Provide analysis of prior sale or transfer history of the subject and comparable sales. Analysis may address changes in property conditions between sale dates or verifying if prior sale was an arm's-length transaction.

Section 9 – Sales Comparison Approach

The appraiser is required to report the number of comparable properties currently offered for sale, as of the effective date of the appraisal, and the number of comparable sales in the subject neighborhood, within 12 months of the effective date of the appraisal, in this section. Unlike the neighborhood price data, which includes all sales, this section focuses only on those properties that are comparable to the subject, not the universe of sales.

If there was difficulty in locating comparable properties, i.e. the subject is a four unit single family property and one or more of the comparable properties was a two or three unit single family property, etc., then for purposes of this section, all such properties in the subject's neighborhood are to be treated as comparable and counted.

Field	Protocol
Comparable properties offered for sale	<ul style="list-style-type: none"> Enter the number of comparable properties currently offered for sale, including those under contract, within the subject neighborhood together with price range
Comparable sales	<ul style="list-style-type: none"> Enter the number of comparable sales that occurred within the 12 month period preceding the effective date of the appraisal, and within the subject neighborhood, together with the price range

Field	Protocol
Address	<ul style="list-style-type: none"> Enter the address that can be used to locate each property. Enter community, if needed, to identify property. For rural properties, list location by road name, nearest intersection and side road.
Proximity to Subject	<ul style="list-style-type: none"> Enter proximity in straight-line distance and direction. For example, "1.5 miles NE" or "3 blocks south". If comparable distance from the subject is more than a generally accept distance, or located outside the defended neighborhood boundaries, be sure to explain why the sale is applicable in the "Summary of Sales Comparison Approach "

	section.
Sale Price	<ul style="list-style-type: none"> Enter the purchase (total paid) for the subject and each of the comparable sales. This means the closed or settled price of the comparable sale. If the appraisal involves a refinance of the subject, enter "Refi" as the subject's sale price.
Sale Price/Gross Bldg. Area	<ul style="list-style-type: none"> Enter price per square foot of the gross building area for the subject, if a purchase transaction, and each comparable sale.
Gross Monthly Rent	<ul style="list-style-type: none"> Enter the Gross Monthly Rent for the subject property and each comparable sale.
Gross Rent Multiplier	<ul style="list-style-type: none"> Enter the Gross Rent Multiplier for the subject property and each comparable sale. A manual check on the software calculations is recommend to test for accuracy as the appraiser is responsible for data contained in the report (Sale price divided by gross monthly rent).
Price Per Unit	<ul style="list-style-type: none"> Enter Price Per Unit for the subject property and each comparable.
Price Per Room	<ul style="list-style-type: none"> Enter Price Per Room for the subject property and each comparable.
Price Per Bedroom	<ul style="list-style-type: none"> Enter Price Per Bedroom for the subject property and each comparable.
Rent Control	<ul style="list-style-type: none"> Enter an "X" in the box indicating whether or not there is Rent Control.
Data Source(s)	<ul style="list-style-type: none"> Enter data source(s) used for sales and property information for each comparable.
Verification Source (s)	<ul style="list-style-type: none"> Enter verification source(s), the document or party from which the additional proof was obtained. MLS by itself is not considered a verification source. Contacting someone with first-hand knowledge of the transaction (agent, broker, buyer, seller, etc) especially where it involves confirmation of seller concessions, is the preferred method of verification. A single source may be used if the quality of data is such that sales data are confirmed and verified by settled transactions. Information provided should permit the reader of the report to locate the data from the source cited.
Verification Source (s)	<ul style="list-style-type: none"> Do not use as market data sales that are not verified and adjusted to reflect the terms and conditions of sale.

Value Adjustments

Adjustments are made to the price of the sale properties for price-influencing dissimilarities between each sale and the subject property. Not all dissimilarities require adjustment because not all dissimilarities achieve price differentials in the market. All adjustments must be extracted from and supported by the actions of the market.

For each adjustment item, enter the description of the adjustment and whether it is an upward or downward adjustment. Do not make an adjustment unless it has a material effect on value. Make adjustments only if the dissimilarity has a noticeable effect on the value. Small differences do not usually require adjustments.

VALUE ADJUSTMENTS	
Field	Protocol
Sales or Financing Concessions	<ul style="list-style-type: none"> Report the type of financing such as Conventional, FHA or VA, etc. Report the type and amount of sales concession for each comparable sale listed. If no concessions exist, the appraiser must note "none." The appraiser is required to make market-based adjustments to the comparable sales for any sales or financing concessions that may have affected the sales price.

	<ul style="list-style-type: none"> The adjustment for such affected comparable sales must reflect the difference between the sales price with the sales concessions and what the property would have sold for without the concessions.
Date of Sale / Time	<ul style="list-style-type: none"> State month and year of settlement. Showing the contract date and settled date is also acceptable. Time adjustments, if any, must be supported by the market and consistent with the neighborhood market conditions noted. If this is the case, show both the contract date and settled date as any time adjustment should be calculated using the contract date (meeting of the minds) rather than the settled date. Explanation is required for any time adjustments.
Location	<ul style="list-style-type: none"> Enter the name of the subdivision or PUD. If none is applicable enter the neighborhood name that is commonly used to refer to the property's location. Location adjustments may be warranted for positive or negative factors that influence sales price such as busy street versus quiet street. Explain any adjustments made in this area.
Leasehold / Fee Simple	<ul style="list-style-type: none"> State whether the property was sold as Fee Simple or as a Leasehold Estate. An adjustment is required if the estate differs from the rights appraised for the subject property.
Site	<ul style="list-style-type: none"> Enter the site size. Make adjustments only for measurable differences. Small differences in lot sizes do not usually call for an adjustment if the size is typical. If necessary, consider the possibility of excess or surplus land.
View	<ul style="list-style-type: none"> Describe the view from the site, i.e. similar homes, commercial area, water view, scenic view, etc. Such terms as "Average" or "Good" are only to be used as adjuncts, i.e. "Residential/Average", "Water view/Good". Make adjustments only if the view is superior or inferior to the subject. If the subject has a superior view and adjustments are made, a photograph of the view amenity is recommended.
Design (Style)	<ul style="list-style-type: none"> Enter the style according to a description used by local custom. Be consistent with improvement description.
Quality of Construction	<ul style="list-style-type: none"> Enter "Good", "Average", "Fair", etc. using the quality rating from your cost service subscription or provider. Adjustments may be warranted for construction quality and should be explained.
Actual Age	<ul style="list-style-type: none"> Enter only the actual age of the subject and each comparable sale.
Condition	<ul style="list-style-type: none"> Enter the condition of the subject and comparable sales. Ratings to be used are: "New", "Good", "Average", "Fair" and "Poor" or a combination if more accurate. Consider required repairs or alterations to the subject completed when determining the need for adjustments to the comparable sales.
Gross Building Area	<ul style="list-style-type: none"> Enter the total Gross Building area for the subject and each comparable.
Unit Breakdown	<ul style="list-style-type: none"> Enter room count per unit, consistent with the description of improvements on the front of the form. Enter room count for the units in each of the comparable sales and make adjustments where warranted. Explain adjustments in the Summary of Sales Comparison.
Basement Description	<ul style="list-style-type: none"> Enter description of basement, total square footage of basement area and/or enter percentage of basement in relation to first floor area or enter full, partial, none.

Basement Finished Rooms	<ul style="list-style-type: none"> Enter the type of rooms below grade: bedroom, recreation room, laundry, full bath, etc. Make sure any adjustment made here have not been duplicated in the GBA or elsewhere.
Functional Utility	<ul style="list-style-type: none"> Enter "Equal", "Superior" or "Inferior" as a total of the items rated in the Improvement Analysis compared to the subject. Use the "Summary of Sales Comparison Approach" to explain differences. Adjust for functional obsolescence observed in the subject and not found in the comparables.
Heating / Cooling	<ul style="list-style-type: none"> Enter type of heating and cooling systems, e. g. Gas FWA C/Air. Any adjustment for differences in heating and cooling systems should be based on market expectations.
Energy Efficient Items	<ul style="list-style-type: none"> Describe energy efficient items: storm windows and doors, solar installations, replacement windows, etc. and enter an adjustment for differences if warranted. If none, so state.
Parking on/off Site	<ul style="list-style-type: none"> Enter description of on/off site parking. Calculate adjustments in accordance with market acceptance of on/off site parking.
Porch, Patio, Deck	<ul style="list-style-type: none"> Enter these features for the subject and comparable sales if they exist. Base any adjustments on local market expectations.
Blank Lines	<ul style="list-style-type: none"> Three blank lines are provided for the appraiser's use to describe additional amenities, features or individual characteristics not listed or addressed elsewhere in the sales grid, e.g. woodstove, fireplace, fencing, pool or other. Enter appropriate adjustments. For example, a pool located in an area that expects pools might bring a dollar premium in comparison to a comparable without a pool.
Net Adjusted (Total)	<ul style="list-style-type: none"> Mark either [+] or [-] box to indicate if the total net adjustments will increase or decrease the value and note by how much. If any adjustment is excessive, review the comparable sales to determine if the best ones were selected. If the total adjustments appear excessive in relation to the sale price; the appraiser should reexamine the comparability of that sale. Explain any adjustment that appears to be excessive.
Adjusted Sale Price of Comparables	<ul style="list-style-type: none"> Total all of the adjustments and add them to or subtract them from the sales price of each comparable. Generally, adjustments should not exceed 10% for line items, 15% for net adjustments and 25% for gross adjustments. If any adjustments exceed stated guidelines an explanation must be provided including reasons for not using more similar comparable sales.
Adjusted Price Per Unit	<ul style="list-style-type: none"> Enter adjusted price per unit for each comparable sale (adjusted sale price divided by number of units).
Adjusted Price Per Room	<ul style="list-style-type: none"> Enter adjusted price per room for each comparable sale (adjusted sale price divided by number of rooms).
Adjusted Price Per Bedroom	<ul style="list-style-type: none"> Enter adjusted price per bedroom for each comparable sale (adjusted sale price divided by number of bedrooms).
Value Per Unit	<ul style="list-style-type: none"> Enter adjusted price per unit and multiply by number of units = estimated value.
Value Per GBA	<ul style="list-style-type: none"> Enter price per gross square foot of building area and multiply by gross square feet of building = estimated value
Value Per Room	<ul style="list-style-type: none"> Enter adjusted price per room and multiply by number of rooms = estimated value.

Value Per Bedroom	<ul style="list-style-type: none"> Enter adjusted price per bedroom and multiply by number of bedrooms = estimated value.
Summary of Sales Comparison Approach	<ul style="list-style-type: none"> Explain comparable selection and any necessary explanation of adjustments. Explain any adjustments exceeding guidelines. The appraiser must reconcile the above value indicator(s) and comment which were given most consideration and why.
Indicated Value by Sales Comparison Approach	<ul style="list-style-type: none"> Enter the indicated value by Sales Comparison Approach.

Section 10 – Income

Sale price divided by gross monthly rent = Gross Rent Multiplier

Gross Monthly Rent	<ul style="list-style-type: none"> Enter the gross monthly rent developed in the Opinion of Market Rent. Multiply the gross monthly rent by the gross rent multiplier to arrive at the indicated value by the Income Approach.
Comments on Income Approach	<ul style="list-style-type: none"> Provide comments on Income Approach including reconciliation of the GRM. <ul style="list-style-type: none"> Reconcile the multipliers developed in the sales comparison analysis Judge comparability and applicability of each Do not average, account for differences

Section 11 – Reconciliation

The appraiser should consider all appropriate approaches to value and all information relevant to the subject property and the market conditions in the opinion of market value.

If there is insufficient space in the reconciliation section to list and describe any “repairs, alterations or required inspections” noted, then the appraiser is instructed to insert a reference in the reconciliation section “see **Additional Comments** section on the next page” and then list and describe the items under the heading “**Repairs, Alterations, Required Inspections**”. If necessary, due to space limitations, use an addendum with the same heading.

Field	Protocol
Indicated Value by:	<ul style="list-style-type: none"> Enter the Indicated Value for each of the approaches to value developed. If the approach was not developed, enter “ND or “Not Dev” for not developed. Reconcile the three approaches to value with a brief description of the validity of each approach with respect to the appraisal assignment.

This appraisal is made

Field	Protocol
Mark this box “as is”	<p>when:</p> <ul style="list-style-type: none"> There is/are no repair(s), alteration(s) or inspection condition(s) noted. Establishing the “as is” value for a regular 203(k) when needed. The property is ineligible for FHA financing and is being rejected.

This appraisal is made

Mark this box “per plans & specs”	when the appraisal involves: <ul style="list-style-type: none"> Proposed construction, or Under construction, less than 90% complete, or a 203(k) with a Plan Review and Specification of Repairs prepared by a 203(k) Consultant.
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This appraisal is made

Mark this box “subject to repairs or alterations”	when the appraisal involves existing housing, or new construction more than 90% complete with only buyer preference items remaining (floor coverings, appliances, landscaping packages (soil must be stabilized to prevent erosion)), requiring repairs or alterations to: <ul style="list-style-type: none"> Protect the health and safety of the occupants Protect the security of the property Correct physical deficiencies or conditions affecting structural integrity Complete buyer preference items for new homes, or to Complete repairs/improvements noted in work order or contractor estimates for the Streamline K Meet FHA Minimum Property Requirements
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The appraiser must indicate the extent of repairs and note this in the appropriate section of the appraisal, or in the “additional comments” section, or in an addendum, under the heading of “Reconciliation – Required Repairs” listing the repairs noted together with an estimated cost to cure.

This appraisal is made

Field	Protocol
Mark this box “subject to a required inspection”	when the appraisal calls for a required inspection to: <ul style="list-style-type: none"> Certify the condition and/or status of a mechanical or structural element of the property Protect the health and safety of the occupants Protect the security of the property Meet FHA Minimum Property Requirements or Minimum Property Standards

More than one box may be marked depending on the assignment and property conditions.

The appraiser must indicate the reasoning for any required inspections and note this in the appropriate section of the appraisal, or in the “additional comments” section, or in an addendum, under the heading of “Reconciliation – Required Inspection ” listing the required inspections.

The value “subject to completion per plans and specifications”, “subject to the following repairs or alterations”, or “subject to the following required inspection” must be consistent with the subject property condition(s) described.

Opinion of Market Value	<ul style="list-style-type: none"> Enter the opinion of Market Value
Final Reconciliation	<ul style="list-style-type: none"> This entry should contain the appraiser's reasoning for arriving at the final value.
Date of Value	<ul style="list-style-type: none"> Enter the date when the property was inspected.

Section 12– Additional Comments

These comment lines provide additional space for the appraiser to fully describe any item, area or condition where

the commentary exceeds the space provided in other sections of the report. It is recommended that any information carried forward to the additional comments section, or an addendum if needed, follow the sequence of the form with a proper heading identifying said section.

For example, the neighborhood “market conditions” comments exceed the space provided on the form. In that case, on page one in neighborhood market conditions enter “See additional comments”, in the “additional comments” section enter the heading “Neighborhood Market Conditions” and provide the narrative in this section. Follow the same procedure for any section of the report where commentary exceeds space provided. This will provide the reader with the proper identification and linkage of additional comments together with a logical flow of information in a standardized reporting format.

Section 13 – Cost Approach

If the subject property is new construction (less than one year old), or the Cost Approach is recognized in the market as a basis for pricing, the appraiser may complete the Cost Approach; however, it is not required for an FHA appraisal. If, however, the subject is a unique property, has specialized improvements, is manufactured housing, or the client requests the Cost Approach be completed, then the Cost Approach is required and must be completed. The square foot method is to be used.

- State the Remaining Economic Life as a single number or as a range. This line must be completed for every FHA appraisal whether or not the cost approach is completed. An explanation is required if the remaining economic life is less than 30 years.

Cost Approach To Value	
Provide adequate information for the lender/client to replicate the below cost figures and calculations.	
Field	Protocol
Support for opinion of site value	<ul style="list-style-type: none"> • Provide a summary of the comparable land sales or other methods (abstraction, allocation, land residual, extraction) of estimating site value in support of the opinion of site value.
Reproduction or Replacement Cost	<ul style="list-style-type: none"> • Mark the box indicating which cost estimating method was used • Reproduction Cost – exact duplicate with all deficiencies and obsolescence • Replacement Cost – cost at current prices with equivalent utility.
Source of Cost Data	<ul style="list-style-type: none"> • Provide the name of the cost service and reference page numbers of cost tables or factors. Reviewer or reader must be able to replicate.
Quality Rating	<ul style="list-style-type: none"> • Enter the quality rating of the cost tables or factors referenced.
Effective Date	<ul style="list-style-type: none"> • Enter the edition and date of latest updates referenced.
Comments	<ul style="list-style-type: none"> • Describe how physical depreciation was calculated • Describe functional or external obsolescence, • Gross living area calculations or refer to property sketch.
Economic Life	<ul style="list-style-type: none"> • Enter remaining economic life of improvements (required for all FHA appraisals).
Opinion of Site Value	<ul style="list-style-type: none"> • Enter the Opinion Of Site Value
Dwelling Sq. Ft. @ \$	<ul style="list-style-type: none"> • Enter the GLA, multiply it by the square foot factor – enter result.
Basement Sq. Ft. @ \$	<ul style="list-style-type: none"> • Enter basement square feet, multiply it by square foot factor – enter result.
Blank Line	<ul style="list-style-type: none"> • Use this line for lump sum adjustments for plumbing fixtures, dormers, fireplaces, built-in appliances, pools, etc. Add together – enter the sum.
Gar/Crprt Sq. Ft @ \$	<ul style="list-style-type: none"> • Enter the car storage square feet, multiply it by square foot factor – enter result.

Total Cost New	<ul style="list-style-type: none"> Add the results of the first five lines together – enter the sum.
Less Depreciation	<ul style="list-style-type: none"> Enter the amount of estimated depreciation as a specific dollar amount, as a percentage or as a combination of both. Entries made in either functional or external depreciation require explanation in the comments section. Add together all forms of depreciation – enter the sum and deduct this total from the total cost new.
Depreciated Cost	<ul style="list-style-type: none"> Enter the difference from the total cost new less depreciation.
“As-is” Value of Site Improvements	<ul style="list-style-type: none"> Enter the “as-is” value of site improvements
Blank Line	<ul style="list-style-type: none"> Enter marketing costs here; generally averages 6%. Also, if applicable, identify and include impact fees.
Indicated Value	<ul style="list-style-type: none"> Add together depreciated cost of improvements, “as-is” value of site improvements, marketing expense and/or impact fees – enter the total.

Section 14 – PUD Information

A PUD is a project that includes common property and improvements owned and maintained by an owners’ association for the use and benefit of the individual units in the subdivision. If not applicable, leave blank.

Project Information for PUDs (if applicable)	
Field	Protocol
Developer/ Builder in control of HOA	<ul style="list-style-type: none"> Enter an “X” in the box indicating whether or not the developer/builder is in control of the Home Owners’ Association (HOA).
Unit Type(s)	<ul style="list-style-type: none"> Enter an “X” in the box indicating unit type, Detached or Attached.

Provide the following information for PUDs only if the developer is in control of the HOA and the subject property is an attached dwelling unit.

The information requested is self-explanatory. Appraisers may choose to answer the last question referencing common elements and recreational facilities in support of a location adjustment regardless of dwelling style.

Field	Protocol
Legal name of project	
Total number of phases	Total number of units Total number of units sold
Total units rented	
Total units for sale	
Data source(s)	<ul style="list-style-type: none"> Provide source(s) of information, e.g. HOA board, management company, etc.
Was the project created by the conversion of an existing building(s) into a PUD? If Yes, date of conversion.	
Does the project contain any multi-dwelling units? Yes No Data source(s)	
Are the units, common elements, and recreation facilities complete? Yes No If no, describe the status of completion.	
Describe common elements and recreational facilities.	