# Section 1.07 – Appraisal Guidelines

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Overview

Introduction

- The safety and soundness of mortgage loans secured by real estate depends upon the adequacy of the underwriting supporting the transaction.
- A valuation of the real estate collateral is an essential component of this process and shall consist of a real estate appraisal.
- Most real estate collateral valuation requirements are imposed by banking regulations, appraisal standards and statutes/ordinances (i.e., Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, or "FIRREA," as amended, the Uniform Standards of Professional Appraisal Practice, or "USPAP," etc.). Many of these requirements are incorporated within these guidelines.
- The purpose of these guidelines is to describe prudent and appropriate valuation practices for use by Correspondent Lenders of SunTrust Mortgage, Inc.
- These guidelines are intended to incorporate requirements to promote compliance with policies guidance issued by the various regulatory agencies.

References:

- See the topic Appraisal Analysis subsequently presented for additional guidelines and requirements on property appraisals.
- See the specific product descriptions (i.e. Key Loan Program, Agency, etc.) in the online seller guide under the Products tab for specific appraisal report requirements.

Guideline Summary

- All extensions of credit by SunTrust Mortgage, Inc. shall be supported by a real estate appraisal except for STM-to-STM FHA Streamline Refinance Transactions.
- All conventional and supplemental appraisal reports must meet Appraiser Independence Requirements.

Note: Supplemental appraisal reports include:

- 1004D/442 Appraisal Update and/or Completion Report
- 1007/100 Single Family Comparable Rent Schedule
- 216/998 Operating Income Statement
- HUD 92051 Compliance Inspection Report

- VA appraisal reports are ordered through the Veterans Administration.
- The Veterans Administration (VA) requires an appraiser who is assigned by VA, to complete the appraisal.

Continued on next page
Guideline Summary, (continued)

- All conventional appraisals must include color photographs as part of the appraisal exhibits.
- Delegated correspondent Lenders are responsible for representing and warranting that the loan file was reviewed and underwritten with color photographs.
- Non-delegated Correspondent Lenders must provide color appraisal photographs in the credit loan package delivered to SunTrust Mortgage.
- Closed loan packages imaged in black and white will continue to remain acceptable, provided the appraisal photographs are legible.
- For all loan programs, facsimile (faxed) appraisal reports are not acceptable.
- At a minimum, regulations require that real estate appraisals utilized in connection with federally related transactions be performed in accordance with the appraisal standards published by the Appraisal Standards Board of the Appraisal Foundation.
- The Appraiser Independence Requirements are intended to reinforce the independence of the appraiser and establishes requirements governing appraisal selection, solicitation, compensation, conflicts of interest and corporate independence.
- These regulations require SunTrust Mortgage, Inc. to maintain appraisal policies to ensure that appraisals reflect base level professional competence, negate any direct or indirect interest, financial or otherwise, in the property or transaction, and to facilitate the reporting of estimates of market value upon which institutions rely to make lending decisions. In the interest of safety and soundness, SunTrust Mortgage, Inc. will maintain prudent underwriting policies.
- Appraisals are an essential component of the loan underwriting process because appraisal reports contain the estimates of collateral values.
- A real estate appraisal must convey in writing an independent, impartial opinion of value of a particular property and is the result of a complete appraisal assignment performed by a state licensed or certified appraiser (as mandated under Title XI) in compliance with Uniform Standards of Professional Appraisal Practice, or USPAP.
- Federal agencies require that an institution, or its agent, directly engage the appraiser for the appraisal assignment. SunTrust requirements prohibit the borrower, lender, or any other interested party from influencing the selection of the appraiser.
- In the interest of safety and soundness, SunTrust Mortgage, Inc., requires lenders to use prudent underwriting policies.

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Overview, Continued

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<th>Information Provided to the Appraiser</th>
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Non-Agency
- Any and all information about the subject property that the lender is aware of must be disclosed to the appraiser. The appraiser must determine if the information could affect either the marketability of the property or the opinion of the market value of the property.
- Sales Contract Information
  - All appropriate financing data and sales concessions for the subject property that will be or have been granted by anyone associated with the transaction must be disclosed to the appraiser. Typically, this information is provided in the sales contract. Therefore, the lender must provide, or ensure that the appraiser is provided with, a copy of the complete, ratified sales contract and all addenda for the property that is to be appraised. If the contract is amended, the lender must provide the updated contract to the appraiser to ensure that the appraiser has been given the opportunity to consider any changes and their effect on value. If the lender is aware of additional pertinent information that is not included in the sales contract, the lender must provide this information to the appraiser.

Financial Information
- The list below includes items that must be disclosed, if applicable:
  - settlement charges,
  - loan fees or charges,
  - discounts to the sales price,
  - interest rate buydowns,
  - below-market-rate financing,
  - credits or refunds of borrower expenses,
  - absorption or monthly payments,
  - assignment of rent payments, and
  - any other information not listed above that impacts property value.

Property Information
- The list below includes items that must be disclosed, if applicable:
  - condo or PUD fees,
  - non-realty items included in the transaction,
  - any environmental hazard in or on the subject property or in the vicinity of the property that the lender is aware of or learns from the borrower, the real estate broker, or any other party to the transaction, and
  - any other items that affect the safety, soundness, or structural integrity of a property of which the lender may be aware.
Related Bulletins

**General**

Related bulletins are provided below in PDF format. To view the list of published bulletins, select the applicable year below.

- 2017
- 2016
Appraiser Selection Criteria

Agency Loans

Non-Agency Loans
- SunTrust Mortgage does not require pre-approval of individual appraisers, but has established recommended minimum criteria that all appraisers should meet.
- SunTrust Mortgage may request the Correspondent lender to discontinue use of an appraiser whose work is found to be inconsistent with Fannie Mae/Freddie Mac standards despite any designation the appraiser may hold.
- The appraiser must meet the following conditions:
  - be currently licensed and/or certified by the state in which the property is located,
  - have a minimum of one (1) year experience as a residential appraiser,
  - must appraise full-time (at least seventy five (75%) of their income must come from appraising residential properties),
  - be current with the Uniform Standards of Professional Appraisal Practice (USPAP), and those of the secondary market,
  - meet educational and experience criteria required by professional appraisal organizations and/or the qualifications criteria as established by the Appraiser Qualifications board of the Appraisal Foundation,
  - show a track record of continued education to stay abreast of current appraisal standards,
  - carry Errors and Omission Insurance with a minimum of $250,000 coverage (if applicable),
  - have specific appraisal experience that is appropriate for a particular appraisal assignment, and
  - must not be listed on any of the following:
    - Freddie Mac’s Exclusionary List.
    - SunTrust Ineligible List,
    - FHA’s Procurement List, and
    - an Investor’s specific Appraiser Exclusionary List.

Continued on next page
Supervisory or Review Appraiser Update

- A licensed or certified supervisory or review appraiser may continue to sign the appraisal completed by an employee; however, the licensed or certified appraiser must complete the physical inspection of the subject property.
- When a licensed/certified supervisory or review appraiser signs the appraisal report on the left hand side of the report form as the appraiser, the supervisory/review appraiser must have performed the inspection of the subject property.
- The licensed/certified supervisory or review appraiser must not be on the SunTrust Ineligible List.

Please see table below for a list of scenario examples to help explain the requirements.

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<th>Scenario</th>
<th>Individual Eligible to COMPLETE the Appraisal Report</th>
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<th>Individual Eligible To Inspect the Subject Property</th>
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<td>Unlicensed/uncertified (trainee) employee completes the majority of the appraisal work</td>
<td>If state law allows, both an unlicensed/uncertified (trainee) appraiser and a supervisory appraiser</td>
<td>Unlicensed/uncertified (trainee) appraiser signs on the left hand side as the “Appraiser” and a state licensed or certified appraiser must sign as the supervisory appraiser on the right hand side of the appraisal</td>
<td>Licensed/Certified appraiser and unlicensed/uncertified (trainee) appraiser.</td>
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<tr>
<td>Unlicensed/uncertified (trainee) employee completes the majority of the appraisal work</td>
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<td>Licensed/certified appraiser completes the appraisal work</td>
<td>The licensed/certified appraiser</td>
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<tr>
<td>Licensed/certified appraiser completes the appraisal work.</td>
<td>Licensed/certified appraiser and a supervisory appraiser</td>
<td>Licensed/certified appraiser on the left hand side of the appraisal and the supervisory appraiser signs the report signs on the right hand side of the appraisal</td>
<td>Licensed/certified appraiser</td>
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Appraisers, Continued

Ineligible Appraisers

- While SunTrust Mortgage, Inc. does not require pre-approval of individual appraisers, SunTrust does maintain a list of ineligible appraisers and appraisal companies.
- Any appraisers or appraisal companies identified on the list are not eligible to perform appraisal assignments, either directly or indirectly, on properties that secure loans to be funded or purchased by SunTrust.
- Any appraiser or appraisal company that is currently on the SunTrust Ineligible List and would like information on how to be removed from the list should contact the SunTrust Fraud and Collateral Risk Management Department at 901 Semmes Avenue, 4th Floor, Mail Code CS-MTG-1934, Richmond, VA 23224.
- The appraiser’s and supervisory appraiser’s names, if applicable, and company for every loan needs to be checked against this list prior to ordering or accepting an appraisal report. Correspondent lenders warrant that no person or company on the SunTrust Ineligible List is involved in whole or part in the origination of a loan funded by SunTrust Mortgage, Inc.
- The SunTrust Ineligible List contains confidential information and is only for use by Correspondent lenders of SunTrust Mortgage, Inc. in connection with transactions with SunTrust.
- Due to the confidential nature of the information contained therein, distribution of the SunTrust Ineligible List is strictly prohibited. By accessing or using the SunTrust Ineligible List, the user agrees to indemnify SunTrust Mortgage, Inc. for any loss, damage, or expense resulting from the user’s failure to maintain the confidentiality of the information it contains.

Click here to access the SunTrust Ineligible List.

Government Appraisal Approved Lists

- For FHA loans, all appraisers must be listed on the FHA Roster as provided by HUD.
- For VA loans, all appraisers are assigned by VA in conjunction with ordering case numbers.
Appraiser Independence Requirements

Scope of the Code

- The Appraiser Independence Requirements are intended to reinforce the independence of the appraiser. They establish requirements governing:
  - appraiser selection,
  - solicitation,
  - compensation,
  - conflicts of interest, and
  - corporate independence.
- The Appraiser Independence Requirements are not intended to establish any new requirements or obligations that require a lender to:
  - obtain an appraisal or use any particular method of property valuation,
  - determine an acceptable scope of work for an appraiser in connection with a particular appraisal assignment, or
  - take any action prohibited by federal and/or state law or regulation.

Appraiser Engagement

Any employee of the lender that is responsible for selecting an appraiser or appraisal company must be trained and qualified to review an appraisal and be completely independent of the loan and production staff process.

Appraiser Requirements

An appraiser must be licensed or certified by the state in which the subject property is located.

Reference: See the “Appraiser Selection Criteria” section in these Appraisal Guidelines for additional information.

In-house Staff Appraisers

Notwithstanding the guidelines above, the lender may use an in-house staff appraiser to order appraisals, conduct appraiser reviews, perform quality control tasks, develop, deploy or use internal Automated Valuation Models; or prepare appraisal for transactions that do not include mortgage origination, such as workout loans, if it complies with the terms of the Appraiser Independence Requirements.

Continued on next page
Appraiser Independence Requirements, Continued

**Appraiser Compensation**
- The lender is responsible for selecting and compensating the appraiser.
- Appraisers are prohibited from accepting compensation for the appraisal assignment directly from the borrower, broker, real estate agent or any third party, with the exception of an Appraisal Management Company.

Reference: See the *Transfer / Re-assignment of Appraisal Report* topic, subsequently presented in this document for additional information.

**Settlement Services Provider**
- The lender is not allowed to use an appraisal report prepared by an entity that is affiliated in any way with the company providing the settlement services unless the entity that supplies the appraisal has established formal written policies and procedures implementing the Appraiser Independence Requirements which include adequate training and disciplinary rules on appraiser independence. The disciplinary rules must include reporting and disciplining anyone who violates these policies and procedures.

**Prohibited Activities**
- All members of the lender’s production staff are not allowed to select, retain, recommend or influence the selection of an appraiser for a specific appraisal assignment.
- No employee, director, officer or agent of the lender, or any third party acting as a joint venture, shall influence the results of an appraisal.
- Examples of such behavior includes the following.
  - Withholding or threatening to withhold future business from an appraiser, or demoting or terminating or threatening to demote or terminate an appraiser.
  - Excluding an appraiser from consideration for future engagement because the appraiser reports a value of a subject property that does not meet or exceed a minimum threshold.
  - Telling an appraiser an anticipated, estimated, encouraged or desired value for the subject property or a proposed or target amount to be loaned to the borrower, except that a copy of the sales contract for purchase transactions may be provided.
  - Withholding or threatening to withhold timely payment or partial payment for an appraisal report.
  - Conditioning the ordering of an appraisal report or the payment of an appraisal fee or salary or bonus on the opinion, conclusion, or valuation to be reached, or on a preliminary value estimate requested from an appraiser.
  - Express or imply a promise of future business, promotions or increased compensation.
  - Requesting an appraiser to provide an estimated, predetermined or desired value or comparable sales prior to the appraiser completing the appraisal.
  - Removing an appraiser from a list of qualified appraisers or adding an appraiser to an exclusionary list of ineligible appraisers in connection with the influencing or attempting to influence an appraisal.

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Prohibited Activities, (continued)

- Providing to an appraiser, appraisal company, appraisal management company, or any entity or person related to the appraiser, appraisal company, or appraisal management company, stock or other financial or non-financial benefits.
- Any other act or practice that impairs or attempts to impair an appraiser’s independence, objectivity or impartiality or violates law or regulation including, but not limited to, the Truth-in-Lending Act (TILA), Regulation Z or the Uniform Standard of Professional Appraisal Practice (USPAP).
- Ordering or using a second appraisal unless:
  - there is documented evidence that the original appraisal was flawed, or
  - a second appraisal is required per the loan program.
- If absolute lines of independence cannot be achieved as a result of the lender’s size or limited staff, the lender must be able to clearly document that it has safeguards to isolate its collateral evaluation process from influence or interference from its loan production process.

Note: The lender is allowed to request an appraiser to provide additional information and/or explain the basis of the valuation or correct factual errors in the appraisal report.

Misconduct

Any lender that reasonably believes an appraiser or appraisal company has violated applicable laws or is engaging in unethical practices must refer the matter to the applicable state appraiser certifying and licensing agency or other relevant regulatory bodies.
Review of Appraised Values

General

- The Underwriter must pay particular attention and apply extra due diligence for loans in which the appraised value is believed to be excessive or where the value of the property has experienced significant appreciation in a short period of time since the previous sale.
- If the underwriter has concerns with any aspect of the appraisal report that questions the reliability of the opinion of market value, the issues must be addressed with the original appraiser.
- Changes in the opinion of market value must be based on material and substantive issues and cannot be solely based on the appraisal report not supporting the proposed loan amount.
- There are three options the Correspondent lender has for addressing concerns:
  - contacting the original appraiser to address the deficiencies in the report,
  - ordering a field review of the original appraisal, or
  - ordering a new appraisal report.
- If a second appraisal is ordered, the replacement appraisal service must be based on the same level of inspection as the original appraisal.
- For either a field review appraisal or a new appraisal, the appraiser must be licensed or certified in the state in which the property is located.
- Whenever a field review appraisal or a new appraisal is ordered, the opinion of market value as stated in the new appraisal report must be used on the transaction. The original appraisal is no longer eligible as it has been deemed defective.
- The opinion of value may not be arbitrarily changed, nor is it acceptable to average the two opinions of market value in order to arrive at a final value conclusion.

Ineligible Appraisal Reports

Appraisal reports prepared by the following are not allowed:

- any employee of the lender (full time, part time, or contractor),
- any affiliate of the lender,
- any entity that is owned, in whole or in part, by the lender,
- any entity that owns, in whole or in part, the lender, and
- appraisers selected, retained or compensated in any manner by any third party (including mortgage brokers and real estate agents).

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### Exceptions to Ineligible Appraisal Reports

Exceptions to the above Ineligible Appraisal Report restrictions are acceptable as follows:

- An appraiser employed by the lender that is not affiliated with the sales and production departments of the company.
- Employees in the sales and production functions of the lender that do not have ANY involvement in the approval, selection, recommending, retaining or influencing the selection of the appraiser or adding/deleting an appraiser to an approved or disapproved appraiser list.
- Employees in the sales and production functions that are not allowed to have any substantive communications with the appraiser, appraisal company or appraisal management company.
- An appraiser employed by the lender who’s compensation does not depend on the subject properties determined value or the closing of the subject property loan transaction.
- The lender’s appraisal functions are annually audited by an external auditor or are subject to federal or state regulatory examination. The lender must promptly report any adverse, negative or irregular findings of non-compliance to Fannie Mae or Freddie Mac, whichever is applicable and is not prohibited by law.

### Communication with the Appraiser

- All members of the loan production staff are not allowed to have any communications with an appraiser or appraisal management company relating to or having an impact on valuation.
- Production staff includes, but is not limited to, the following employees:
  - Loan Officers,
  - Loan Officer Assistants,
  - Account Executives,
  - Sales Managers, and
  - Operations or Branch Managers.

### Underwriter Responsibility

- When an appraisal is ordered, an underwriting condition should be added to the file requiring one of the 2 following forms:
  - *Appraisal Report Waiver form* which is required at least three (3) business days prior to closing, **or**
  - the executed *Appraisal Report Acknowledgement form*.
- **The loan cannot be purchased by SunTrust without one (1) of these two (2) executed documents.**

Reference: See the following topic, “Borrower Receipt of the Appraisal” for additional information.
Borrower Receipt of Appraisal

General

- The Correspondent lender must provide a copy of any and all completed (approved, defective) appraisal report(s) and all property valuation(s) to the borrower(s) promptly, but not less than three (3) business days prior to closing the loan transaction. If the transaction is denied, withdrawn, and/or cancelled, any completed appraisal and/or property valuation must be sent to the borrower within 30 days of denial, withdrawal, and/or cancellation, if not sent prior to the status change.

Note: An example of how the three (3) days are counted is as follows:
- The borrower receives the appraisal on Tuesday.
- The three (3) day count begins on Tuesday. The days counted would be Tuesday, Wednesday and Thursday.
- Borrower can close on Thursday.

- The borrower is responsible for the initial cost of the appraisal, but the lender cannot charge the borrower for a copy of the appraisal.
- One of the following forms MUST be signed by all borrowers on the loan transaction and included in the loan file prior to purchase:
  - Appraisal Report Waiver – This form allows the borrowers to waive their right to receive a copy of the appraisal report three (3) business days prior to loan closing. This form must be signed by at least one borrower and may be signed anytime as early as loan origination, but not later than three (3) business days prior to closing. **This form cannot be signed less than three (3) business days prior to closing or at closing.**
  - Appraisal Report Acknowledgement – This form must be signed by at least one borrower to acknowledge their receipt of the appraisal report. This form cannot be pre-dated or pre-signed prior to the borrower’s actual receipt of the appraisal report.
  - If the borrower(s) sign the Appraisal Report Waiver form waiving their right to a copy of the appraisal report no less than three (3) business days prior to closing, the Appraisal Report Acknowledgement form is not required and vice versa. Only one of these executed forms is required to be in the loan file at the time of purchase by SunTrust.
Second Appraisals

General

Agency
Non-AUS
- A second appraisal is only allowed to be ordered if:
  - there is reasonable basis to believe that the initial appraisal was flawed or tainted and the basis is clearly documented in the loan file, or
  - a second appraisal is a requirement of the loan program.

Fannie Mae DU
Follow DU requirements, which are the same as non-AUS guidelines.

Freddie Mac LPA
Not eligible

Non-Agency
- A second appraisal is only allowed to be ordered if:
  - there is reasonable basis to believe that the initial appraisal was flawed or tainted and the basis is clearly documented in the loan file, or
  - a second appraisal is a requirement of the loan program.
- If an appraisal report is not acceptable, the underwriter may require the appraiser to provide additional information regarding how the value was determined and/or require the appraiser to correct material errors within the appraisal report.
- The underwriter is responsible for determining if an appraisal is defective.
- If a second appraisal or field review is required by the loan program, the second appraisal or field review ensures that the appraisal is an accurate representation of value. If the opinion of value is different than the original appraisal, the lowest of the original appraisal, field review or second appraisal or sales price (for purchases) is used to calculate the LTV ratios.
- If an additional appraisal service is ordered because the first appraisal was deemed deficient, the underwriter must use the value of the second appraisal in determining the LTV/TLTV, regardless if the market value is higher or lower than the original appraisal. However, if the second appraisal is also deemed deficient, the loan will be ineligible for sale to SunTrust.

Note: Desk Review Appraisals are not eligible as an additional appraisal service.

- Examples of a flawed appraisal may consist of:
  - inappropriate comparable sales,
  - unsupported adjustments,
  - comparable sales outside the market area,
  - miscalculated square footage, and
  - erroneous room counts.

Continued on Next Page
Second Appraisals, Continued

General, (continued)

- Loan program requirements for second appraisals are as follows:

<table>
<thead>
<tr>
<th>Loan Program</th>
<th>Appraisal Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Loan</td>
<td>Loan amount or combined total loan amount, including second mortgages and home equity lines of credit &lt; $1,500,000 require one (1) full appraisal.</td>
</tr>
<tr>
<td>Key Loan</td>
<td>Loan amount or combined total loan amount, including second mortgages and home equity lines of credit &gt;= $1,500,000</td>
</tr>
</tbody>
</table>

1 For HELOCs, the total line of credit must be included (for qualifying) in the combined loan amount.
2 Two full appraisals are required on family transfer transactions when the loan amount or combined loan amount is >= $1,000,000.

Determining Equity on Previous Home

General

- Some loan products may require documentation to establish equity in a borrower(s) current primary residence to reduce the amount of assets required in a purchase transaction for a new primary residence.
- Examples includes:
  - The borrower is purchasing a new primary residence; however their current residence is under contract but will not close prior to the new loan transaction closing,
  - The borrower is converting their current primary residence into a second home and is purchasing a new primary residence.
  - The borrower is converting their current primary residence into an investment property and needs to use the rental income for qualifying.
- To document the equity in the current primary residence, the Correspondent lender must order an appraisal for the current primary residence to determine current amount of equity in the property.

Non-Arm’s Length/Conflict-of-Interest Transactions

General

Agency Loan Programs

Non-Agency Loan Programs
Property-Flipping Guidelines

Agency Loan Programs

- **Transactions Considered to be Property Flips**
  - The term property flip refers to a transaction in which a property is purchased and quickly resold for a significant profit. A large increase in property value coupled with a short time period between transactions may indicate that the property is being flipped. Properties targeted for property flips generally include properties that can be acquired at lower prices than other properties in the same neighborhood and often include real estate owned (REO) properties, properties subject to a "short sale", other distressed properties or newly constructed properties where the builder or developer must liquidate housing inventory quickly. A property involved in a flip may be resold on the same day or within days, weeks, or months of the purchase. In some cases, the seller of a property flip never holds title to the property, but instead sells or assigns their interest in a contract to purchase the property to a third party.
  - Property flips are not inherently illegal and not all transactions involving a rapid purchase and resale are improper. Legitimate property flips are acceptable transactions in connection with loans originated by SunTrust Mortgage. Some indications of property flip transactions that may be legitimate include:
    - Sales of properties by a Government Sponsored Enterprise, state or federally chartered financial institution, mortgage insurer, or federal, state or local government agency
    - Property sales by employers or relocation agencies related to employee relocations
    - Sales of properties that are acquired by the property seller through inheritance, divorce, or as a result of a legal settlement or proceeding
    - Sales of properties that have been substantially improved by bona fide and verified renovations since the property was acquired by the property seller in which any increase in sales price over the seller's acquisition costs is representative of the market given the improvements to the home
    - Sales of properties that the property seller acquired at below market value after purchasing as a result of a distress sale (i.e. REO sale, short sale, tax lien sale, bankruptcy trustee's sale, etc.), where any increase in the sales price over the property seller's acquisition cost can be clearly shown to be a result of the difference (if any) in the market's reaction to distress sales and typical arms-length market sales.

Continued on next page
Characteristics that are Red Flags for Improper "Property Flip" Transactions

- Certain characteristics of a transaction may be red flags that may be indicative of an improper property flip scheme. These characteristics include, but are not limited to:
  - Appraisal lacks sufficient analysis of all pertinent offerings or listings for the subject property, the contract of sale for the subject property, and the sales/transfer or listing history of the subject property and comparable sales
  - Comparable sales or listings used in the appraisal report are properties involving the same property seller and/or real estate broker as the subject property in an attempt to create an artificially inflated market
  - Transactions in which the property seller or any other party claims that the property was significantly renovated since being acquired by the property seller but the claimed renovations were not actually performed or cannot be sufficiently documented. Improper transactions often use inflated appraisals that falsely claim to be justified renovations.
  - Transactions in which there appear to be unusually large profits for the property's market area without appraisals that provide a reasonable explanation and justification for the large increase in property value.
  - Transactions in which the property was acquired by the property seller as a part of a distress sale in which the property seller, or a related party was a party to an option contract to purchase the property from the prior owner for an option price substantially below actual full market value. The option contract and the true market value of the property are typically not fully disclosed to the prior lender.
  - Transactions in which the property seller, or an agent representing the seller, arranges or assists in arranging financing, settlement services or the appraisal, including some cases where the property buyer and seller are represented by the same real estate agent or broker (dual agency). Some improper transactions result from collusion between the seller, real estate broker, lender/loan officer, and appraiser to defraud an unwitting buyer.
  - Transactions in which the contract seller is not the current owner of record.
  - Undisclosed "simultaneous", "double", or "back to back" closings or escrows.
  - Purchase transactions with undisclosed secondary financing, in which part of the purchase price is refunded to the buyer, or is quickly followed by a cash-out refinance. Such payments may or may not be reflected on the settlement statement.

Continued on next page
Agency Loan Programs, continued

- **Confirmation and Documentation of the Current Owner**
  - Confirmation that the property seller in a purchase money transaction (or the borrower in a refinance transaction) is the owner of the subject property based on publicly available information helps to identify property flipping schemes, which typically involve various combinations of transactions and result in a sale of a recently acquired property for significant profit based on a misleading or fraudulent appraisal with an inflated property value.
  - Lenders must confirm and document in the mortgage file that the property seller in a purchase money transaction or the borrower in a refinance transaction is the owner of the subject property when an appraisal is required.

  **Note:** If the transaction involves the sale of land separate from the dwelling, confirm the property seller listed on the sales contract for the land is the owner of record for the land.

- Examples of acceptable documentation include, but are not limited to:
  - a copy of a recorded deed, mortgage, or deed of trust,
  - a recent property tax bill or tax assessment notice,
  - a title report,
  - a title commitment or binder, or
  - a property sale history report.

  This documentation is especially important for transactions involving an assignment (or sale) of a contract for sale and back-to-back, simultaneous, double transaction closings, or double escrows to support the property acquisition, financing, and closing.

- When the transaction is part of an employee relocation, the relocation company may be the assignee of the seller, which should be indicated on the sales contract. Additionally, the appraiser must comment on this condition in the appraisal report.

- **Best Practices for Loans Involving Property Flips or Suspected Property Flips**
  - Obtain a full appraisal with an interior and exterior inspection reported on the form appropriate for the property type being appraised.
  - Use automated valuation models and other collateral risk assessment tools in the origination and pre-funding quality control process to detect fraud and objectively measure the accuracy of the appraisal.
  - Ensure that the appraised value is adequately supported by market data and that appropriate comparable sales were utilized in the appraisal report.
Agency Loan Programs, continued

- Ensure that the appraisal sufficiently analyzes all pertinent offerings or listings for the subject property and includes sufficient analysis of the contract of sale for the subject property. Pay special attention to the appraiser's comments and analysis to determine if the appraiser provided adequate justification for any significant increase in sales price/value over the seller's acquisition costs. This analysis should be detailed enough to clearly explain the methodology and rationale used to justify the appraiser's conclusions on this issue. A statement by the appraiser that the new appraised value is justified by the current market conditions without detailed analysis and discussion is not sufficient.

- Ensure that the appraisal lists any changes made to the property and includes photographs of the rehabilitation or renovation whenever an increase in sales price/value is justified in whole or part by improvements made to the property. Obtain further documentation that such improvements were made after the property seller acquired the property. Such documentation could include copies of receipts, contractor invoices, building permits issued or other similar documentation.

- Perform additional due diligence by obtaining either a field or desk review of the appraisal or a second appraisal if it is suspected that the increase in sales price/value is unreasonable or unusually large within the context of the property's market.

- **Miscellaneous Underwriting/Closing/Title Issues**
  - Perform additional due diligence in reviewing the chain of title of the property including a search of the public land records for any recorded options contracts on the subject property and research any recent title transfer activity. Exercise additional due diligence to reconcile any differences in the owner of record as reported in the appraisal or any other documentation including the title report.
  - Exercise additional due diligence when analyzing sales contracts and other documentation. Carefully analyze sales contracts looking for terms indicating there has been assignment or sale of the seller's interest in a contract or option to acquire the property.
  - Analyze and review estimated and final Settlement Statements for unusual payments to parties not having a recorded interest on the property and abnormal real estate commission payments.
Non-Agency Loan Programs

- **Overview**
  - Property-flipping is defined as the purchase of an existing property with the intention of quickly reselling the subject property for a considerable profit.
  - For the purposes of these guidelines, a “quick sale,” is defined as any property resold six (6) months or less from the date of acquisition by the seller.
  - The underwriter has discretion to require any and/or all of the provisions contained in these guidelines (regardless of the time frame) in order to substantiate the appraised value.
  - Property-flipping, in and of itself, is not illegal; however, when an immediate resale is accompanied by acts of fraud or misrepresentation (appraisals with inflated property values and other misleading or fraudulent documentation), it can result in a predatory transaction.
  - For the purposes of these guidelines, “assignments of a contract for sale” fall under the definition of a property-flip and are not allowed unless used for loan transactions involving an employee being relocated.
  - These guidelines apply to conventional loans only. For government loans, refer to FHA and VA guidelines for specific requirements.
  - SunTrust Mortgage (SunTrust) strictly prohibits unacceptable property-flipping schemes; however, recognizes that there are legitimate business practices of buying real estate at a wholesale or discounted price and reselling it for the property’s fair market value.
  - In order for SunTrust to consider these types of transactions, all of the requirements in this section must be met.
  - The following resale transactions are not defined as property flips; however, the property seller MUST be the owner of record in all cases:
    - property obtained through an inheritance,
    - property that is part of a settlement in a divorce agreement,
    - property that is part of an employee relocation program, and
    - property that is resold by a lender/servicer after acquisition of the property from a foreclosure or deed in lieu of foreclosure. Agents or subsequent owner(s) of the property that acquired the property directly from the lender are not considered the lender.

**Notes:**
- In cases of employee relocation programs, “assignments of contract for sale” are common and may be necessary. An “assignment of contract for sale” with a special Power of Attorney (POA) gives the relocation company limited ability to negotiate, execute and deliver real estate contracts for the subject property on behalf of the property seller (the employee). In these situations, the seller (the employee) remains the owner of record and it is acceptable for the relocation company to be identified as the seller on the sales contract. Therefore, execution of documents may be done by the relocation company/POA instead of the seller (the employee) of the property.

*Continued on next page*
Non-Agency Loan Programs, continued

- If an “assignment of contract for sale” is exercised due to an employee relocation program, documentation such as, but not limited to the following must be included in the loan file to evidence the “assignment.”
  - copy of the Assignment of Contract for sale,
  - copy of Power of Attorney (if applicable),
  - copy of Appointment of Special Agency and Assignment of Proceeds form, and
  - copy of Employer Relocation Policy.

- **Owner of Record**
  - The property seller in a purchase money transaction or borrower in a refinance transaction must be the owner of record.
  - Examples of acceptable documentation, to be placed in the loan file include:
    - the appraiser’s analysis and conclusions in the appraisal report,
    - a copy of the recorded deed or mortgage,
    - a recent property tax bill or tax assessment notice,
    - a title report,
    - a title commitment or binder, or
    - a property sale history report.
  - This documentation is especially important for transactions involving “back-to-back,” “simultaneous closings,” or “double” transaction closings to support the property acquisition, financing and closing.
  - In instances when the transaction is part of a corporate relocation, the relocation company may be the assignee of the seller, which should be indicated on the sales contract. Additionally, the appraiser must comment on this condition in the appraisal report.

- **Underwriting Analysis**
  - A detailed underwriting analysis of the appraisal must be performed that includes:
    - the current contract for sale, including all addendums, for the subject property,
    - the current offering or listing for sale for the subject property, if sold utilizing a realtor,
    - the current ownership of the subject property, and
    - a three (3) year sale (or transfer) history of the subject property and a one (1) year sales history of the comparable sales.
  - If, during the brief period of ownership (six-month quick resale), the seller renovated the subject property resulting in a twenty percent (20%) or twenty thousand dollars ($20,000) increase over the previous sales price, the appraiser must provide interior photographs reflecting the recent improvement(s) described in the appraisal report.
  - It is critical to analyze and review the sales of the subject property and the sale price trend in relation to the appraiser’s opinion of value to confirm that they are reasonable and representative of the market.
  - On those transactions where the appraisal was assigned to SunTrust Mortgage (SunTrust), the underwriter may elect to require a new appraisal to substantiate the above requirements.

Continued on next page
Property Flipping Guidelines, Continued

Field Review Appraisal

- **Field Review Appraisal**
  - The following guidelines apply for non-Agency conventional loan transactions only:
    - For properties resold **ninety (90) days** or less following the date of acquisition by the seller and the sales price has increased by twenty percent (20%), or twenty thousand dollars ($20,000) ([whichever is higher](#)), then SunTrust requires that a Field Review Appraisal be obtained.
    - The “acquisition date” is defined as the date of settlement on the seller’s purchase of the subject property.
    - The “resale date” is defined as the date of execution of the sales contract, by the buyer.
SunTrust Mortgage Declining Market Index

Overview

- The SunTrust Mortgage Declining Market Index must be reviewed for all loan transactions to determine if the subject’s market is experiencing declining values.
- SunTrust Mortgage, Inc. will publish the SunTrust Mortgage Declining Market Index, which is a list of soft or declining markets, quarterly, or as market conditions change.
- The individual reviewing and/or approving the appraisal must review the SunTrust Mortgage Declining Market Index to determine if the subject property is impacted.
- It is imperative that the individual reviewing and/or approving the appraisal review the SunTrust Mortgage Declining Market Index and be familiar with the index as it relates to their local market.
- If the subject property is identified on the SunTrust Mortgage Declining Market Index, then the Declining Market Guidelines must be followed.
- The SunTrust Mortgage Declining Market Guidelines do not apply to Agency, FHA or VA transactions.
- If the loan transaction requires mortgage insurance, the more restrictive of the SunTrust or MI Company Declining Markets Guidelines will apply.


Markets with Declining Values

Overview

- A property shall be deemed to be located in a declining market if any of the following apply:
  - The appraiser has marked the appraisal that property values are declining or referenced that values are declining in the appraisal comments, OR
  - The SunTrust Mortgage Declining Market Index indicates a declining market.
  - If it has been determined that the subject property is located in a declining market, the guidelines in the Declining Market Guidelines must be followed.

Appraisal Reports and Exhibits

Overview

- Appraisal forms are designed for specific property types. The current version is dated March 2005.
- Lenders and appraisers are able to determine which report form should be used based on the type of property and property inspection required.
- Each of the appraisal report forms includes the purpose of the appraisal, scope of work, intended use, intended user, definition of market value, statement of assumptions and limiting conditions and appraiser certification.
- In addition, to support appraiser compliance with the Uniform Standards of Professional Appraisal Practice (USPAP), the revised appraisal forms include the following:
  - expanded comments areas,
  - sections to report the sales and listings histories of both the subject property and comparable sales,
  - direct questions that require the appraiser to report his/her analysis and conclusions on key area in a clear and concise “yes/no” format, and
  - expanded appraiser certification.
- The lender must provide the appraiser with the sales contract and all addenda in order for the appraiser to consider the financing and sales concessions in the transaction.
- If the sales contract is amended during the processing of the loan, the lender must provide the updated contract to the appraiser.
- SunTrust does not allow all comparable sales be provided by the builder and/or developer who have a financial interest in the sale or financing of the subject property; however:
  - when appraising new construction, the appraiser may need to rely solely on the builder of the property to provide comparable sales data, as this data may not yet be available through typical data sources such as public records or multiple listing services.
  - As such, it is acceptable for the appraiser to verify the transaction of the comparable sale by viewing a copy of the Settlement Statement from the builder’s file.
- If the appraiser utilizes comparable sales outside of the subject’s neighborhood when closer comparable sales appear to be available, the appraiser must provide an explanation as to why he/she used the specific comparable sales.
- All new construction requires a full appraisal (Fannie Mae 1004/Freddie Mac Form 70). Reduced appraisals are not allowed on new construction property.

Continued on next page
Purpose

The Uniform Residential Appraisal Report (Fannie Mae 1004/Freddie Mac Form 70) form is used to report an appraisal, based on an interior and exterior inspection of the following properties:

- One-unit properties,
- Units in planned unit developments (PUDs), and
- A one unit property with an accessory unit.

Notes:

- The appraiser must include an adequate description of the project, information about the homeowner’s association fees and the quality of the project maintenance.
- Applicable to manually underwritten and AUS (DU and LP) processed transactions,

Note: This form is not to be used to report an appraisal of a unit in a cooperative project. SunTrust does not currently offer financing for units in a cooperative project.

- All new construction requires a full appraisal. Reduced appraisals are not allowed on new construction property.
- The Uniform Residential Appraisal Report (Fannie Mae 1004/Freddie Mac Form 70) form must be UAD-compliant.

Reference: See "Uniform Appraisal Dataset (UAD)" within the topic “Appraisal Analysis” for additional information.

- The appraiser MUST report the overall condition of the property or unit using Overall condition rating (C1, C2, C3, C4, C5, C6).
- The appraiser must select one of the above ratings that best describes the overall condition of the subject property or unit. Only one selection is permitted. The rating for the subject property must match the overall condition rating that is reported in the Sales Comparison Approach section.
- The appraiser must indicate ‘Yes’ or ‘No’ if there has been any material work done to the kitchen(s) or bathroom(s) in the prior 15 years. If ‘No’, the text should read ‘No updates in the prior 15 years’. If ‘Yes’, additional information for kitchens and bathrooms must be provided. The appraiser must identify any work completed in the kitchen(s) and bathroom(s) along with the timeframes in which the work was completed. The appraiser must select one value for the Level of Work Completed (not updated, updated, remodeled) for both the kitchen(s) and bathroom(s). Timeframes (less than one year ago, one to five years ago, six to ten years ago, eleven to fifteen years ago, or timeframe unknown) represent the time period in which the majority of the improvements were completed.
Required Exhibits

- A street map that shows the location of the subject property and of all comparables that the appraiser used,
- The building sketch shall include all completed levels above grade within the dwelling, all basement area (both finished and unfinished) and any finished living areas that were not included in gross living area, but were given value by the appraiser, such as detached accessory units, carriage houses, living area above detached garages/barns, pool houses, game rooms, studios, etc.
- A floor plan/building sketch with exterior dimensions is required on all transactions.
  - If the floor plan is atypical or functionally obsolete, thus limiting the market appeal for the property in comparison to competitive properties in the neighborhood, a detailed floor plan sketch showing interior walls, doors, and interior dimensions is required.
- The appraiser must also include calculations to show how they arrived at the estimate for gross living area,
- Clear, descriptive photographs (in color) that show the front, back and a street scene of the subject property, and that are properly identified. Photographs must be originals that are produced either by photography or electronic imaging,
- Clear descriptive INTERIOR photographs of the following:
  - kitchen,
  - all bathrooms
  - main living room
  - examples of physical deterioration, if present, and
  - examples of recent updates, such as restoration, remodeling and renovations, if present.
- Clear, descriptive photographs (in color) that show the front of each comparable sale and that are appropriately identified. Generally, photographs should be originals that are produced by photography or electronic imaging; however, copies of photographs from a multiple listing service or from the appraiser’s files are acceptable if they are clear and descriptive.
- Closely cropped photographs are not acceptable unless accompanied by a full explanation as to why the photographs are being presented in this manner.
- Any other data, as an attachment or addendum to the appraisal report form that are necessary to provide an adequately supported opinion of market value.

Continued on next page
Correspondent Seller Guide

Broker Seller Guide

Appraisal Reports and Exhibits, Continued

The Market Conditions Addendum to the Appraisal Report (Fannie Mae 1004MC/Freddie Mac 71) form is required for all conventional, FHA and VA appraisals, regardless of property type, for both traditionally underwritten and AUS loans.

- The form is used to include local market condition information regarding the property such as:
  - inventory analysis,
  - median sale and list price,
  - seller concessions, and
  - foreclosure sales.

- The following appraisal forms will be impacted by this new addendum requirement:
  - Uniform Residential Appraisal Report (Fannie Mae 1004/Freddie Mac 70)
  - Small Residential Income Property Appraisal Report (Fannie Mae 1025/Freddie Mac 72)
  - Individual Condominium Unit Appraisal Report (Fannie Mae 1073/Freddie Mac 465)

  **Note:** The Market Conditions Addendum to the Appraisal Report is not required for DU Property Inspection Waivers (PIWs) or DU Property Fieldwork Waivers (PFW).

- This addendum provides the appraiser with a structured format to report the data and to more easily identify current market trends and conditions.
- The “Inventory Analysis” section must include the comparable data that reflects the total pool of comparable properties from which a buyer may select a property in order to analyze the sales activity and the local housing supply.
- The “Median Sales and List Price, Days-on-Market (DOM), Median Sale Price as a “Percentage of List Price” section allows the appraiser to analyze additional trends, including the changes in median prices and days on the market for both sales and listings as well as a change in list-to-sales price ratios.
- The “Overall Trend” section is designed to reflect potential positive, neutral or negative trends in inventory, median sale and list price, days on market, list-to-sale price ratio and seller concessions.
- If data sources provide the required information as an average instead of the median, the appraiser should report the available figure and identify it as an average.
- The appraiser must explain in detail the seller concession trends for the past twelve months. Items the appraiser should consider include, but are not limited to:
  - mortgage payments,
  - points and fees,
  - homeowner fees, if applicable, and
  - any other third party fee.
- The appraiser must report the presence and extent of foreclosure/REO sales in addition to existing pending sales.
- The appraiser’s conclusions regarding trends that are obtained from the 1004MC Form must be reported in the “Neighborhood” section of the appraisal report.

Continued on next page
In situations when there is not sufficient data to provide a meaningful analysis for the defined neighborhood, the form must be completed based on the information available, and an explanation must be provided. The appraiser cannot complete that section of the form with “not applicable” or “N/A.”

In any scenario, the Neighborhood section of the appraisal report must include the appraiser’s conclusions regarding the housing trends.

The following table shows the definitions of terminology used on the Market Conditions Addendum to the Appraisal Report (Fannie Mae 1004MC/Freddie Mac Form 71) form.

<table>
<thead>
<tr>
<th>Terms</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absorption Rate</td>
<td>The total number of settled sales divided by the time frame being analyzed.</td>
</tr>
<tr>
<td></td>
<td>Example: If there are 60 sales during a 6 month period, the appraiser would divide 60 by 6 to equal 10 sales per month or 10 as the absorption rate.</td>
</tr>
<tr>
<td>Housing Supply</td>
<td>The number of months of housing based on the total listings for the applicable period divided by the absorption rate.</td>
</tr>
<tr>
<td></td>
<td>Example: If there were 240 active listings, divide 240 by the 10 absorption rate to equal 24 months housing supply.</td>
</tr>
<tr>
<td></td>
<td>Note: In reporting the number of listings, the appraiser should only report the listings for a specific timeframe, (i.e.,) the 0-3 month period should only include properties listed in that specific 3 month timeframe, 4-6 months should only include properties in that 3 month timeframe.</td>
</tr>
<tr>
<td>Median</td>
<td>The middle number in a range of numbers.</td>
</tr>
<tr>
<td></td>
<td>Examples:</td>
</tr>
<tr>
<td></td>
<td>• The following sales settled in the previous 6 months.</td>
</tr>
<tr>
<td></td>
<td>950,000 500,000 550,000 475,000 525,000 450,000</td>
</tr>
<tr>
<td></td>
<td>In this example, the range is an even number of values; therefore, the appraiser would take the two (2) middle numbers ($525,000 and $500,000), add together and divide by two (2). The median value is $512,500.</td>
</tr>
<tr>
<td></td>
<td>• The following sales settled in the previous 6 months.</td>
</tr>
<tr>
<td></td>
<td>950,000 500,000 550,000 475,000 525,000</td>
</tr>
<tr>
<td></td>
<td>In this example, the range is an odd number of values; therefore, the appraiser would take the middle number in the range. The median value is $525,000.</td>
</tr>
</tbody>
</table>
Appraisal Reports and Exhibits, Continued

**Individual Condominium Unit (Fannie Mae 1073/Freddie Mac 465) (UAD)**

**Purpose**
The *Individual Condominium Unit* (Fannie Mae 1073/Freddie Mac 465) form is used to report an appraisal, based on an interior and exterior inspection, of the following properties:
- a unit in a condominium project, or
- a condominium unit in a planned unit development (PUD)

**Notes:**
- The *Individual Condominium Unit* (Fannie Mae 1073/Freddie Mac 465) form is not to be used to report an appraisal of a unit in a cooperative project.
- The *Uniform Residential Appraisal Report* (Fannie Mae Form 1004/Freddie Mac Form 70) may be used on detached “site” condos when the project consists *solely* of detached condominiums. The appraiser must include the project information in the appraisal report.
- The *Individual Condominium Unit* (Fannie Mae 1073/Freddie Mac 465) form must be UAD-compliant.

Reference: See "Uniform Appraisal Dataset (UAD)" within the topic “Appraisal Analysis” for additional information.

- The appraiser MUST report the overall condition of the property or unit using Overall condition rating (*C1, C2, C3, C4, C5, C6*).
  - The appraiser must select one of the above ratings that best describes the overall condition of the subject property or unit. Only one selection is permitted. The rating for the subject property must match the overall condition rating that is reported in the Sales Comparison Approach section.
  - The appraiser must indicate ‘Yes’ or ‘No’ if there has been any material work done to the kitchen(s) or bathroom(s) in the prior 15 years. If ‘No’, the text should read ‘No updates in the prior 15 years’. If ‘Yes’, additional information for kitchens and bathrooms must be provided. The appraiser must identify any work completed in the kitchen(s) and bathroom(s) along with the timeframes in which the work was completed. The appraiser must select one value for the Level of Work Completed (not updated, updated, remodeled) for both the kitchen(s) and bathroom(s). Timeframes (less than one year ago, one to five years ago, six to ten years ago, eleven to fifteen years ago, or timeframe unknown) represent the time period in which the majority of the improvements were completed.
- The appraisal of an individual condominium unit in a condominium project requires the appraiser to:
  - analyze condominium projects as well as the individual units,
  - pay special attention to the location of the individual unit within the project,
  - pay special attention to the project’s amenities,
  - pay special attention to the amount and purpose of the owners’ association assessment since marketability and value of the individual units in a project depend on marketability and appeal of the project,
  - indicate whether the developer/builder is in control of the Homeowner’s Association (HOA), and

*Continued on next page*
Individual Condominium Unit (Fannie Mae 1073/Freddie Mac 465) (UAD)

Purpose, continued

- indicate if there is any commercial space in the project. If Yes, the appraiser MUST describe and indicate the overall percentage of the commercial space.

New Projects

- 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 project.
- The comparison should help demonstrate market acceptance of new developments and the properties within them.

Established Projects

- For units in established condominium projects (those that have re-sale activity), the appraiser should use comparable sales from within the subject project if there are any available. Re-sale activity from within the subject project should be the best indicator of value for properties in that project.

Required Exhibits

- A street map that shows the location of the subject property and of all comparables that the appraiser used.
- A sketch of the subject unit that must indicate interior perimeter unit dimensions rather than exterior building dimensions. Generally, the appraiser must also include calculations to show how they arrived at the estimate for gross living area; however, for a unit in a condominium project, the appraiser may rely on the dimensions and estimate for gross living area that is shown on the plat. In such cases, the appraiser does not need to provide a sketch of the unit as long as they include a copy of the plat with the appraisal report.
- A floor plan/building sketch with exterior dimensions is required on all transactions
  - If the floor plan is atypical or functionally obsolete, thus limiting the market appeal for the property in comparison to competitive properties in the neighborhood, a detailed floor plan sketch showing interior walls, doors, and interior dimensions is required.
- Clear, descriptive photographs (in color) that show the front, back and a street scene of the subject property, and that are appropriately identified.
Appraisal Reports and Exhibits, Continued

**Individual Condominium Unit (Fannie Mae 1073/Freddie Mac 465) (UAD)**
(continued)

**Required Exhibits, continued**
- Clear descriptive INTERIOR photographs of the following:
  - kitchen,
  - all bathrooms,
  - main living room,
  - examples of physical deterioration, if present, and
  - examples of recent updates, such as restoration, remodeling and renovations, if present.
- Clear descriptive photographs (in color) that show the front of each comparable sale and that are appropriately identified.

**Note:** Photographs of comparable rentals and listings are not required.

- Any other data, as an attachment or addendum to the appraisal report form, that is necessary to provide an adequately supported opinion of market value.

Reference: See Section 1.06: Condominium and PUD Approval Requirements for additional information regarding appraisal requirements for condominium reviews.

**Small Residential Income Property (Fannie Mae 1025/Freddie Mac 72)**

**Purpose**
The Small Residential Income Property (Fannie Mae 1025/Freddie Mac 72) form is used to report an appraisal, based on an interior and exterior inspection, of the following properties:
- a two- to four-unit property,
- a two- to four-unit property in a planned unit development (PUD)

**Note:** A two- to four-unit property located in a condominium or cooperative project requires the appraiser to inspect the project and complete the project information section of the Individual Condominium Unit Appraisal Report or the Individual Cooperative Interest Appraisal Report and attach it to this report.

**Required Exhibits**
- A street map that shows the location of the subject property and of all comparables that the appraiser used.
- The building sketch shall include all completed levels above grade within the dwelling, all basement area (both finished and unfinished) and any finished living areas that were not included in gross living area, but were given value by the appraiser, such as detached accessory units, carriage houses, living area above detached garages/barns, pool houses, game rooms, studios, etc.
- A floor plan/building sketch with exterior dimensions is required on all transactions.
  - If the floor plan is atypical or functionally obsolete, thus limiting the market appeal for the property in comparison to competitive properties in the neighborhood, a detailed floor plan sketch showing interior walls, doors, and interior dimensions is required.
  - The appraiser must also include calculations to show how they arrived at the estimate for gross building area.

Continued on next page
Small Residential Income Property (Fannie Mae 1025/Freddie Mac 72), (continued)

Required Exhibits, continued

- An *Operating Income Statement* (Form 216) is required if the property is an investment property (including a two- to four-family property in which the applicant will occupy one unit as a principal residence).
- The lender should make sure the appraiser has operating statements; expense statements related to mortgage insurance premiums, owner’s association dues, leasehold payments, or subordinate financing payments; and any other pertinent information related to the property.
- Clear, descriptive photographs (in color) that show the front, back and a street scene of the subject property, and that are appropriately identified.
- Clear descriptive INTERIOR photographs of the following:
  - kitchen
  - all bathrooms
  - main living room
  - examples of physical deterioration, if present, and
  - examples of recent updates, such as restoration, remodeling and renovations, if present.
- Closely cropped photographs are not acceptable unless accompanied by a full explanation as to why the photographs are being presented in this manner.
- Clear, descriptive photographs (in color) of the front of each comparable sale and that are appropriately identified.

**Note:** Photographs of rentals and listings are not required.

- Any other data, as an attachment or addendum to the appraisal report form, that is necessary to provide an adequately supported opinion of market value.

Exterior Only Inspection Residential Appraisal Report (Freddie Mac 2055 (UAD))

This form is not eligible on Loan Prospector (LP) loans.

Exterior-Only Inspection Condominium Unit Appraisal Report (Freddie Mac 466) (UAD)

This form is not eligible on Loan Prospector (LP) loans.

*Continued on next page*
Agency Loan Programs
Reference: See “Appraisal Update and/or Completion Report (Fannie Mae 1004D/Freddie Mac Form 442)” in the “Appraisal Requirements” topic outlined in Section 2.01 Agency Loan Programs of the Correspondent Seller Guide for guidelines.

Key Loan Program and Jumbo Solution Second Mortgage
- The Appraisal Update and/or Completion Report (Fannie Mae 1004D/Freddie Mac Form 442) form is intended to provide an interior and exterior inspection update of a prior appraisal and/or to report a certification of completion.
- This form can be used to update an existing appraisal if the property has not declined in value since the date of the original appraisal report, and/or confirm that the requirements or conditions established in an appraisal report have been met. If the property value has declined in value, a new appraisal is required.

Required Exhibits
- At a minimum, when completing the Appraisal Update portion of the report, a photograph of the front of the subject property must be included.
- For a completion report, clear, descriptive photographs (in color) of the completed improvements must accompany this report form.
- Any other data, as an attachment or addendum to the appraisal report form, that is necessary to provide an adequately supported opinion of market value.

Fannie Mae’s Desktop Underwriter (DU) Property Inspection Waiver (PIW) is a fieldwork recommendation that results in an offer to waive the appraisal for certain lower risk transactions.

References:
- See Section 2.01: Agency Loan Programs of the Correspondent Seller Guide for additional information regarding Fannie Mae’s Property Inspection Waiver (PIW).
- See Section 1.06: Condominium and PUD Approval Requirements for appraisal requirements for condominiums and attached PUDs.

Continued on next page
Appraisal Reports and Exhibits, Continued

One-Unit Residential Appraisal Field Review Report (Fannie Mae Form 2000/Freddie Mac Form 1032)

Purpose
- This report is an exterior-only property inspection.
- This form is used for appraisal field reviews for one-unit appraisal reports.

Required Exhibits:
- A street map that shows the location of the subject property and of all comparables included in the appraisal report under review and any additional comparable sales provided by the review appraiser.
- Clear, descriptive photographs (in color) that show the front, back, and a street scene of the subject property, and that are appropriately identified. Photographs must be originals that are produced either by photography or electronic imaging.
- Closely cropped photographs are not acceptable unless accompanied by a full explanation as to why the photographs are being presented in this manner.
- Clear, descriptive photographs (in color) that show the front of each comparable sale included in the appraisal report under review and any additional comparable sales described in the appraisal field review report. Generally, the photographs should be originals that are produced by photography or electronic imaging; however, copies of photographs from a multiple listing service or from the appraiser’s files are acceptable if they are clear and descriptive.

Two- to Four-Unit Residential Appraisal Field Review Report (Fannie Mae Form 2000A/Freddie Mac Form 1072)

Purpose
- This report is an exterior-only property inspection.
- This form is used for appraisal field reviews for two- to four-unit appraisal reports.
- It is designed to complement the Small Residential Income Property Appraisal Report (Fannie Mae Form 1025/Freddie Mac Form 72), which is a streamlined appraisal report form for two- to four-unit properties.

Required Exhibits:
- A street map that shows the location of the subject property and of all comparables included in the appraisal report under review and any additional comparable sales provided by the review appraiser.
- Clear, descriptive photographs (in color) that show the front, back, and a street scene of the subject property, and that are appropriately identified. Photographs must be originals that are produced either by photography or electronic imaging.
- Closely cropped photographs are not acceptable unless accompanied by a full explanation as to why the photographs are being presented in this manner.
- Clear, descriptive photographs (in color) that show the front of each comparable sale included in the appraisal report under review and any additional comparable sales described in the appraisal field review report. Generally, photographs should be originals that are produced by photography or electronic imaging; however, copies of photographs from a multiple listing service or from the appraiser’s files are acceptable if they are clear and descriptive.
- Any data necessary to provide an adequately supported estimate of market value.

Continued on next page
An Operating Income Statement (Fannie Mae Form 216/Freddie Mac Form 98) is required for investment property, including a 2-4 unit in which the borrower occupies one unit as a principal residence, regardless of whether the income is being used to qualify.

- The form may be prepared by the borrower or appraiser, provided the following:
  - When the borrower prepares the Operating Income Statement, the appraiser's comments on the reasonableness of the projected operating income must be included on the form.
  - When the appraiser prepares the Operating Income Statement, the borrower must supply the necessary expense related statements (mortgage insurance premiums, HOA dues, leasehold payments, any subordinate financing payments, and any other pertinent information related to the property) for the appraiser.

A Single-Family Comparable Rent Schedule (Fannie Mae Form 1007) is required if the property is a single-family investment property.

- The lender must ensure that the appraiser has operating statements; expense statements related to mortgage insurance premiums, homeowner's association dues, leasehold payments, or subordinate financing payments; and any other pertinent information related to the property.

Each of the appraisal report forms includes the appraiser’s certification.

Upgrading does not occur on traditionally underwritten loans, as reduced appraisals are not eligible.

- If a loan is resubmitted through DU/LP and the Report upgrades the appraisal, the appraisal must be upgraded to the form identified in the new Report, even if it has been ordered and received on a different form.
- Underwriters may also upgrade an appraisal if deficiencies are noted in the initial report.
- Limited representations and warranties still apply if the appraisal is upgraded.
### Appraisal Analysis

#### General Information
- The appraisal should be completed in an objective manner so that a third party can follow the appraiser’s reasoning in arriving at the estimate of market value.
- The appraisal must establish the risk of value and evaluate the present value of the property as well as the likelihood that the property will maintain such value in the future.
- The appraiser is responsible for completing the appraisal form in its entirety.
- The Appraisal Review Checklist (COR 0049) assists the underwriter in reviewing the appraisal and may be used as an underwriting tool.

#### FHA Electronic Appraisal Delivery (EAD) Portal
- SunTrust Mortgage will accept appraisals in the Mortgage Information Standards Maintenance Organization (MISMO) 2.6 with embedded PDF format, as created directly by the appraiser (first generation).
- SunTrust Mortgage will not accept private or proprietary data formats or appraisal reports that have been manipulated or “translated” by anyone or any process.

Reference: See the FHA Single Family Housing Appraisal Report and Data Delivery Guide for complete guidance on electronic appraisal delivery.

*Continued on next page*
Uniform Appraisal Dataset (UAD)

Overview
UAD was developed in an effort to improve the quality and consistency of appraisal data on loans and defines all fields required for an appraisal submission for specific appraisal forms. UAD standardizes the input values for certain elements, such as specific date and dollar amount formats and the definitions for select key appraisal data elements, such as property condition and quality of construction on the four UAD appraisal report forms listed below:

- Uniform Residential Appraisal Report (Fannie Mae Form 1004/Freddie Mac Form 70)
- Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073/Freddie Mac Form 465)
- Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Freddie Mac Form 466)
- Exterior-Only Inspection Residential Appraisal Report (Freddie Mac Form 2055)

Notes:
- All UAD-compliant appraisals MUST be completed on the correct form (identified by “UAD version 9/2011” in the footer of the form.)
- SunTrust Mortgage does not accept the Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Freddie Mac Form 466) or the Exterior-Only Inspection Residential Appraisal Report (Freddie Mac Form 2055).

Definitions of Property Condition and Quality of Construction
The UAD Specification provides standardized definitions for property condition and construction quality. The new definitions are expressed as a rating. Property condition will be rated C1 through C6 and quality of construction will be rated Q1 through Q6.

- Condition ratings C1 through C4 will be eligible in "as-is" condition. Condition ratings C5 and C6 will apply if the appraiser identifies physical deficiencies that affect the soundness, structural integrity, or livability of the subject property. If the condition rating is C5, the property will be eligible only if the repairs necessary to resolve the stated deficiencies are completed prior to closing and the file contains a final inspection that reflects a revised condition rating of C4 or better. If the condition rating is C6, the property does not meet eligibility requirements.
- Construction quality ratings Q1 through Q5 will be eligible; however, properties with a quality rating of Q6 do not meet eligibility requirements.

Continued on next page
Additional Information on the Appraisal Reports
New information will need to be provided on the form that was never explicitly requested before the UAD. For example, the following data points are now required:

- Days On Market (DOM) and Sale Type for the subject property and each comparable property
- Specifically defined Condition and Quality ratings
- Status of improvements to kitchen and bathrooms for the subject property

Frequently Asked Questions about UAD
Click here to access the FAQ document.

The following table provides a list of the form type and MISMO format required for each property type.

<table>
<thead>
<tr>
<th>Property/Assignment Type</th>
<th>Acceptable Reporting Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family, Detached, Attached or Semi-Detached Residential Property</td>
<td>Fannie Mae Form 1004/Freddie Mac Form 70, Uniform Residential Appraisal Report; MISMO 2.6 GSE format</td>
</tr>
<tr>
<td>Single Unit Condominium</td>
<td>Fannie Mae Form 1073/Freddie Mac Form 465, Individual Condominium Unit Appraisal Report; MISMO 2.6 GSE format</td>
</tr>
<tr>
<td>Small Residential Income Properties (Two-to-Four Units)</td>
<td>Fannie Mae Form 1025/Freddie Mac Form 72, Small Residential Income Property Appraisal Report; MISMO 2.6 Errata 1 format</td>
</tr>
<tr>
<td>Update of Appraisal (All Property Types)</td>
<td>Summary Appraisal Update Report Section of Fannie Mae Form 1004D/Freddie Mac Form 442, Appraisal Update and/or Completion Report; MISMO 2.6 Errata 1 format</td>
</tr>
</tbody>
</table>
VA appraisal types that must be UAD-compliant are:

- Uniform Residential Appraisal Report (Fannie Mae 1004/Freddie Mac 70)
- Individual Condominium Unit Appraisal Report (Fannie Mae 1073/Freddie Mac 465)
- Exterior-Only Inspection Residential Appraisal Report - (Freddie Mac 2055) (used for liquidation appraisals only)
- Exterior-Only Inspection Individual Condominium Appraisal Report - (Freddie Mac 466) (used for liquidation appraisals only)

VA rescinded the following in order to comply with UAD requirements:

- The requirement that only the “Department of Veterans Affairs” be entered in the Lender/Client field of the appraisal form. Instead, the appraiser enters the lender’s name in this field, as well as the “Department of Veterans Affairs” as the client of this field.

- The requirement that “Intended User: Any VA Approved Lender” be entered in the Address field for the lender. Instead, the appraiser now enters the address of the lender from the appraisal assignment report in this field.

- The requirement that “Any Qualified Veteran” be entered in the Borrower field of the appraisal report. The appraiser now enters the name of the Veteran purchaser in this field.

All Fannie Mae/Freddie Mac UAD guidelines remain in effect with the exception of those listed below:

- VA Fee Appraisers will continue to complete VA appraisal reports in accordance with the requirements of the VA Lender’s Handbook (VA Pamphlet 26-7, Revised) and instruction and guidelines from VA. Fee Appraisers are reminded that completion of the data fields of the appraisal report does not relieve them of the duty to provide adequate explanations in the addendum to provide clarity and justification.

- Appraisal reports will continue to be quality-reviewed for compliance with VA requirements.

- While the UAD may allow for the use of unsettled sales in the sales comparison grid, VA requires that only settled sales be used.

- UAD requires appraisers to provide specific information regarding remodeling in the past 15 years; VA expects Fee Appraisers to recognize and describe remodeling or updating and to make appropriate adjustments. On VA appraisals, Fee Appraisers should also report UAD information concerning the remodeling if it is available in the “normal course of business” within VA timeliness requirements for completion of the appraisal.

Continued on next page
Appraisal Analysis, Continued

Subject Property

- This section provides the following information:
- The appraiser must enter an address that conforms to the United States Postal Service (USPS) address standards. The subject address must be populated consistently throughout the form. The following address elements must be included in these fields:
  - Street Number
  - Street Name (including pre-directional indicator suffix, post-directional indicator, and unit number when applicable)
  - City
  - USPS two letter state abbreviation or territory representation
  - 5-digit Zip Code or Zip + 4 code (either with or without dash)
  - County - If the subject property is not located in any county (the subject property is located in an independent city), enter the name of the local municipality or district in which the property is located.
  - Assessor Parcel number should be formatted exactly the same as the taxing agency does, including all spaces and dashes as applicable. If no parcel number is available, then enter "none."
  - Tax Year, Real Estate Taxes and Special Assessments - The appraiser should report the amount of the taxes / assessments payable on the subject property as an annualized amount. If real estate taxes are payable to more than one entity, the appraiser should enter the sum of all real estate taxes / assessments in an annualized amount. In the event the subject does not have taxes and/or assessments, then a numeral zero must be entered.
  - Neighborhood Name – The appraiser should enter a neighborhood name. It may be a name recognized by the municipality in which the property is sited, such as a subdivision name. If there is not a neighborhood name recognized by the municipality, enter the common name by which residents refer to the location.
  - Project Name – The appraiser must enter the legal name of the project for the subject project and each comparable property.
  - Occupant – The appraiser must indicate whether the subject is occupied by the owner or a tenant, or is vacant as of the effective date of the appraisal. Only one selection is permitted. For properties that are comprised of one unit with an accessory unit, the selection must reflect the occupancy status of the main unit.
  - PUD (Indicator) – The appraiser must indicate if the property is located in a Planned Unit Development (PUD). If the checkbox is selected, the appraiser must select 'yes' or 'no' in response to the question, “Is the developer / builder in control of the Homeowners Association (HOA)?” located in the PUD Information section.
  - HOA Fees - The appraiser must enter all applicable association (HOA) fees applicable to the subject property, and if none, must enter a numerical zero.
  - Assignment type – The appraiser must indicate the transaction type for the assignment – Purchase, Refinance, or Other. Only one selection is permitted. If ‘Other” is selected, a description must be provided.
  - Lender/Client - The Appraiser must enter the name of the lender. Any applicable AMC name should only be entered in the Appraiser Certification Section.
  - Description of the property rights (i.e., “fee simple” or “leasehold”) to be appraised.
Appraisal Analysis, Continued

Subject Property, (continued)

- Financial data and sales concessions.
- Census tract and/or MSA number.
- Identification of the borrower, the name of the current owner of public record and the client.
- The appraiser must identify whether the subject property is currently offered for sale or has been offered for sale in the twelve months prior to the date of the appraisal by selecting either the ‘Yes’ or ‘No’ checkbox and report the data source(s) used, offering price(s), and date(s).
  - If the answer is ‘No’ the data source(s) used must be provided.
  - If the answer is “Yes” the following information is required:
    - Days on the Market (DOM) – The appraiser must enter the DOM for the subject property. DOM is defined as the total number of continuous days from the date that a property is listed or advertised for sale through the date it is taken off the market or contracted for sale. DOM applies not only to properties listed in a Multiple Listing Service (MLS), but also applies to properties marketed for sale outside MLS. If the subject property was not individually listed or advertised for sale, enter the numeral zero (0). If the DOM is unknown, enter ‘UNK’.
    - Offering Price(s) – The appraiser must report the original offering price and a history of price changes, if any.
    - Offering Date(s) – The appraiser must report the date(s) that the property was offered for sale.
    - Data Source(s) Used – The appraiser must report the data source(s) used to obtain the offering information. If the data source is MLS, the appraiser must enter the abbreviated MLS organization name, followed by a pound sign (#), and the specific listing identifier. If the subject property was offered For Sale by Owner (FSBO) or otherwise marketed for sale outside, the appraiser must report the original offering price, history of price changes, if any, and the date(s) the property was offered for sale, etc., to the extent that this information is known or available to the appraiser in the normal course of business.
- Review of the Subject Property section must include the following:
  - The property address and the legal description match the loan application, sales contract and title documents.
  - All blanks must be completed.
  - Purchases: Owner on Public Record matches property seller on the sales contract and title documents.
  - Refinances: Owner of Public Record matches the borrower on the loan application and title documents.
  - Occupancy matches transactions, i.e.; owner name matches occupant for refinance of Primary Residence.
  - There are no "For Rent" or “For Sale” signs in the photograph of the subject property on owner occupant refinance application.
  - Appraisal ordered by lender rather than another party (buyer, seller, Realtor) to the transactions.
  - Appraisal was ordered after the sales contract was written.

Continued on next page
Appraisal Analysis, Continued

**Contract**

The appraisal is required to identify the following information from the sales contract in effect as of the date of the appraisal:

- Verification that the appraiser analyzed the sales contract.
- The appraiser must indicate the type of sale for this transaction from the list of valid sale types (REO sale, Short sale, Court ordered sale, Estate sale, Relocation sale, Non-arm’s length sale, Arm’s length sale), only one type of sale is permitted.
- After selecting a valid sale type, the appraiser must enter an explanation of the results of the analysis of the contract or why the analysis was not performed.
- Contract price and date must match the sales contract and must be the same as the sales price for the subject property in the Sales Comparison Approach section as of the effective date of the appraisal. Changes to the sales contracts after the effective date of the appraisal may not require appraisal updates and should be referred back to the underwriter for delegated Correspondent loans.
- Indicates whether the seller is the owner of record.
- Financial assistance (loan charges, sale concessions, gift, or down payment assistance, etc.) to be paid by any party on behalf of the borrower,
  - If the appraiser indicates ‘Yes’, enter the total dollar amount of all financial assistance, including any closing costs or other payments from the seller or other third party.
  - If the appraiser is not able to determine a dollar amount for all or part of the financial assistance, the number must reflect the total known dollar amount. Leave this field blank if the entire financial assistance amount is unknown. The appraiser may choose to state ‘There is financial assistance amount that is unknown’ in the text field.
  - Next the appraiser must provide a description of the items being paid.

*Continued on next page*
Neighborhood Analysis

General
• The purpose of this section is to identify the area that is subject to the same influences as the subject property (i.e., common characteristics or trends) such as typical lot sizes, land use, street patterns and architectural styles).
• The neighborhood is defined by the appraiser in the description of its boundaries, which may include, but are not limited to streets, legally recognized neighborhood boundaries, waterways, or other natural boundaries that define the separation of one neighborhood from another.
• The neighborhood characteristics should be addressed by the types of structures (detached, attached) and architectural styles (i.e., row or townhouse, colonial, ranch, Victorian); current land use (i.e., residential, commercial, industrial); typical site size (i.e., square feet, acres); or street patterns or design (i.e., one-way, cul-de-sac, court).
• The appraiser must make a visual inspection of the neighborhood in order to observe these influences and identify any land use changes, if applicable.
  • A neighborhood analysis considers influences of economic, governmental and environmental forces on property values in the neighborhood.
  • The racial or ethnic composition of a neighborhood or the age or sex of the individuals who live in a particular neighborhood are not appraisal factors and must not be considered in the valuation process (EXCEPT in the case of age restricted communities where the appraiser would be required to evaluate and comment on the impact, if any, of the age restriction on the property and/or neighborhood, as compared to other neighborhoods within the area).
  • Neighborhood conditions should be reported on the appraisal in factual, specific terms and be impartial and specific in describing favorable or unfavorable factors.
  • Changes that have occurred which might influence the marketability of the properties within the neighborhood must be explained so as to reflect an active, on-going market for the property.
  • The appraiser must not make unsupported assumptions or interject personal opinion or perceptions about market forces or other factors that may or may not affect the use and value of a property.

Location
• This section must state the appraiser conducted a visual inspection of the market area to observe:
  • physical characteristics,
  • boundaries The appraiser should provide an outline of the neighborhood boundaries, which should be clearly delineated using ‘North’, ‘South’, ‘East’ and ‘West’. These boundaries may include but are not limited to street, legally recognized neighborhood boundaries, waterways, or other natural boundaries that define the separation of one neighborhood from another. Appraisers should not reference a map or other addendum as the only example of the neighborhood boundaries.
  • identify land uses, and
  • indications that the land use may change.
Neighborhood Analysis, continued

Location, continued
- Properties may be located in urban, suburban, or rural areas. Conditions exist that are specific to location and must be viewed in context with the nature of the area.
- All properties must be residential in nature, as reflected by the characteristics of the subject property, zoning, and the present land use.
- Properties with outbuildings must be given special consideration. Outbuildings that are minimal in value are acceptable if they are typical of other residential properties in the area. Outbuildings that do not represent typical residential improvements for the location or property type should be given minimum value. Outbuildings that represent a significant value may represent a property that is agricultural in nature and require careful review and consideration.
- All properties must be readily accessible by roads that meet local standards. In addition, they must have adequate utilities available and in service.
- Properties that are not suitable for year-round occupancy are not acceptable.

Degree of Development and Growth Rate

Non-AUS
- The degree of development of a neighborhood, which is referred to as “built-up” on the appraisal report forms, is the percentage of the available land in the neighborhood that has been improved. The degree of development of a neighborhood may indicate whether a particular property is residential in nature.
- When reviewing an appraisal on a property located in a rural or relatively undeveloped area, the lender should focus on the characteristics of the property, zoning, and the present land use to determine whether the property should be considered residential in nature. For example, if the typical one-unit building site in a particular area (based on the zoning, the highest and best use of the land, and the present land use) is two acres in size, the mortgage will be eligible for purchase or securitization regardless of the percentage of the total appraised value of the property that the site represents, as long as the appraiser demonstrates through the use of comparable sales that the property is a typical residential property for that particular neighborhood.
- Typically, agricultural properties (i.e., income producing), undeveloped land and land-development-type properties are not acceptable.
- Because SunTrust Mortgage does not purchase mortgages secured by agricultural-type properties, undeveloped land, or land-development-type properties, the lender must review the appraisal report for properties that have sites larger than those typical for residential properties in the neighborhood. Special attention must be given to the appraiser’s description of the neighborhood, zoning, the highest and best use determination, and the degree of comparability between the subject property and the comparable sales. If the subject property has a significantly larger site than the comparables used in the appraiser’s analysis, the subject property may not be a typical residential property for the neighborhood.

Fannie Mae DU

Follow DU requirements, which are the same as non-AUS guidelines.
Neighborhood Analysis, continued

Degree of Development and Growth Rate, continued

Freddie Mac LP

Follow LP requirements, which are noted below:

- The “Neighborhood” section of the appraisal report requires the appraisal to:
  - identify the neighborhood boundaries;
  - describe the neighborhood characteristics as either “Urban,” “Suburban,“ or “Rural;”
  - describe the percent build-up as either “Over 75%,” “25%-75%” or “Under 25%;”
  - describe the growth rate as either “Rapid,” “Stable” or “Slow”, and to report on market conditions, housing trends, price and age ranges and present land uses for the properties in the neighborhood.

Property Values

The appraisal must indicate whether property values in the subject’s neighborhood are increasing, stable, or declining. Only one selection is permitted.

Declining Property Values


Unfavorable Neighborhood Conditions

- Property located in a neighborhood that has vacant or boarded up properties may affect the value and/or marketability of the subject property. The appraiser must:
  - address these conditions in the appraisal,
  - use comparable sales from the same neighborhood, if available,
  - address the reasons for the vacancies or boarded up properties (i.e., foreclosure, rates, tax sales, supply/demand), and
  - address how all these factors affect the marketability of the subject property.

Demand, Supply and Marketing Time

- The appraiser must indicate whether the demand/supply in the subject property’s neighborhood is in shortage, in balance, or over supply. Only one selection is permitted.
- Generally, an over-supply of housing is not desirable since it indicates that properties are selling slowly with a lot of competition. The appraiser must comment on the reason for the over-supply and its effect on the value of the subject property.
- The appraiser must indicate whether the marketing time is under 3 months, 3-6 months, or over 6 months. Only one selection is permitted.
- Marketing time is the average time that it takes for a reasonably priced property to sell in the subject neighborhood. If the time exceeds six (6) months, the appraiser must comment on the reason for the extended marketing period and its effect on the value of the subject property.

Predominant Occupancy

- Predominant occupancy is categorized as “owner,” “tenant,” “vacant (0-5%),” or “vacant (over 5%).”
- To assure that any effects of occupancy status will be reflected in the sales comparison analysis, the appraiser should select comparable sales from within the same neighborhood whenever possible.
- If vacant or vacancy over 5%, the appraiser should comment on any effect this may have on the neighborhood.
Appraisal Analysis, Continued

<table>
<thead>
<tr>
<th>Neighborhood Analysis (continued)</th>
<th>Conventional Non-AUS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Price Range and Predominant Price</strong></td>
<td>The appraiser must indicate the price range and predominant price of properties in the subject neighborhood.</td>
</tr>
<tr>
<td></td>
<td>The price range must reflect high and low prevailing prices for one-unit properties, two- to four-unit properties, or condo units depending on the property type being appraised and the appraisal form being used. Isolated high and low extremes should be excluded from the range, which means that the predominant price will be that which is the most common or most frequently found in the neighborhood.</td>
</tr>
<tr>
<td></td>
<td>The appraiser may state the predominant price as a single figure or as a range, if more appropriate.</td>
</tr>
<tr>
<td><strong>Age Range and Predominant Age</strong></td>
<td>The appraiser must indicate the age range and predominant age of properties in the subject neighborhood.</td>
</tr>
<tr>
<td></td>
<td>The age range should reflect the oldest and newest ages for one-unit properties, two- to four-unit properties, or condo units depending on the property type and the appraisal form being used. However, isolated high and low extremes should be excluded from the range. The predominant age is the one that is the most common or most frequently found in the neighborhood.</td>
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<td>The appraiser may state the predominant age as a single figure or as a range when that is more appropriate.</td>
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<td>When the age of the subject property is significantly different than the predominant age range, the appraiser must explain why the age is outside the range and comment on the marketability of the property and the adjustments that were made in the Sales Comparison Approach adjustment grid to reflect that condition.</td>
</tr>
</tbody>
</table>

**Fannie Mae DU**
Follow DU requirements, which are the same as non-AUS guidelines.

**Freddie Mac LP**
Follow LP requirements, which are noted below:
- The "Neighborhood" section of the appraisal report requires the appraiser to: identify the neighborhood boundaries; describe the neighborhood characteristics as either "Urban," "Suburban" or "Rural"; describe the percent built-up as either "Over 75%," "25-75%" or "Under 25%"; describe the growth rate as either "Rapid," "Stable" or "Slow"; and to report on market conditions, housing trends, price and age ranges and present land uses for the properties in the neighborhood.

Continued on next page
Neighborhood Analysis, (continued)

**Present Land Use**
- The appraiser should provide the relative percentages of the developed land in the neighborhood rather than referring to the zoning classifications.
- Percentages should be reported separately for developed single-family sites, developed two- to four-family sites, etc.
- Undeveloped land should be reported as vacant.
- The total of the types of land uses must equal 100%.
- If land is being used for any purposes other than those listed on the appraisal form, the appraiser should describe each purpose and indicate what percentage of the land use this represents.
- Different land uses and/or property types should be considered neighborhood characteristics which must be taken into consideration when performing neighborhood analysis and defining neighborhood boundaries.

**Changes in Land Use**
- The appraiser must indicate whether the present land use is “likely” or “not likely” to change or whether it is “in process” of changing.
- If the present land use is “in process” of changing, the anticipated new land use(s) should be indicated. The appraiser should indicate the anticipated effects the transition will have on the marketability of the property.

**Competitive Properties**
If the subject property is a two- to four-family property, the following is required:
- the appraiser must include at least three (3) competitive properties from the subject neighborhood that have been selected from available listing (may be the rental comparables or the sales comparables used later in the market data analysis), and
- the appraiser must provide a narrative comparison of the competitive listings that describe current market conditions and trends affecting 2-4 family properties.

**Over-Improvements**
- An over-improvement is an improvement that is larger or costlier than what is typical for the neighborhood.
- Improvements can represent an over-improvement for the neighborhood, but still be within the neighborhood price range, such as a property with an in-ground swimming pool, a large addition, or an oversized garage in a market that does not demand these kinds of improvements.
- The appraiser must comment on over-improvements and indicate their contributory value in the Sales Comparison Approach adjustment grid.
- The fact that the property is an over-improvement does not necessarily make the property ineligible. However, the Underwriter must review appraisals on properties with over-improvements that may not be acceptable to the typical purchaser to ensure that only the contributory value of the over-improvement is reflected in the appraisal analysis.

*Continued on next page*
Site Analysis

General

- The property site should be of a size, shape, and topography that are generally conforming and acceptable in the market area. It must also have competitive utilities, street improvements and other amenities.
- For sites/parcels that have an area of less than one acre, the size must be reported in square feet.
- For site/parcels that have an area of one acre or greater, the size must be reported in acreage to two decimal places.
- The unit of measure must be indicated as either ‘sf’ for square feet or ‘ac’ for acres. A numeric value must be entered followed by the appropriate unit of measure. The total size of the entire site/parcel must be entered. No other data is permitted.
- The appraiser must provide one of the ratings (N- neutral, B- beneficial, A- adverse) to describe the overall effect on value and marketability of the view factors associated with the subject property. The appraiser must also provide at least one, but not more than two, view factor(s) (e.g. water view, pasture view, woods view, park view, golf course view, city view, skyline view, mountain view, residential view, city street view, industrial view, power lines, limited sight, other) and provide details about the overall view rating selected. If the view factor is not on the above list and materially affects the value of the subject property, the appraiser must enter a description of the view associated with the property. Descriptors such as 'None', 'N/A', 'Typical', 'Average', etc., are unacceptable. Site section and comparable sales grid must be the same for the subject property.
- The appraiser must include the actual size of the site and not a part of the site. For example, the appraiser may not appraise only five acres of an un-subdivided 40 acre parcel.
- It must also have competitive utilities, street improvements and other amenities.

Continued on next page
Site Analysis, (continued)

Zoning

- The appraisers are responsible for reporting the specific zoning classification for the subject property and explaining the meaning of the classification. If there is no zoning, an explanation by the appraiser is required.
- A specific statement must be included indicating whether the improvements represent a legal use, a legal but non-conforming use or an illegal use under the zoning regulations.
- Properties with improvements that do not constitute a legally permissible use of the land are not acceptable except as follows:
  - 1-4 unit properties, including 1-4 unit properties in PUD projects, reported as legal, but non-conforming are acceptable provided the use of the land and the appraisal analysis reflect any adverse effect that the non-conforming use has on the value and marketability of the property,
  - if the property is a condo unit that represents a legal, but non-conforming use of the land and the improvements can be rebuilt to current density in the event of their partial or full destruction, and/or
  - if the property is a one- to two-family property that includes an illegal additional unit or accessory apartment (i.e., mother-in-law suite) and the illegal use conforms to the subject neighborhood and to the market.
- Properties that are subject to certain land use regulations (i.e., coastal tideland or wetland laws) that create setback lines or other provisions preventing reconstruction of the property improvements if they are damaged or destroyed are not acceptable.
- Zoning requirements should not be the basis of classifying a project as a PUD.

Highest and Best Use

- The highest and best use of a site is that reasonable and probable use that supports the highest present value on the effective date of the appraisal.
- For improvements to represent the highest and best use of a site, they must be legally permitted, be financially feasible, be physically possible and provide more profit than any other use of the site would generate.

Utilities

- The appraiser must indicate for each utility whether it is ‘Public’ and/or ‘Other’. Utilities include electricity, gas, water, and sanitary sewer. The appraiser must also enter a description if ‘Other’ is indicated. If the utility is not present, enter ‘None’ in the description field.
- The utilities must meet community standards.
- If public sewer and/or water facilities (those that are supplied and regulated by the local government) are not available, then community or private well and septic facilities must be available and utilized by the subject property.
- The subject property must have a self-fueling heating system.
- If community facilities are used, the owners of the subject property must have the right to access those facilities on an on-going basis.
- Generally, private well or septic facilities must be located on the subject site. However, off-site private facilities are acceptable if the inhabitants of the subject property have the right to access such facilities on an on-going basis and if there is an adequate, legally binding agreement for their access and maintenance.

Continued on next page
Appraisal Analysis, Continued

Site Analysis, (continued)

Off-Site Improvements
- Generally, the property should front on a publicly dedicated and maintained street that meets community standards.
- The appraiser should indicate whether the street or alley type is ‘Public’ and/or ‘Private’. Enter ‘None’ in the appropriate description field if there is no street or alley.
- The property must have legally appropriate and adequate ingress and egress.
- If the property fronts on a community-owned or privately owned and maintained street, there must be an adequate, legally enforceable road maintenance agreement.
- If the property fronts on a street that is not typical of those found in the community, the appraiser must comment on the effect of that location on the marketability and value of the subject property.
- The appraiser must comment on any adverse conditions and address their effect on the marketability and value of the subject property.

The Lot
- The topography, shape, size and drainage of the lot must be taken into consideration.
- Unfavorable conditions on the lot include steep slopes (cause erosion), difficulty in maintaining a lawn and/or difficult access to the property or to a garage.
- Drainage must be away from the improvements to avoid the collection of water in or around them.

Additional Parcels of Land
- Each parcel must be conveyed in its entirety.
- Parcels must be adjoined to the other, unless they comply with the following exception. Parcels that otherwise would be adjoined, but are divided by a road, are acceptable if the parcel without a residence is a non-buildable lot (for example, waterfront properties where the parcel without the residence provides access to the water). Evidence that the lot is non-buildable must be included in the loan file.
- For the standard Agency, Agency Plus, DU Refi Plus, and Texas Cash-Out Refinance loan programs, each parcel must have the same basic zoning (for example, residential, agricultural).
- For the Jumbo Solution Second, and Key loan programs, each parcel must be zoned as “residential.”
- The entire property may contain only one residential dwelling unit. Limited additional non-residential improvements, such as a garage, are acceptable. For example, the adjoining parcel may not have an additional dwelling unit. An improvement that has been built across lot lines is acceptable. For example, a home built across both parcels where the lot line runs under the home is acceptable.
- The mortgage must be a valid first lien that covers each parcel.

Continued on next page
Appraisal Analysis, Continued

Site Analysis, (continued)

Additional Parcels of Land, continued

- When analyzing the appraisal, the following additional requirements apply:
  - the site description must accurately describe the land and any improvements included in each of the parcels,
  - the comparable sales should have adjoining parcels similar to the subject property,
  - differences in sites, adjustments to comparable sales, or lack of adjustments must be explained in the appropriate section, and
  - the appraisal report must evaluate the effect any additional land may have on the subject property's value or marketability.

Flood Hazard Area

- The lender must determine whether or not the property is located in a Special Flood Hazard Area that is identified on the Federal Emergency Management Agency's (FEMA) Flood Insurance Rate Maps (FIRM).
- The appraiser must include the specific FEMA flood zone, map number and the map's effective date.
- If property improvements are located in a Special Flood Hazard Area (zones A, AE, AH, AO, AR, A1-30, A-99, V, VE, VO or V1-30), flood insurance is required.
- If the land is located in a Special Flood Hazard Area but the improvements are not, flood insurance is not required.
- The appraiser must provide a clear, detailed and accurate description of the improvements. The appraiser should be as specific as possible (i.e., commenting on needed repairs, additional features, modernization, etc.) and should provide supporting addenda, if necessary.
- In all cases, the subject property must be habitable as a year-round residence.

Improvement Analysis

General

- The appraiser must provide a clear, detailed and accurate description of the improvements.
- The appraiser must indicate the number of stories/levels for the subject property. Use of any designators or descriptors, such as ‘1 story’ or ‘one story and a half’ are not acceptable.
- The appraiser should enter an appropriate architectural design (style) type descriptor that best describes the subject property. Valid descriptions include, but are not limited to, ‘Colonial’, ‘Rambler’, ‘Georgian’, ‘Farmhouse’. Use of descriptors such as ‘brick’, ‘2 stories’, ‘average’, ‘conventional’, or ‘typical’ are not acceptable as these are not architectural styles. Design style names may vary and should be reported based upon locality.
- The appraiser should be as specific as possible (i.e., commenting on needed repairs, additional features, modernization, etc.) and should provide supporting addenda, if necessary.
- In all cases, the subject property must be habitable as a year-round residence; however, acceptability of non-traditional types of housing is subject to specific product eligibility.
- In all cases, the product description should be consulted for additional acceptability requirements.

Continued on next page
Appraisal Analysis, Continued

Improvement Analysis, (continued)

General, continued
- If a basement exists, the appraiser must indicate the square footage of the basement and the percentage of the basement that is finished. If there is no basement, enter a numerical zero (0) in both fields, not “None”.
- The appraiser should select the heating and/or cooling types. If there is no heating or cooling source, the appraiser should indicate ‘other’ and enter ‘None’.
- The appraiser should select the appropriate checkbox(es) to indicate the amenities available. The appraiser should enter the numerical zero (0) in the appropriate space if there are no fireplaces or woodstoves. The appraiser should enter ‘None’ in the appropriate space if there is no patio/deck, pool, fence, porch, or other amenity. This must match the Sales Comparison Approach section for the subject.
- The appraiser must indicate whether the subject has a driveway, garage, and/or carport, or has no car storage. If the subject property has a driveway, garage, and/or carport, the appraiser must enter the number of spaces for each type of car storage; if none enter the numerical zero (0). This must match the Sales Comparison Approach section for the subject property.
- If the appraiser notates in the appraisal that there is an addition(s) that does not have the required permit, then the appraiser must comment as to the impact of the addition on the value and marketability of the subject property, as well as its quality and condition.
  - The loan file must include a copy of the homeowner’s insurance policy that covers the unpermitted addition, along with documentation from the city/county that the unpermitted addition is recognized and can be rebuilt.

Conformity to Neighborhood
- The improvements should generally conform to the neighborhood in terms of age, type, design and materials used for their construction.
- Special considerations should be given to properties that represent unique housing for the subject neighborhood.
- Non-traditional types of housing (i.e., log homes, earth homes or geodesic domes) may be acceptable if the appraiser has adequate information to develop a reliable estimate of market value.

Note: Refer to the individual product description for acceptability of unique properties under the topic “Ineligible Properties.”

- Dwelling units of any type should contain sufficient living area to be acceptable to typical purchasers or tenants in the subject market area. In addition, comparables should be of similar size to the subject property.
**Improvement Analysis, (continued)**

### Actual and Effective Ages

- Actual age is the subject’s chronological age. Effective age is indicated by the condition and utility of the property.
- The appraiser must indicate the year the subject was built. If it is unknown or unavailable to the appraiser within the normal course of business, the appraiser must estimate the year the subject was built.
- The relationship between the actual and effective ages of the property is a good indication of its condition.
- A property that has been well maintained will generally have an effective age somewhat lower than its actual age.
- If the appraiser makes a value adjustment for the effective age, the appraiser must provide an explanation for the adjustments and the condition of the property.
- Whenever adjustments are made to an appraisal for the year the dwelling was built, the appraisal must provide an explanation for the adjustments.
- A property that has been poorly maintained may have an effective age higher than its actual age.

### Layout and Floor Plans

- Unusual layouts, peculiar floor plans, or inadequate equipment or amenities generally have limited market appeal.
- If such inadequacies will result in market resistance to the subject property, the appraiser must make appropriate adjustments.

### Unit/Room List

- The appraisal contains a “room list” section for the subject property and provides a column for the square footage per level. In addition, it also provides a space for a summary of the above-grade room count(s) and the above-grade gross living area for the finished area.
- If using the *Small Residential Income Property Appraisal Report*, the appraisal contains a “unit/room” list for the subject property and requires the appraiser to indicate the square feet per unit. The appraiser may report the units individually or as a single line entry if they are all equal in size. The total square footage should reflect the net rentable area of the property.
- Comparable sales should have a similar bedroom count as compared to the subject property (i.e., if subject property is a two (2) bedroom, at least two (2) comparable sales should have two (2) bedrooms).
- If two (2) comparable sales are not available, then the appraiser must provide an explanation as to why he/she used the specific comparables.

*Continued on next page*
Gross Living Area

- The most common comparison for single-family properties (including condos) is above-grade gross living area. The appraiser must enter the total number of bedroom(s) and full and partial bathroom(s) above grade. The number of full and half baths must be entered, separated by a decimal. The full bath count is represented to the left of the decimal, and half bath count is represented to the right of the decimal. This must match the Sales Comparison Approach section for the subject property.
- If the property is a condo unit, the interior perimeter unit dimensions must be used to calculate the gross living area.
- If the property is not a condominium unit, the exterior building dimensions per floor must be used to calculate the above-grade gross living area.
- Only finished above-grade areas should be used. Basements (including those that are partially above-grade) and garages should not be included.
- A level is considered below-grade if any portion of it is below-grade, regardless of the quality of its "finish" or the window area of any room.
- The appraiser should report a basement or other partially below-grade areas separately and make appropriate adjustments for them on the "basement and finished areas below-grade" line on the "sales comparison analysis" grid.

Gross Building Area

- Gross building area, which is the total finished area (including any interior common areas, such as stairways and hallways) of the improvements based on exterior measurements, is the most common comparison for two- to four-family properties.
- It should include all finished above-grade and below-grade living areas but exclude exterior common areas (i.e., open stairways).

Infestation, Dampness, or Settlement/Detrimental Conditions

- Agency Loan Programs
  - **Non-AUS**
    - If the appraisal indicates evidence of wood-boring insects, dampness, or abnormal settlement, the appraisal must comment on the effect on the value and marketability of the subject property. The lender must either provide satisfactory evidence that the condition was corrected or submit a professionally prepared report indicating, based on an inspection of the property, that the condition does not pose any threat of structural damage to the improvements.
  - **Fannie Mae DU**
    - Follow DU requirements, which are the same as non-AUS guidelines.
  - **Freddie Mac LP**
    - The appraiser must note the presence of detrimental conditions, such as expansive soils, underground mines or subsidence in the immediate area of the subject property. In addition, the appraiser must note any evidence of dampness, infestation or abnormal settlement observed in the subject property and call for correction of the observed condition or professional inspections to determine the seriousness of the condition. The appraiser must also consider the effect of such conditions in estimating the subject property's market value and/or any effect on marketability.
Improvement Analysis, (continued)

- For any appraisal that is made subject to inspections or conditions due to detrimental conditions, the lender must include in the Mortgage file evidence of corrective action as called for by the inspector or appraiser. The evidence of the corrective action must meet Freddie Mac requirements.

- Non-Agency Loan Programs
  - If the appraisal indicates that there is evidence of wood-boring insects, dampness, or settlement, the appraiser must comment on its effect on the marketability and value of the subject property.
  - Satisfactory evidence that the condition was corrected or a professionally prepared report, which indicates that the condition does not pose any threat of structural damage to the improvement, must be provided.

Accessory Units
- An accessory dwelling unit (i.e., in-law suite) is an additional living area independent of the primary dwelling unit, and includes a fully functioning kitchen and bathroom. The accessory unit may be attached or detached from the primary unit, or may be located within the interior of the primary unit such as the basement, attic or a built-in living area over a garage.
- Whether a property is a one-unit property with an accessory unit or a two-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented.
- If the property contains an accessory dwelling unit, the property is eligible under the following conditions:
  - The property is one-unit.
  - The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use.
  - The borrower qualifies for the mortgage without considering any rental income from the accessory unit.
- The appraiser is required to provide a description of the accessory dwelling unit, and analyze any impact it has on the value or marketability of the subject property.
- If it is determined that the property contains an accessory dwelling unit that does not comply with local zoning requirements, the property may be eligible under the following additional conditions:
  - The homeowners insurance policy must cover the accessory dwelling unit, along with documentation from the city/county that the accessory unit is recognized and can be rebuilt;
  - The use conforms to the subject neighborhood and to the market;
  - The property is appraised based upon its current use;
  - The appraiser must address that the improvements represent a use that does not comply with zoning; and
  - The appraisal report must demonstrate that the improvements are typical for the market through an analysis of at least three comparable properties that have the same non-compliant zoning use.
Appraisal Analysis, Continued

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<thead>
<tr>
<th>Property Condition and Appraiser Comments</th>
<th>General</th>
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<td>The appraiser must express an opinion about the condition of the improvements in factual, specific terms.</td>
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<td>Any condition affecting the value or marketability of the subject property must be reported, including any detrimental condition of the improvements even if that condition is typical for competing properties.</td>
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<td>Overall condition rating (C1 through C6) – The appraiser must select one of the above ratings that best describes the overall condition of the subject property or unit. Only one selection is permitted. The rating for the subject property must match the overall condition rating that is reported in the Sales Comparison Approach section. The appraiser must indicate ‘Yes’ or ‘No’ if there has been any material work done to the kitchen(s) or bathroom(s) in the prior 15 years. If ‘No’, the text should read ‘No updates in the prior 15 years’. If ‘Yes’, additional information for kitchens and bathrooms must be provided. The appraiser must identify any work completed in the kitchen(s) and bathroom(s) along with the timeframes in which the work was completed. The appraiser must select one value for the Level of Work Completed (not updated, updated, remodeled) for both the kitchen(s) and bathroom(s). Timeframes (less than one year ago, one to five years ago, six to ten years ago, eleven to fifteen years ago, or timeframe unknown) represent the time period in which the majority of the improvements were completed.</td>
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<td>If the condition rating is C5, the property will be eligible only if the repairs necessary to resolve the stated deficiencies are completed prior to closing and the file contains a final inspection that reflects a revised condition rating of C4 or better.</td>
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<td>If the condition rating is C6, the property does not meet eligibility requirements.</td>
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<td>The appraiser must select one Quality of Construction rating (Q1 through Q6) for the subject property and each comparable property. The appraiser must indicate the quality rating that best describes the overall quality of the property. Only one selection is permitted. If the Quality rating is Q6, the property does not meet eligibility requirements.</td>
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Remaining Economic Life

- The remaining economic life, although required in the appraisal report, does not need to be considered because any related property deficiencies will be addressed in the appropriate section of the report.
- There are no requirements that the mortgage term have any correlation to the remaining economic life of the subject property, except as follows:
  - for VA, the remaining economic life must meet or exceed the term of the proposed loan,
  - if the appraiser reports the remaining economic life as being less than thirty (30) years, the appraiser must adequately explain this conclusion and cannot be arbitrarily established.

Contaminated Sites, Hazardous Substances and other Adverse Conditions

- The appraiser must note the presence of contaminated sites or hazardous substances in the appraisal report and must:
  - comment on any influence the hazard has on the property's value and marketability, if it is measurable through an analysis of comparable market data as of the effective date of the appraisal, or indicate that the comparable market data reveals no buyer resistance to the hazard; and
  - make appropriate adjustments in the overall analysis of the property's value.
- Examples of such contamination or hazardous substances include, but are not limited to, the following:
  - presence of asbestos, urea-formaldehyde or similar insulation in the dwelling,
  - presence of any hazardous waste, toxic substances or radon gas on the subject property,
  - proximity of the property and/or its neighborhood to a contaminated site,
  - proximity of the property to ground water contamination, chemical or petroleum spills, and/or
  - other hazardous substances that are expected to impact the area for more than one (1) year.
- The appraiser must also note the proximity of the property to areas that may affect the value of marketability of the property, including, but not limited to, the following:
  - industrial sites,
  - waste or water treatment facilities,
  - commercial establishments (other than retail establishments that serve the residential neighborhood),
  - airport approach paths,
  - flood plains,
  - landslide areas, and/or
  - earthquake zones.

Continued on next page
**Contaminated Sites, Hazardous Substances and other Adverse Conditions, continued**

- The lender must determine whether any additional inspections are necessary based on the appraisal information of any hazardous or adverse conditions impacting the subject property, to ensure adequacy of the property as security for the mortgage.

**Appraiser Comments**

The appraiser must address any additional features, modernization, remodeling, or needed repairs or any physical, functional or external inadequacies in the "Comments" section.

**Clarification on Minor Repairs to Existing Property**

- If the appraiser reports the existence of minor conditions or deferred maintenance items that do not affect the livability, soundness, or structural integrity of the property, the appraiser may complete the appraisal "as is" and these items must be reflected in the appraiser's opinion of value.
  - Minor conditions and deferred maintenance items include, but are not limited to, worn floor finishes or carpet, minor plumbing leaks, holes in window screens, or cracked window glass. Minor conditions and deferred maintenance are typically due to normal wear and tear from the aging process and the occupancy of the property.
- When there are incomplete items or conditions that affect the livability, soundness, or structural integrity, the property must be appraised "subject to completion" of the specific alterations or repairs.
  - These items include, but are not limited to, a partially completed addition or renovation, or physical deficiencies that could affect the soundness or structural integrity of the improvements including but not limited to cracks or settlement in the foundation, water seepage, active roof leaks, curled or cupped roof shingles, or inadequate electrical service or plumbing fixtures.
  - In such cases, a final inspection (Fannie Mae 1004D/Freddie Mac 442) from the appraiser is required before the loan can close.

**Valuation Analysis**

- The valuation analysis allows the appraiser to develop and report in concise format an adequately supported estimate of market value.
- This analysis is based on the cost, sales comparison and income approaches to value and, in the case of small residential income properties, on comparable rental data.

*Continued on next page*
Cost Approach

General
- The cost approach to value assumes that a potential purchaser will consider building a substitute residence that has the same use as the property that is being appraised; thereby, measuring value as a cost of production.
- Valid reproduction cost estimates, proper depreciation estimates, and accurate site values drive the reliability of the cost approach.
- As the effective age of a property increases, the reliability of the cost approach may decrease because of the difficulty in accurately estimating accrued depreciation.
- If the appraiser does not develop the cost approach, an explanation of why it was not used is required and the appraiser must provide an estimated site value.
  - Regardless of whether the cost approach is required by Fannie Mae/Freddie Mac, it may be applicable in developing credible results. The USPAP requires the appraiser to reconcile the applicability of each approach to value. Please note the following:
    - USPAP Standards Rule 1-6(b) requires the appraiser to reconcile the applicability and relevance of the approaches, methods and techniques used to arrive at the final value conclusion(s).
    - USPAP Standards Rule 2-2(b)(viii) requires the appraiser(s) to summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analysis, opinions, and conclusions; exclusion of the sales comparison approach, cost approach, or income approach must be explained.
- The appraiser should state whether reproduction cost or replacement cost was used in developing the cost approach because the two terms are not synonymous.
  - Reproduction Cost: The cost of duplicating the subject property structure completely using the original construction methods and materials.
  - Replacement Cost: The cost of building a similar structure, but using modern construction methods and materials.
- The appraiser’s analysis and comments for the cost approach should be consistent with comments and adjustments mentioned elsewhere in the appraisal report.
- There are three types of depreciation considered in the cost approach - physical, functional and external.

Physical Depreciation
- Physical depreciation, which is traditionally referred to a physical deterioration, is a loss in value that is caused by deterioration in the physical condition of the improvements.
- Physical deterioration is classified as "curable" or "incurable".
- Curable physical deterioration refers to items of deferred maintenance, such as painting or items currently in need of repair (a broken stair rail, for example).
- Incurable physical deterioration refers to other items that currently are not practical or feasible to correct.

Continued on next page
Cost Approach, (continued)

Functional Depreciation
- Functional depreciation, which is traditionally referred to as functional obsolescence, is a loss in value caused by defects in the design of a structure (i.e., inadequacies in the architecture, floor plan, or sizes and types of rooms).
- Changes in market preferences that result in some aspect of the improvements considered obsolete by current standards (i.e., location of a bedroom on a level with no bathroom or access to a bedroom through another bedroom) may also cause functional depreciation.

External Depreciation
- External depreciation, which is traditionally referred to as economic obsolescence, is a loss in value that is caused by negative influences that are outside of the site (i.e., economic factors or environmental changes).
- Shopping centers, expressways or factories that are adjacent to the subject property are examples of external depreciation.

Comparable Rent Data
- If the subject property is a two- to four-family investment property, the most current and most comparable rental properties that are available should be used to develop an estimated market rent for the subject property.
- Three rental comparables should be provided and are not required to be the same comparables used in the sales comparison approach.
- The appraiser should provide support for the estimated market rents for the individual subject units, with information about lease dates, number of vacant units, actual rents and estimated market rents for the subject property.

Continued to the next page
Sales Comparison Approach

General

- The sales comparison approach to value, which is traditionally referred to as the market data approach, is an analysis of comparable sales, contract offerings and current listings of properties that are the most comparable to the subject property.
- The Uniform Standards of Professional Appraisal Practice (USPAP) require the appraiser to report a minimum three year prior sales history for the subject property. The appraiser’s analysis of a property must take into consideration all factors that have an impact on value and recognize that a well-informed or well-advised purchaser will pay no more for a property than the price of a similar property of equal desirability and utility if it were purchased without undue delay.
- The appraiser must be consistent throughout the appraisal with all information as some information flows to the Sales Comparison Approach section (i.e. address, sales price, sale or financing concessions, data source, site, view, condition rating, room count, gross living area, etc.)
- If subject property and/or any of the comparable properties have a sales price that is not in whole numbers the appraiser should round the sales price to the nearest whole dollar. If any of the comparable properties are a listing or pending sale, the appraiser must enter the offering price or contract price as applicable.
- The appraiser must analyze the closed or settled sales, the contract sales, and the offering or listings of properties that are the most comparable to the subject property in order to identify any significant differences (or elements of comparison) that could affect his or her opinion of value for the subject property.
- This is particularly important in declining markets because the competing listings and contract sales probably reflect the upper-end of the value for the subject property as of the effective date of the appraisal.
- This analysis will result in more accurate reporting on market conditions, including trends that indicate sales prices for contract sales and asking prices for recent offerings or listings that have declined.
- The comparable market must be verified, analyzed and adjusted for differences between the comparable properties and the subject property.

Agency Loan Programs

Non-AUS

Selection of the Comparable Sales

- The appraiser is responsible for determining which comparables are the best and most appropriate for the assignment. Fannie Mae expects the appraiser to account for all factors that affect value when completing the analysis. Comparable sales should have similar physical and legal characteristics when compared to the subject property. These characteristics include, but are not limited to, site, room count, gross living area, style, and condition. This does not mean that the comparable must be identical to the subject property, but it should be competitive and appeal to the same market participants that would also consider purchasing the subject property. Comparables that are significantly different from the subject property may be acceptable; however, the appraiser must describe the differences, consider these factors in the market value, and provide an explanation justifying the use of the comparable(s).
Sales Comparison Approach, (continued)

Non-AUS, continued

- Comparable sales from within the same neighborhood (including subdivision or project) as the subject property should be used when possible. Sale activity from within the neighborhood is the best indicator of value for properties in that neighborhood as sales prices of comparable properties from the same location should reflect the same positive and negative location characteristics.

- Fannie Mae does allow for the use of comparable sales that are located in competing neighborhoods, as these may simply be the best comparables available and the most appropriate for the appraiser’s analysis. If this situation arises, the appraiser must not expand the neighborhood boundaries just to encompass the comparables selected. The appraiser must indicate the comparables are from a competing neighborhood and address any differences that exist. The appraiser must also provide an explanation as to why he or she used the specific comparable sales in the appraisal report and include a discussion of how a competing neighborhood is comparable to the subject neighborhood.

- If a property is located in an area in which there is a shortage of truly comparable sales, either because of the nature of the property improvements or the relatively low number of sales transactions in the neighborhood, the appraiser might need to use as comparable sales, properties that are not truly comparable to the subject property. In some situations, sales of properties that are not truly comparable may simply be the best available and the most appropriate for the appraiser’s analysis. The use of such sales is acceptable as long as the appraiser adequately documents his or her analysis and explains why these sales were used.

- When describing the proximity of the comparable sale to the subject property, the appraiser must be specific with respect to the distance in terms of miles and include the applicable directional indicator (for example, “1.75 miles NW”). The distance between the subject property and each comparable property is to be measured using a straight line between the properties.

- The appraiser must select one location rating (N-Neutral, B-Beneficial, A-Adverse) to describe the overall effect on value and marketability of the location factor(s) associated with the subject property and each comparable property. The appraiser must also select at least one, but not more than two, location factors (Res- residential, Ind- industrial, Comm-commercial, BsyRd-Busy Road, WtrFr- water front, GolfCse- golf course, AdjPrk- Adjacent to park, AdjPwr- adjacent to power lines, Lndfl- Landfill, PubTrn- Public Transportation, Other-appraiser must enter a description that fits in the allowable field space. Descriptors such as ‘None’, ‘N/A’, ‘Typical’, ‘Average’, etc. are not acceptable. Click here to access a glossary of abbreviations used in Data Standardization Text.

- The appraiser must select one Quality of Construction rating (Q1 through Q6) for the subject property and each comparable property. The appraiser must indicate the quality rating that best describes the overall quality of the property. Only one selection is permitted. If the Quality rating is Q6, the property does not meet eligibility requirements.

Continued on next page
## Non-AUS, continued

- The appraiser must report the actual age of the subject property and each comparable property. For new construction that is less than one year old, enter the numeral zero (0). No additional information such as 'years' or other descriptors are permitted. If the actual age is unknown, enter the estimated age.
- The appraiser must report total square footage of the property improvements below grade on line 1 – if there is no basement, enter numeral zero (0). No other information may be entered. On line 2 the appraiser must report the number of each type of finished rooms in the basement with the room type (RR-recreation room, br- bedroom, ba- bathroom, o- other). If there are no rooms of a particular type, the appraiser will enter zero (0).
- The appraiser must enter any energy efficient items for the subject property and each comparable property. If there are no energy efficient items, enter 'None'.
- The appraiser must indicate the total number of off-street parking spaces associated with the subject property and each comparable property. If there is no off-street parking, enter 'None.'
- The comparables must be within reasonable proximity to demonstrate similar market conditions. The appraiser must enter the proximity of the comparable sales to the subject property, expressed as a distance in miles. The distance between the subject property and each comparable property is to be measured using a straight line between the properties. The direction of the comparable property in relation to the subject property must be expressed (north, south, east, and west).
- If the area is urban or suburban, a reasonable distance may be up to one (1) mile.
- If the area is rural or if the property is unique, the appraiser may have to go farther than is typically acceptable. An explanation should be provided when distance comparables are used.
- The appraiser must enter the financing type, on line 2 of the concessions section, (Conv-Conventional, Seller, Cash, - RH-USDA-Rural Housing, Other – appraiser must fit description of other financing in allowable space) and the total amount of any concessions, if any, for each settled sale.
- When the appraiser is provided with comparables sales data by a party that has a financial interest in the transaction, SunTrust requires the appraiser to verify the data with a disinterested party.
- Data and/or verification sources for each comparable sale must be reported on the appraisal report form. The appraiser must provide the data source(s) utilized to obtain the data for each comparable sale. When using MLS as the data source, the MLS organization acronym or abbreviations followed by '#'‖ and the listing identifier (numbers and letters) must be reported. If the appraiser utilizes additional data sources that do not fit into this data field, they must be provided in the comments section or addenda in the appraisal report. The appraiser must also provide the DOM (Days on Market) for each comparable sale for the latest time period that the property was listed or advertised for sale. For each comparable property, the appraiser must first identify the status type (Active, Contract, Expired, Withdrawn, Settled sale). Status type using acceptable abbreviation (‘c’ – contract date, ‘w’- withdrawn date, ‘s’ – settlement date, ‘e’ – expiration date) followed by the corresponding date in mm/yy format.

### Sales Comparison Approach, (continued)
Sales Comparison Approach, (continued)

Non-AUS, continued

- Verification sources include, but are not limited to, the buyer, seller, listing agent, selling agent, and closing documents in certain situations.
- Regardless of the sources used, there must be sufficient data to understand the conditions of sale, existence of financing concessions, physical characteristics of the subject property and whether it was an arms-length transaction.
- If the subject property is in a controlled market, there must be at least one comparable sale outside the control of the developer, builder or property seller.
- If the subject property has unusual features or atypical utilities, the appraiser must supply additional comparable sales to support marketability and adjustments made to comparable sales.
- House numbers for each of the comparable sales must match the house numbers in the photographs.
- Weather conditions in the photo of the properties are appropriate for the date of the appraisal; i.e., July photo does not show snow on the ground for a property in Illinois.

Minimum Number of Comparable Sales

- A minimum of three closed comparables must be reported in the sales comparison approach. Additional comparable sales may be reported to support the opinion of market value provided by the appraiser. The subject property can be used as a fourth comparable sale or as supporting data if it was previously closed. Contract offerings and current listings can be used as supporting data, if appropriate.
- In no instance may the appraiser create comparable sales by combining vacant land sales with the contract purchase price of a home (improvements only). While these transactions cannot be used to meet the required minimum three closed comparables, these transactions, which are often completed as part of a construction-to-permanent loan transaction, may be included as additional support with appropriate commentary.

Age of the Comparable Sales

- Comparable sales that have closed within the last 12 months should be used in the appraisal; however, the best and most appropriate comparable sales may not always be the most recent sales. For example, it may be appropriate for the appraiser to use a nine month old sale with a time adjustment rather than a one month old sale that requires multiple adjustments. An older sale may be more appropriate in situations when market conditions have impacted the availability of recent sales as long as the appraisal reflects the changing market conditions.
- Additionally, older comparable sales that are the best indicator of value for the subject property can be used if appropriate. For example, if the subject property is located in a rural area that has minimal sales activity, the appraiser may not be able to locate 3 truly comparable sales that sold in the last 12 months. In this case, the appraiser may use older comparable sales as long as he or she explains why they are being used.

Additional Requirements for New (or Recently Converted) Condos, Subdivisions, or PUDS

- If the subject property is located in a new (or recently converted) condo, subdivision, or PUD, then it must be compared to other properties in the neighborhood as well as to properties within the subject subdivision or project.

Continued on next page
Sales Comparison Approach, (continued)

Non-AUS, continued

This comparison should help demonstrate market acceptance of new developments and the properties within them. The appraiser must select one comparable sale from the subject subdivision or project and one comparable sale from outside the subject subdivision or project. The third comparable sale can be from inside or outside of the subject subdivision or project, provided it is a good indicator of value for the subject property. Two of the sales must be verifiable from reliable data sources, other than the builder. Sales or resales from within the subject subdivision or project are preferable to sales from outside the subdivision or project provided the developer or builder of the subject property is not involved in the transactions.

- To meet the requirement that the appraiser utilize one comparable sale from inside the subject subdivision or project, the appraiser may need to rely solely on the builder of the property he or she is appraising, as this data may not yet be available through typical data sources (for example, public records or multiple listing services). In this scenario, it is acceptable for the appraiser to verify the transaction of the comparable sale by viewing a copy of the settlement statement from the builder’s file.

- When providing builder sales from competing projects that are not presently available through traditional data sources, the appraiser must verify the sale from the applicable settlement statement and indicate on the appraisal report that the settlement statement was the document utilized for verification. Additionally, the appraisal must include discussion and analysis of sales concessions and upgrades for the subject property relative to concessions and upgrades for each builder sale.

- Rural Properties

  - Rural properties often have large lot sizes, and rural locations can be relatively undeveloped. Therefore, there may be a shortage (or absence) of recent truly comparable sales in the immediate vicinity of a subject property that is in a rural location. Comparable sales located a considerable distance from the subject property can be used if they represent the best indicator of value for the subject property. In such cases, 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. The appraisal must include an explanation of why the particular comparables were selected.

- Use of Foreclosure and Short Sales

  - It is acceptable to use foreclosures and short sales as comparables if the appraiser believes they are the best and most appropriate sales available. The appraiser must address in the appraisal report the prevalence of such sales in the subject’s neighborhood and the impact, if any, of such sales. The appraiser must identify and consider any differences from the subject property, such as the condition of the property and whether any stigma has been associated with it. The appraiser cannot assume it is equal to the subject property. For example, a foreclosure or short sale property may be in worse condition when compared to the subject property, especially if the subject property is new construction or was recently renovated. For appraisals that are required to be UAD compliant, the appraiser must identify the sale type as REO sale or Short sale, as appropriate.

Fannie Mae DU

Follow DU requirements, which are the same as conventional non-AUS guidelines.

Continued on next page
Freddie Mac LP

Selection of Comparable Sales and Analysis

The appraiser must report a minimum of three comparable sales as part of the sales comparison approach. The appraiser may submit more than three comparable sales to justify and support his or her opinion of market value, as long as at least three are actual settled or closed sales. Generally, the appraiser should use comparable sales that have been settled or closed within the last 12 months. However, the appraiser may use older comparable sales as additional supporting data as long as the appraiser can justify and support such use in the appraisal report. The appraiser must comment on the reasons for using any comparable sales that are more than six months old. In addition, if the appraiser believes that it is appropriate, he or she also may use contract offerings and current listings as supporting data. Each comparable sale that is used in the sales comparison approach must be analyzed for differences and similarities between it and the property that is being appraised. The appraiser must make appropriate adjustments for location, terms and conditions of sale, date of sale, and the physical characteristics of the properties. The proper selection of comparable properties minimizes both the need for, and the size of, any price adjustments.

Requirements for properties in established subdivisions, units in established Planned Unit Developments (PUDs) or units in Established Condominium Projects

For properties located in established subdivisions, units in established PUDs or units in Established Condominium Projects, the appraiser should use comparable sales from within the subject subdivision or project.

Requirements for properties in new subdivisions, units in new PUDs or units in recently converted or New Condominium Projects

For properties located in new subdivisions, units in new PUDs or units in recently converted or New Condominium Projects, the appraiser must use comparable sales from within the subject subdivision or project as well as comparable sales in other subdivisions or projects to help demonstrate the marketability of new developments or recently converted projects and the market value of the property. The appraiser must use:

- One comparable sale from inside the subject subdivision or project
- One comparable sale from outside the subject subdivision or project, and
- One comparable sale from inside or outside the subject subdivision or project

Comparable sales or resales from within the subject subdivision or project are preferable to comparable sales from outside the subdivision or project provided the builder or developer of the subject property is not involved in the sale transaction. At a minimum, at least two comparable sales must be outside the influence of the builder or developer of the subject property.

Additional Requirements for Condominium Units

The appraiser must report the project name, the assessments, including special assessments and the property rights for each comparable sale and must compare them to the subject project. The appraiser must also identify the Common Elements including the Amenities available to the unit owners, comment on their condition and analyze how they compare to the Common Elements and Amenities of competing projects. Comparable sales must be from Condominium Projects in the same market, be similar to the subject Project and compete for the same purchasers.
Sales Comparison Approach, (continued)

Freddie Mac LP, continued

- **Additional Requirements for Units in Detached Condominium Projects**
  - The appraiser must use similar detached condominium comparable sales from the same project or from similar Detached Condominium Projects in the same market area. The appraiser may use detached comparable sales that are not located in a Condominium Project only if the appraiser supports the use of such sales in the appraisal report and reflects any effect that the condominium form of ownership has on the market value and marketability of the subject property.

- **Additional Requirements for Units in Planned Unit Developments**
  - The appraiser must report the Planned Unit Development’s legal name, the Homeowners Association assessments, and the property rights for each comparable sale; and must compare them to the subject Planned Unit Development. The appraiser must also identify the Common Elements/Amenities available to the unit owners, comment on their condition, and analyze how they compare to the Common Elements/Amenities of competing Planned Unit Developments.
  - Comparable sales for a unit in a Planned Unit Development may be detached 1-unit dwellings that are not subject to CC&Rs, are in the same market, and compete for the same purchasers. The appraiser must support the use of 1-unit dwellings not subject to CC&Rs as comparable sales, and must analyze and report the impact the deed restrictions have on marketability and value.
  - The Lender should be aware that there are varying conditions that characterize different types of locations. Conditions that are typical of certain locations may not be present in other locales. This does not mean that the conditions are unacceptable, rather that they must be viewed in context with the nature of the area in which the Mortgaged Premises is located.

**For example:**
- When the Mortgaged Premises is located in a suburban or urban area, the appraiser would most likely use comparable sales in the immediate vicinity of the property since suburban and urban areas are usually more densely developed and comparable sales are typically available in the subject neighborhood.
- Rural areas often have less real estate sales activity than more populated locations. Property sales in rural locations often involve a variety of property types, and may have relatively large parcels as compared to other locations. Given the potential challenges with appraising properties in these market areas, the appraiser must be knowledgeable about the varying conditions that characterize properties in a particular geographic area. In such cases, appraisers may have to use older comparable sales, comparable sales that are located a considerable distance from the subject property or comparable sales that are not similar to the subject property. The appraiser must justify and support such use in the appraisal report.

*Continued on next page*
Freddie Mac LP, continued

- Mortgages secured by non-traditional types of properties are eligible for delivery to Freddie Mac. The appraiser may use traditional homes as comparable sales for unique properties as long as the appraiser determines and adjusts for any differences between the subject property and the comparable sales and can justify and support the use of the comparable sales in the appraisal report. Occasionally, there may be no similar or truly comparable sales for a particular property because of the uniqueness of the property or other conditions. In such cases, the appraiser must use his or her knowledge and judgment to select comparable sales that represent the best indicators of value for the subject property to reflect the actions of typical purchasers in the market.
- In addition, comparable sales may be taken from a competing neighborhood if:
  - The appraiser has established that the neighborhoods are comparable and compete for the same buyers, and
  - Comparable sales taken from the competing neighborhood are better indicators of current market trends in the subject neighborhood than the existing comparable sales available in the subject neighborhood.
- In addition to the other requirements and guidelines set forth above, the following requirements and guidelines are applicable to completing Form 72, Small Residential Income Property Appraisal Report, for 2- to 4-unit properties.
  - At least three rental comparables must be analyzed in the “comparable rental data” section. These rental comparables must:
    - Have current rental information
    - Be units similar to and located near the subject property
  - The rental comparables are usually not the same comparable properties used in the sales comparison approach. The appraisal report should state that the units and properties selected as rental comparables are comparable to the subject property (both the units and the overall property) and should accurately represent the rental market for the subject property unless otherwise stated in the report.

Non-Agency
Selecting the Comparables

- SunTrust requires the appraiser to research, analyze and consider influences that may affect value based on market evidence, such as closed sales, contract sales and properties for sale in the market area.
- It is important that the appraiser establish the true market value of the subject property by encompassing all available sales, which include REO/foreclosed properties.
- If the appraiser believes a foreclosure sale or a short sale is an appropriate comparable, then the appraiser must identify and consider any differences from the subject property, such as the condition of the property. The appraiser cannot assume it is equal to the subject.
Selecting the Comparables, continued

- A foreclosure or short sale property may be in worse condition when compared to the subject property, especially if the subject property is new construction or was recently renovated.

- If the property is located in or close to a neighborhood that includes areas such as an airport, hazardous waste site, relatively high property taxes or vacant and boarded up properties, SunTrust expects the appraiser to research, analyze and use comparables sales from the same neighborhood or affected area (whenever possible) in the appraisal analysis. This will ensure that any effect of these value-influencing characteristics is taken into consideration in the development of the opinion of the value for the property.

- The appraiser must select one location rating (N-Neutral, B-Beneficial, A-Adverse) to describe the overall effect on value and marketability of the location factor(s) associated with the subject property and each comparable property. The appraiser must also select at least one, but not more than two, location factors (Residential, Ind-Industrial, Comm-Commercial, BsyRd-Busy Road, WtrFr-Waterfront, GlfCse-Golf course, AdjPrk-Adjacent to park, AdjPwr-adjacent to power lines, Lndfl-Landfill, PubTrn-Public Transportation, Other-appraiser must enter a description that fits in the allowable field space. Descriptors such as ‘None’, ‘N/A’, ‘Typical’, ‘Average’, etc. are not acceptable.

Click here to access a glossary of abbreviations used in Data Standardization Text.

- The appraiser must select one Quality of Construction rating (Q1 through Q6) for the subject property and each comparable property. The appraiser must indicate the quality rating that best describes the overall quality of the property. Only one selection is permitted. If the Quality rating is Q6, the property does not meet eligibility requirements.

- The appraiser must report the actual age of the subject property and each comparable property. For new construction that is less than one year old, enter the numeral zero (0). No additional information such as ‘years’ or other descriptors are permitted. If the actual age is unknown, enter the estimated age.

- The appraiser must report total square footage of the property improvements below grade on line 1 – if there is no basement, enter numeral zero (0). No other information may be entered. On line 2 the appraiser must report the number of each type of finished rooms in the basement with the room type (RR-recreation room, br-bedroom, ba-bathroom, o-other). If there are no rooms of a particular type, the appraiser will enter zero (0).

- The appraiser must enter any energy efficient items for the subject property and each comparable property. If there are no energy efficient items, enter ‘None’.

- The appraiser must indicate the total number of off-street parking spaces associated with the subject property and each comparable property. If there is no off-street parking, enter ‘None.’

Continued on next page
Appraisal Analysis, Continued

Sales Comparison Approach, (continued)

Selecting the Comparables, continued

• The comparables must be within reasonable proximity to demonstrate similar market conditions. The appraiser must enter the proximity of the comparable sales to the subject property, expressed as a distance in miles. The distance between the subject property and each comparable property is to be measured using a straight line between the properties. The direction of the comparable property in relation to the subject property must be expressed (north, south, east, and west).
  • If the area is urban or suburban, a reasonable distance may be up to one (1) mile.
  • If the area is rural or if the property is unique, the appraiser may have to go farther than is typically acceptable. An explanation should be provided when distance comparables are used.
  • The appraiser must enter the financing type, on line 2 of the concessions section, (FHA, VA, Conv- Conventional, Seller, Cash, RH- USDA- Rural Housing, Other – appraiser must fit description of other financing in allowable space) and the total amount of any concessions, if any, for each settled sale.
  • It is preferable for the appraiser to provide comparables from the subject’s neighborhood; however, the appraiser may need to use comparables from competing neighborhoods to perform an accurate analysis.
  • The appraiser must not expand the neighborhood boundaries just to encompass the comparables selected.
  • The appraiser must indicate the comparables that are from a competing neighborhood and provide an explanation of any differences that exist between the neighborhoods. In addition, the appraiser must explain why he/she used the specific comparable sales.
  • At least three (3) comparable sales must be used as part of the sales comparison approach. More than three (3) may be used; however, the appraiser must have at least three (3) that are settled or closed sales.

Note: The subject property may be used as a fourth comparable sale or as supporting data if it was previously sold and closed within the last 12 months prior to the closing date. However, in no instance may the appraiser create comparable sales by combining vacant land sales with the contract purchase price of a home (although this type of information may be included as additional supporting documentation).

• Generally, the comparable sales must have settled or closed within the last twelve (12) months prior to the date of the appraisal. However, the best and most appropriate comparable sales may not always be the most recent sales. An older sale may be more appropriate in situations when market conditions have impacted the availability of recent sales as long as the appraisal reflects the changing market conditions. Additionally, the appraiser may use older comparable sales as additional supporting information if he/she believes that it is appropriate and selects comparable sales that are the best indicators of value for the subject property.

Continued on next page
Appraisal Analysis, Continued

Selecting the Comparables, continued

- For unique properties:
  - It is acceptable if the appraiser cannot locate recent comparable sales of the same design and appeal, but is able to determine sound adjustments for the differences between the comparables that are available and the subject property and demonstrate the marketability of the property based on older comparable sales, comparable sales in competing neighborhoods, the existence of similar properties in the market area, and any other reliable market data.
  - If the appraiser is not able to find any evidence of market acceptance, and the characteristics of the property are so significantly different that he or she cannot establish a reliable opinion of market value, the property is not acceptable.
  - For Jumbo Solution Second and Key Loans, the appraiser must comment on the reasons for using any comparable sales that are more than six (6) months old.
  - If the subject property is located in an established subdivision, condominium project or PUD project, the appraiser should use comparable sales from within the same subdivision or project if there are any available. Generally, re-sales from the subject’s subdivision or project provide the best indication of value in that subdivision or project. The appraiser should comment on the use of comparable sales from outside of the subject neighborhood.
  - If the subject property is located in a new subdivision, condominium project or PUD project, 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. At least one (1) comparable sale should be selected from within the subject subdivision or project and one (1) from outside. The third comparable can be from inside or outside the subdivision or project.
  - When the appraiser is provided with comparables sales data by a party that has a financial interest in the transaction, SunTrust requires the appraiser to verify the data with a disinterested party.
  - Data and/or verification sources for each comparable sale must be reported on the appraisal report form. The appraiser must provide the data source(s) utilized to obtain the data for each comparable sale. When using MLS as the data source, the MLS organization acronym or abbreviations followed by ‘#’ and the listing identifier (numbers and letters) must be reported. If the appraiser utilizes additional data sources that do not fit into this data field, they must be provided in the comments section or addenda in the appraisal report. The appraiser must also provide the DOM (Days on Market) for each comparable sale for the latest time period that the property was listed or advertised for sale. For each comparable property, the appraiser must first identify the status type (Active, Contract, Expired, Withdrawn, Settled sale). Status type using acceptable abbreviation (‘c’ – contract date, ‘w’ – withdrawn date, ‘s’ – settlement date, ‘e’ – expiration date) followed by the corresponding date in mm/yy format.
  - Verification sources include but are not limited to, the buyer, seller, listing agent, selling agent, and closing documents in certain situations.
  - Regardless of the sources used, there must be sufficient data to understand the conditions of sale, existence of financing concessions, physical characteristics of the subject property and whether it was an arms-length transaction.

Continued on next page
Selecting the Comparables, continued

- When appraising new construction, the appraiser may need to rely solely on the builder of the property to provide comparable sales data, as this data may not yet be available through typical data sources such as public records or multiple listing services. In this case, it is acceptable for the appraiser to verify the transaction of the comparable sale by viewing a copy of the Settlement Statement from the builder.

- It is considered best practice to include at least one (1) resale from the subdivision or project. If there are no re-sales available, then the appraiser should include new home sales from a competing homebuilder. All three comparable sales should not be new home sales from the same builder.

- If the appraiser utilizes comparable sales outside of the subject’s neighborhood when closer comparable sales appear to be available, the appraiser must provide an explanation as to why he/she used the specific comparable sales.

- There may be a need for the appraiser to select comparable sales that is a considerable distance from the subject property. In this case, the appraiser must apply good judgment in the selection and provide an explanation as to why the particular comparable(s) were selected in the analysis. This is particularly true in rural markets.

- If the subject property is in a controlled market, there must be at least one comparable sale outside the control of the developer, builder or property seller.

- If the subject property has unusual features or atypical utilities, the appraiser must supply additional comparable sales to support marketability and adjustments made to comparable sales.

- House numbers for each of the comparable sales must match the house numbers in the photographs.

- Weather conditions in the photograph of the properties are appropriate for the date of the appraisal; i.e., July photograph does not show snow on the ground for a property in Illinois.

Comparables for Two (2)- to Four (4)- Unit Rental Properties

- The appraiser must provide analysis of the most current and most comparable rental properties that are available to develop an estimated market rent for the subject property.

- At least three (3) rental comparables, which do not have to be the same comparables in the sales comparison analysis, must be reported and analyzed by the appraiser.

- The comparable rental data must support the estimated market rents for the individual subject units and provide the following information.
  - Lease dates
  - Number of vacant units
  - Actual rents
  - Estimated market rents for the subject property.

- The appraisal report should ensure the units and properties selected as comparables are:
  - comparable to the subject property in terms of both the units and overall property, and
  - accurately represent the rental market for the subject property, unless otherwise stated in the appraisal report.

Continued on next page
Appraisal Analysis, Continued

Sales Comparison Approach, (continued)

Rural Properties
References:
- See “Rural Properties” in the “Occupancy/Property Types” topic within Section 2.01: Agency Loan Programs of the Correspondent Seller Guide for guidance regarding comparable sales.
- See “Degree of Development and Growth Rate” in the “Neighborhood Analysis” subtopic previously presented in this document for additional information.

Unadjusted Units of Comparison
If the subject property is a two- to four-family property, the appraiser must report certain unadjusted units of comparison for the subject property and comparable sales (i.e., sales price per gross building area, sales price per unit and sales price per room).

Sales Comparison Analysis Adjustment Grid
Non-AUS
- The sales price of each comparable sale should be within the general range of the estimate of market value for the subject property.
- Comparable sales should be of properties sold as arm’s length transactions in stable market areas.
- Appraisers should be selecting comparable sales containing the same amenities as the subject, such as basements, garages, in ground pools, and similar acreage lots. The appraiser must adjust for atypical sales or financing concessions.

Reference: See the “Adjustments to Comparable Sales” subtopic subsequently outlined in this document for additional information.

Fannie Mae DU
Follow DU requirements, which are the same as non-AUS guidelines.

Freddie Mac LP
Non-AUS guidelines apply.

Appraiser’s Comments and Indicated Value
- The appraiser must select the appropriate checkbox to indicate either ‘did’ or ‘did not’ research prior sales or transfers of the subject property for the prior 3 years to the effective date of the appraisal. Only one response is permitted.
- The appraiser must report the date(s) and price(s) of prior sales(s) or transfer(s) of Subject property for the three years prior to the effective date of the appraisal. The appraiser must report the date(s) and price(s) of prior sales(s) or transfer(s) of any comparable property during the twelve months prior to its date of sale. If more than one prior transfer of the subject or any of the comparable sale(s) occurred within the applicable time period, the additional transfer(s) must be listed and reported in the “Analysis of Prior Sale or Transfer History of the subject property and comparable sales” field.

Continued on next page
Appraisal Analysis, Continued

Appraiser’s Comments and Indicated Value, continued

- The appraiser must report on each occurrence or listing and provide the data source(s), offering prices and date(s). The appraiser must enter the data source(s) and effective date(s) of the data source(s) associated with the prior transfer(s) of each property. If the data source is MLS, the appraiser must enter the abbreviated MLS organization name, followed by a pound sign (#) and the specific listing identifier.

- The appraiser’s comments should also include a reconciliation of the adjusted values for the comparable sales and identify the comparable(s) that were given the most weight in arriving at the indicated value for the subject property. The appraiser must enter the reconciled value of the Sales Comparison Approach in whole dollars only.

- If the subject property is a two- to four-family property, the appraiser should also provide an evaluation of the typical purchaser’s motivation for purchasing the property and an analysis of any current agreement of sales, option, or listing for the subject property.

Continued on next page
Non-AUS

Analysis of Adjustments

- There are no specific limitations or guidelines associated with net or gross adjustments. The number and/or amount of the dollar adjustments must not be the sole determinant in the acceptability of a comparable. Ideally, the best and most appropriate comparable would require no adjustment; however, this is rarely the case as typically no two properties or transaction details are identical. The appraiser’s adjustments must reflect the market’s reaction (that is, market based adjustments) to the difference in the properties. For example, it would be inappropriate for an appraiser to provide a $20 per square foot adjustment for the difference in the gross living area based on a rule-of-thumb when market analysis indicates the adjustment should be $100 per square foot. The expectation is for the appraiser to analyze the market for competitive properties and provide appropriate market based adjustments without regard to arbitrary limits on the size of the adjustment.

- If the extent of the appraiser’s adjustments to the comparable sales is great enough to indicate that the property may not conform to the neighborhood, the underwriter must determine if the opinion of value is adequately supported.

Reference: See the comparable sales guidance outlined in this topic for additional information.

- When there are no truly comparable sales for a particular property because of the uniqueness of the property or other conditions, the appraiser must select sales that represent the best indicators of value for the subject property and make adjustments to reflect the actions of typical purchasers in that market.

Sales or Financing Concessions

- Comparable sales that include sales or financing concessions must be adjusted to reflect the impact, if any, on the sales price of the comparables based on the market at the time of sale.

Reference: See the “Contributions by Interested Parties” topic in the applicable product description and Section 1.13: Interested Party Contributions Limits of the Correspondent Seller Guide for information related to sales or financing concessions for the subject transaction.

- Examples of sales or financing concessions include:
  - interest rate buydowns or other below-market rate financing,
  - loan discount points,
  - loan origination fees,
  - closing costs customarily paid by the buyer,
  - payment of condo or PUD fees or assessment charges,
  - refunds of (or credit for) the borrower's expenses,
  - absorption of monthly payments,
  - assignment of rent payments, and
  - inclusion of non-realty items in the transaction.
Adjustments to Comparable Sales, (continued)

- The dollar amount of sales or financing concessions paid by the seller must be reported for the comparable sales if the information is reasonably available. Sales or financing data should be obtained from parties associated with the comparable transaction, such as the broker, buyer or seller, or a reliable data source. If information is not available because of legal restrictions or other disclosure-related problems, the appraiser must explain why the information is not available. If the appraisal report form does not provide enough space to discuss this information, the appraiser must make an adjustment for the concessions on the form and include an explanation in an addendum to the appraisal report.

- The amount of the negative dollar adjustment for each comparable with sales or financing concessions should be equal to any increase in the purchase price of the comparable that the appraiser determines to be attributable to the concessions. The need to make negative dollar adjustments for sales or financing concessions and the amount of the adjustments to the comparable sales is not based on how typical the concessions might be for a segment of the market area. Large sales or financing concessions can be relatively typical in a particular segment of the market and still result in sale prices that reflect more than the value of the real estate. Adjustments based on dollar-for-dollar deductions that are equal to the cost of the concessions to the seller, as a strict cash equivalency approach would dictate, are not appropriate.

- The effect of sales or financing concessions on sales prices can vary with the amount of the concessions and differences in various markets. Adjustments must reflect the difference between what the comparables actually sold for with the sales or financing concessions and what they would have sold for without the concessions so that the dollar amount of the adjustments will approximate the reaction of the market to the concessions.

- Positive adjustments for sales or financing concessions are not acceptable. For example, if local common practice or law results in virtually all of the property sellers in the market area paying a 1% loan origination fee for the purchaser, and a property seller in that market did not pay any loan fees or concessions for the purchaser, the sale would be considered as a cash equivalent sale in that market. The appraiser must recognize comparable sales that sold for all cash or with cash equivalent financing and use them as comparable sales if they are the best indicators of value for the subject property. Such sales also can be useful to the appraiser in determining those costs that are normally paid by sellers as the result of common practice or law in the market area.
Adjustments to Comparable Sales, (continued)

- **Date of Sale and Time Adjustments**
  - The date of sale and the time adjustment (market conditions) are critical elements in determining an accurate value because the appraisal is based on a specific date in time (effective date of appraisal). The comparable sales being considered must be analyzed by the appraiser to determine if there have been any changes in market conditions from the time the comparable went under contract to the effective date of the appraisal. This analysis will determine whether a time adjustment is warranted. Adjustments may be either positive or negative depending on the market changes over the time period analyzed. Time adjustments should be supported by other comparables (such as sales, contracts) whenever possible; however, in all instances the appraiser must provide an explanation for the time adjustment in the appraisal report.
  - When completing appraisal report forms, the appraiser should provide the date of the sales contract and the settlement or closing date. Only the month and year need to be reported. For example, appraisers may use “s04/10” or “c02/10” where “s” reflects the settlement or closing date and “c” reflects the contract date. If the exact date is necessary to understand the adjustments, it must be explained elsewhere in the report or in an addendum. If the contract date is unavailable to the appraiser in the normal course of business, the appraiser must enter the abbreviation “Unk” for unknown, in place of the contract date.

- **Appraiser’s Comments and Indicated Value in the Sales Comparison Approach**
  - The appraiser must provide appropriate comment(s) reflecting the logic and reasoning for the adjustments provided, especially for the characteristics reported on the appraisal report form between the Sales or Financing Concessions and the Condition line items. A statement only recognizing that an adjustment has been made is not acceptable. When appropriate, the appraiser’s analysis should also include narrative comments about a current contract, offering, or listing for the subject or comparable sales, current ownership, and recent prior sales or transfers. Additionally, the appraiser’s comments must reflect his or her reconciliation of the adjusted (or indicated) values for the comparable sales and identify why the sale(s) were given the most weight in arriving at the indicated value for the subject property. It should be noted that the indicated value in the Sales Comparison Approach must be within the range of the adjusted sales price of the comparables that are reported in the appraisal report form.

**Fannie Mae DU**
Follow DU requirements, which are the same as Non-AUS guidelines

**Freddie Mac LP**
Non-AUS guidelines apply.

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### Income Approach

- Appraisers that rely solely on the income approach to value as an indicator of value are not acceptable. The appraisal report must include the appropriate supporting comparable rental and sales data and the calculations used to determine the gross rent multiplier.
- The income approach is required if the subject property is a 2-4 unit property and the determined value must support the sales comparison approach.
- The appraiser should supply unadjusted units of comparison.
- For purchase transactions, the appraisal should indicate what factors in the market investors consider most important.
- The income approach to value is based on the assumption that market value is related to the market rent or income that a property can be expected to earn.
- Generally, it is appropriate in neighborhoods of single-family properties that have a substantial rental market, as well as for two- to four-family properties. It is not appropriate in areas that consist mostly of owner-occupied properties.
- To calculate the indicated value by the income approach, the appraiser multiplies the total gross estimated monthly market rent (based on an analysis of comparable rentals) for the subject property by a reconciled gross monthly rent multiplier (determined by dividing the sales prices of the comparables that were rented by the time of sale by their monthly market rent).

### Final Reconciliation

- The reconciliation is where the final opinion of market value is provided.
- The appraiser must select either the 'as is' or at least one of the 'subject to' checkboxes. If any of the 'subject to' checkboxes are selected, a detailed description is required.
- The appraiser must enter the value of the subject property. The value of the subject property must match the appraised value of the subject property in the Appraiser Certification section.
- In the final reconciliation of the appraisal report, the appraiser must reconcile the reasonableness and reliability of each approach to value and the reasonableness and validity of the indicated values and available data.
- The appraiser must explain any material differences in the property information or information about the transaction that is not typical for the market.
- The approach or approaches that were given the most weight are then selected and reported.
- The final reconciliation is never an averaging technique.
- The effective date of the appraisal is dated after ratification of the sales contract. The appraiser must enter the date of the inspection, which is the effective date of the appraisal in mm/dd/yyyy format.

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### Uniform Collateral Data Portal (UCDP)

#### Overview
As part of the critical appraisal data standardization effort by Fannie Mae and Freddie Mac, the UCDP will:
- provide lenders with greater confidence in loan quality by offering enhanced appraisal data quality and integrity checks,
- create efficiency and consistency in appraisal reviews by offering appraisers and lenders an improved view and understanding of GSE appraisal data requirements, and
- support processes to manage and mitigate valuation risk by resolving inconsistencies with appraisal data, including formatting, terminology, and use of specific descriptions.

The following appraisal types are required to be submitted to the UCDP:
- Uniform Residential Appraisal Report (Fannie Mae Form 1004/Freddie Mac Form 70) (UAD form),
- Small Residential Income Property (Fannie Mae 1025/Freddie Mac 72),
- Individual Condominium Unit (Fannie Mae 1073/Freddie Mac 465) (UAD form),
- Exterior-Only Inspection Condominium Unit Appraisal Report (Freddie Mac 466) (UAD form), and

**Note:** SunTrust Mortgage does not accept the Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Freddie Mac Form 466) or the Exterior-Only Inspection Residential Appraisal Report (Freddie Mac Form 2055).

#### Process
- It is the responsibility of the Correspondent Lender to supply SunTrust Mortgage with both a “Successful” Summary Submission Report and Doc File ID for all conventional loan files, including the Key Loan Program. FHA and VA appraisals are currently exempt from UCDP submission.
- The “Successful” Summary Submission Report MUST be from the FINAL version of the appraisal used for the final loan decision.

**Note:** If there are subsequent revisions to the appraisal report, the final version of the report that was utilized in making the underwriting decision must be submitted through UDCP.
Energy Efficient Improvements

General

Non-AUS
- An energy-efficient property is one that uses resource-effective design, materials, building systems, and site orientation to conserve nonrenewable fuels.
- Special energy-saving items must be recognized in the appraisal process and noted on the appraisal report form. For example, when completing the appraisal report (Form 1004), special energy-efficient items are to be addressed in the Improvements section in the Additional features field. The nature of these items and their contribution to value will vary throughout the country because of climactic conditions, differences in utility costs, and overall market reaction to the cost of the feature. Some examples of special energy-efficient features may include, but are not limited to, energy efficient ratings or certifications, programmable thermostats, solar photovoltaic systems, low-e windows, insulated ducts, and tank-less water heaters.
- Appraisers must compare energy-efficient features of the subject property to those of comparable properties in the Sales Comparison Approach adjustment grid. If the appraiser’s analysis determines that an adjustment is warranted based on the market reaction to such item(s), the adjustment must be included in the adjustment grid.
- Solar panels that are leased from or owned by a third party under a power purchase agreement or other similar arrangement are to be considered personal property items and are not included in the appraised value of the property.

Reference: See the “Properties with Solar Panels” subtopic within Section 2.01: Agency Loan Programs of the Correspondent Seller Guide for additional guidance.

Fannie Mae DU
Follow DU requirements, which are the same as Non-AUS guidelines

Freddie Mac LP
- An energy-efficient property uses cost-effective design, construction, materials, mechanical systems, equipment and site orientation to conserve energy in a manner consistent with the area in which the property is located.
- If the property has energy-efficient features, the appraiser must identify the features.
- If energy-efficient features of a property, whether the subject property or comparable sales, affect value or marketability, the appraiser must make appropriate adjustments to reflect the market reaction to the energy-efficient features.

Reference: See the “Properties with Solar Panels” subtopic within Section 2.01: Agency Loan Programs of the Correspondent Seller Guide for additional guidance.
### Transfer / Re-assignment of Appraisal Reports

**General**

**Agency Loan Programs**
Reference: See “Appraisal Age and Use Requirements” in the “Appraisal Requirements” topic outlined in **Section 2.01 Agency Loan Programs** of the **Correspondent Seller Guide** for guidelines.

**Key Loan Program and Jumbo Solution Second Mortgage Loans**
- SunTrust Mortgage will not accept a conventional appraisal transferred to the Correspondent lender from another lender.
- Conventional transferred appraisal reports will not be eligible for purchase by SunTrust Mortgage.
- Conventional appraisals must be in the name of the lender who closes the mortgage loan.

### Field Reviews

**Guidelines**
Correspondent lenders must refer to the specific product description for field review requirements. If a field review is required, the Correspondent lender is responsible for ordering and absorbing the costs associated with obtaining the field review.

### Representations and Warrants

**Representations and Warrants**
The Correspondent lender shall certify, represent and warrant that all appraisals are obtained in compliance with the Appraiser Independence Requirements.
- If it is determined the Correspondent lender is in breach of a material aspect of the Appraiser Independence Requirements, SunTrust will enforce all applicable rights and remedies, including suspension or termination of the lender’s eligibility to sell loans to SunTrust.

### Compliance

**General**
Correspondent Lenders must adopt written policies and procedures implementing Appraiser Independence Requirements as published in Fannie Mae’s Announcement **SEL-2010-14**. This may require adequate training to employees and establishing disciplinary rules on appraiser independence. As a reminder, Correspondent Lenders are responsible for adhering to all regulatory lending guidelines. SunTrust relies upon the Correspondent Lender’s representations and warranties that the loans delivered to SunTrust are enforceable in accordance with the terms of the Conventional Loan Purchase Agreement.
Requests for an Updated Value and Re-Certification of Value

General

Agency Loan Programs
Reference: See “Appraisal Age and Use Requirements” and “Appraisal Update and/or Completion Report (Fannie Mae 1004D/Freddie Mac Form 442)” in the “Appraisal Requirements” topic outlined in Section 2.01 Agency Loan Programs of the Correspondent Seller Guide for guidelines.

Key Loan Program and Jumbo Solution Second Mortgage
- An Appraisal Update and/or Completion Report (Fannie Mae 1004D/Freddie Mac Form 442) is used by an appraiser to confirm whether conditions of a prior appraisal have been met or to re-certify the value. Conditions of an appraisal are subject to completion for new construction or subject to repairs for existing properties. A re-certification DOES NOT change the effective date of the original appraisal report or the value opinion.
- An Appraisal Update and/or Completion Report (Fannie Mae 1004D/Freddie Mac Form 442) is also used when a lender seeks a more current value. This is not an extension of the prior appraisal assignment that has been completed, but is a new request. This occurs when the appraisal report is older than the allowed time frame for the underwriting or closing process and the appraiser must determine if the value of the subject property is unchanged or has declined from the original estimate of value. The same requirements apply when appraising or analyzing a property that was the subject of a prior appraisal assignment.
- The Appraisal Update and/or Completion Report (Fannie Mae 1004D/Freddie Mac Form 442) must contain sufficient information to be meaningful and not misleading. The appraiser must, at a minimum:
  - concur with the original appraisal,
  - perform an exterior inspection of the subject property from at least the street, and
  - research, verify, and analyze current market data in order to determine if the property has declined in value since the effective date of the original appraisal.
- For new or proposed construction, clear, descriptive photographs (in color) of the completed improvements must accompany this report form.
- Any other data, as an attachment or addendum to the appraisal report form, that is necessary to provide an adequately supported opinion of market value, must also be included,
- Lenders may experience an increase in the fee charged by an appraiser to issue an update. Lenders may want to inquire prior to the request regarding the fees.
- If the original appraiser is not available to provide an update of value, a request for an update to a qualified appraiser will constitute a new request and a full appraisal fee may be charged.
Appraisal Date Requirements

Guidelines

Agency Loan Programs
Reference: See “Appraisal Age and Use Requirements” in the “Appraisal Requirements” topic outlined in Section 2.01 Agency Loan Programs of the Correspondent Seller Guide for guidelines.

Key Loan Program and Jumbo Solution Second Mortgage Loans
- Reuse of an unexpired appraisal when the initial transaction has closed is permitted as long as the following requirements are met:
  - The subsequent transaction must be a limited cash-out (rate/term) refinance. The borrower and the lender/client must be the same on the original and subsequent transaction.
  - The original appraisal must be dated within 90 days prior to the note date of the subsequent transaction; and
  - An appraisal update (form 1004D) must be fully completed to ensure that the property has not undergone any significant remodeling, renovation, or deterioration of the property that would materially affect the market value of the subject property. Recertification of value is not acceptable.

Existing Properties
- **The Key Loan Program** must follow the appraisal date requirements outlined below.
  - The appraisal report must be dated within 90 days prior to the Note date.
  - If prepared more than 90 days but less than 365 days prior to the Note date, the original appraiser (if available) must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the original appraisal date.
  - if the appraiser indicates that the property has declined in value, a new appraisal is required.
  - if the appraiser indicates that the property has not declined in value, recertification or update to the original appraisal, based on the appraiser’s exterior inspection of the property and knowledge of current market conditions, is required. A completed Appraisal Update and/or Completion Report (Fannie Mae 1004D/Freddie Mac form 442) must be included in the loan file.
  - if the loan does not close within 90 days of the initial recertification, an additional recertification must be performed along with two (2) new comparables.

*Continued on next page*
**Guidelines, (continued)**

- **New Construction Properties**
  - *The Key Loan Program* must follow the appraisal date requirements outlined below.
    - The appraisal report must be dated within ninety (90) days prior to the date of loan closing.
    - If prepared more than ninety (90) days but less than twelve (12) months prior to the date of loan closing, the original appraiser (if available) must inspect the exterior of the property and review current market data to determine whether the property has declined in value since the original appraisal date.
    - if the appraiser indicates that the property has declined in value, a new appraisal is required.
    - if the appraiser indicates that the property has not declined in value, recertification or update to the original appraisal, based on the appraiser’s exterior inspection of the property and knowledge of current market conditions, is required. A completed *Appraisal Update and/or Completion Report* (Fannie Mae 1004D/Freddie Mac form 442) must be included in the loan file.
    - if the loan does not close within 90 days of the initial recertification, an additional recertification must be performed along with two (2) new comparables.
Electronic Transmission

Electronic Transmission

- SunTrust Mortgage will accept appraisals e-mailed to the following address: correspondentappraisals@suntrust.com.
- Each appraisal must clearly identify the following information:
  - loan number,
  - borrower (s) name (s),
  - correspondent name, and
  - lender contact information.
- The Correspondent lender must warrant that the subject property value is supported. This type of appraisal is acceptable for all Fannie Mae and/or Freddie Mac loan products. All other loan products are subject to the individual appraisal guidelines in the product description.

Exhibit I: SunTrust Ineligible List

Click here for instructions on accessing the SunTrust Ineligible List.