

Use the following list of reminders as a tool when underwriting the appraisal report. For complete information on appraisal requirements, refer to the Freddie Mac *Seller/Service Guide* (Guide) Chapter 5601.

## General Reminders

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- The appraisal was obtained in a manner consistent with the requirements of Guide Exhibit 35, Appraiser Independence Requirements.
- The appraisal report (Freddie Mac Form 70, 465, 466 or 2055) is Uniform Appraisal Dataset (UAD) compliant as required by Guide Section 5601.14, Appraisal Data and Delivery. (Refer to Appendix D: Field-Specific Standardization Requirements for complete requirements on UAD compliancy.)
- When an appraisal update is required, use Form 442, Appraisal Update and/or Completion Report). When Form 442 has been utilized to report an update of an appraisal and/or a certification of completion, you have the option to submit the form to the Uniform Collateral Data Portal® (UCDP).
- The appraiser had knowledge and experience appraising in the market area in which the property is located. This is particularly important when the location of the property is in a rural area because there are often a variety of different property types and land uses, which may result in a more challenging appraisal assignment.

## Subject Property

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- The property address and legal description match the loan application, sales contract, and title documents.
- The property address conforms to the United States Postal Service (USPS) address format standards.
- Applicable fields are completed (borrower, owner of public record, occupant, lender/client, etc.).
- For purchases, owner of public record matches property Seller on contract and title documents.
- For refinances, owner of public record matches borrower on loan application and title documents.
- The appraisal identifies the occupancy status of the property as either owner, tenant or vacant as of the effective date of the appraisal.
- Occupancy matches transaction (e.g., owner matches occupant for refinance of Primary Residence).
- The lender/client is the Seller or a third party specifically authorized by the Seller.
- The appraisal was ordered by lender or lender agent rather than another party (buyer, property Seller or real estate agent) to the transaction.
- The appraisal indicates whether the property is currently offered for sale or was offered for sale within the 12 months prior to the effective date of the appraisal.
- There are no "For rent" or "For sale" signs in photo of subject property on owner-occupant refinance application.
- The appraiser provided data source(s) used, offering price(s), date(s) and the days on market for the subject property.

**Note:** Vertical revision bars " | " are used in the margin of this quick reference to highlight new requirements and significant changes

# Appraisal Review Reminders

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## Contract

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- The appraisal included the results of the appraiser's analysis of the contract for sale, the contract price, the date of contract and to acknowledge if the property Seller is the owner of public record, and the data source(s) used.
- The appraisal effective date is after sales contract was written.
- The appraiser noted any gifts and other financial assistance paid by any other party on behalf of the borrower.

## Neighborhood

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- The appraiser identified neighborhood boundaries; and described neighborhood characteristics as either "Urban," "Suburban" or "Rural".
- The appraiser described the percent built-up and the growth rate.
- The appraiser included market conditions, housing trends, price and age ranges and present land uses for the neighborhood properties.
- Market conditions are addressed with specific attention to increasing and declining markets.
- Demand/supply rating is indicated with supporting information. If shortage or over supply, the appraiser has addressed in comments, which are consistent with other appraisal information.
- Marketing time is indicated. If over 6 months, the appraiser has addressed in comments, which are consistent with other appraisal information.
- If the subject property is not within the neighborhood price and age, the appraiser has addressed in comments and choice of comparable sales; the lender must ensure that comparable sales support marketability.

## Site

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- A zoning compliance selection is made and meets Freddie Mac's requirements for the type of property. If the subject property is an attached condominium unit and zoning compliance is legal nonconforming, the loan file must indicate that the subject property can be rebuilt to current density if severely damaged or destroyed.
- The Mortgaged Premises represents the highest and best use of the property as improved (or as proposed per plans and specifications)
- The flood zone information should be complete if provided. The appraiser is not required to complete this section if the flood zone is determined by another party, such as a non-appraiser on the staff of the Seller, a surveyor or a specialized flood zone determination company.
- Utilities and off-site improvements are typical for the market. If not, comparable sales support marketability with atypical utilities and off-site improvements.
- If private well or septic system is shared and/or is off-site, the appraiser provided comparable sales to support marketability.
- If there are adverse conditions, the appraiser provided comparable sales with same adverse conditions to determine amount of adjustments and demonstrate marketability or provided market support elsewhere

# Appraisal Review Reminders

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within the report showing analysis of the adverse condition and effects on value/marketability. If there are land-use restrictions, the loan file indicates that the subject property can be rebuilt if severely damaged or destroyed.

- If the subject property is a Manufactured Home, the zoning is residential. The appraiser also completed the HUD data plate section of Form 70B.
- If mixed-use property, the property is located in a residential neighborhood, is primarily residential in nature, and is typical for the properties in the market; represents a legal, permissible use of the property under the local zoning requirements; is a 1-unit Primary Residence; if used commercially, the borrower is the owner and operator of the business; the dwelling wasn't modified in a manner that has an adverse impact on marketability; and the commercial use does not have an adverse effect on the safety of the property or site.

## Improvements

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- The subject property is existing construction. If proposed or under construction, the appraisal is subject to completion per plans and specifications, and photos with either an appraisal update or completion certificate are provided. If the subject property has been recently renovated, a detailed description of the renovations is attached with photos provided.
- An appropriate architectural design (style) type descriptor was included.
- There is no evidence of infestation, dampness or settlement that would indicate lack of structural integrity (soundness). If there is such evidence, loan file supports inspections and any needed remedy.
- The appraiser indicated "yes" or "no" regarding any material work done to the kitchen(s) or bathroom(s) in the prior 15 years. If yes, additional information is required.
- There are no conditions that affect the habitability, safety or structural integrity (soundness) of the subject property. If there are such conditions, the appraisal is subject to repairs, and there is appropriate documentation (e.g., completion certificate with photos) in the file to demonstrate that the condition has been remedied.
- The subject property generally conforms to the neighborhood. If not, the appraiser has addressed in comments and choice of comparable sales. The lender must ensure that comparable sales support marketability.

## Sales Comparison Approach

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- The property addresses provided for the subject and comparable properties represent the physical addresses and conform to the United States Postal Service (USPS) address format standards.
- The proximity of the comparable sales is consistent with the neighborhood characteristics and with the number of comparable sales offered for sale.
- The sales prices/gross living area for the comparable sales are similar to the subject property.
- Recordation information has been provided for all closed comparable sales, inclusive of contract date (if known) and settlement date.
- At least three of the comparable sales are sales that were closed before the effective date of the appraisal.

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- Comparable sales are recent. If the sale of a comparable property occurred more than 12 months before the date of the appraisal, the appraiser justified the use of that comparable property in the appraisal report.
- At least three of the comparable sales appear to be in the same market area as the subject property. (Refer to the location map and Neighborhood Description.) The appraiser supported any use of sales in competing neighborhoods.
- The site, view, age and design of the subject property are consistent with the Improvements section, and the comparable sales are similar.
- For appraisal report forms that are required to be completed using the UAD, the overall **view** associated with the subject property and each comparable sale was rated as either "Neutral," "Beneficial" or "Adverse" along with at least one, but no more than two location factors. The UAD view rating describes the overall effect on value and marketability of the view associated with the property.
- The comparable sales are similar to the subject property. Any adjustments are supported by market data and additional comparable sales; large adjustments indicate comparable sales may be inappropriate.
- For established subdivisions, PUDs or condominium projects, the appraiser should have used comparable sales from within the subject subdivision or project when they are the best indicators of value for the subject property.
- For units in new subdivisions, units in new PUDs or units in recently converted or new condominium projects:
  - One comparable sale must be from inside the subject subdivision or project, when available, and can be a sale by the builder or developer of the subject property.
    - If there are no closed comparable sales from inside the subject subdivision or project, contract sales may be used from inside the subject subdivision or project to satisfy this requirement. However, the use of contract sales must be in addition to the three actual closed sales obtained from outside the subject subdivision or project.
    - In the event the subject subdivision or project is so new that a closed sale or a contract sale is not available, comparable sales from outside the subject subdivision or project may be used. However, the appraiser must comment on the marketability of the new subdivision or project and justify and support the use of the comparable sales from outside the new subdivision or project.
  - The third comparable sale may be from either inside or outside the subject subdivision or project.

**Note:** When resales are available from inside the subject subdivision or project, they are preferable and should be given significant consideration as they provide a reliable indicator of the market value of units within the subdivision or project. At a minimum, at least two comparable sales must be sales in which the builder or developer of the subject property is not involved in the sales transaction. See Guide Section 5601.12(f) for more details.
- The appraiser must use similar Detached Condominium Unit comparable sales from the same project or from the same market area. The appraiser may use other types of 1-unit 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.
- The condition of the comparable sales is similar to that of the subject property. Any use of superior comparable sales is explained and supported by market data.
- If the subject property is in a controlled market, there is at least one comparable sale outside the control of the developer, builder or property Seller.
- If the subject property is a manufactured home, there are at least two comparable sales that are also manufactured homes of the same style, quality, and condition, and of a similar age.

# Appraisal Review Reminders

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- If the subject property has unusual features, atypical utilities, etc., the appraiser provided additional comparable sales to support marketability and determined the amount of the adjustments to be made to comparable sales.
- Photographs of the subject property are in color, clear and appropriately identified. Clearly shows the improvements, including any physical deterioration of the property, amenities, conditions and external influences that have a material effect on the market value or marketability of the subject property.
- Photographs of the subject property's kitchen, all bathrooms and main living area were included. Front view, rear view and street scene of the subject property.
- Photographs match description of property.
- Photographs of subject property were not taken from odd angles (e.g., the appraiser is trying to hide adverse conditions).
- Photographs reveal items disclosed in the appraisal (e.g., commercial property next door, railroad tracks, another structure on premises, etc.). External influences such as these are captured in photographs.
- If visible, house numbers in photos match the property addresses.
- Weather conditions in the photo of a subject property are appropriate for the date of the appraisal (e.g., a July photo does not show snow on the ground for a property in Illinois).
- For comparable properties, photographs must be clear electronic images. Copies of multiple listing service (MLS) photographs are acceptable. Any inconsistencies are explained.
- Building sketch indicates that the subject property is consistent with the description.
- The appraiser researched the sale and transfer history of the subject property (three years from the effective date of the appraisal) and comparable sales (one year from the last sale date).
- All comparable sales verified as recorded (data source MLS, sales office, SREA, CMDIC, real estate agent, etc.).
- The sale prices of any prior sales and listings of the subject property are consistent with the market as reported by the appraiser. Any rapid increase in price, such as with a renovation, is supported with a detailed explanation and appropriate photographs. Any decrease in price is supported by market data, such as in the Property Values section and appraiser comments.
- The appraiser provided an analysis of the sales and transfer history of the subject property and comparable sales.
- The appraiser provided a summary of the Sales Comparison Approach, and the summary is consistent with the information provided and with other sections of the report.

## **Additional Comments**

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- The appraiser provided comments to support conclusions made in the report (e.g., any repairs needed are described and photographs provided); use of older comparable sales or sales outside the market area are explained and supported.
- The appraiser has explained any discrepancy in the property information (e.g., the sale price is below the sale prices of other properties offered for sale).

## Cost Approach

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- If the subject property is a manufactured home, the cost approach is required and was provided.
- The cost approach is based on publicly available information (e.g., Marshall & Swift), and adequate detail was provided so that the calculation can be re-created.
- Depreciation is reasonable for the age of the subject property and condition.

## Income Approach

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- If the subject property is a 2- to 4-unit property, the income approach is required and was provided.
- The appraiser provided unadjusted units of comparison and, for purchases, indicated what factors investors in the market consider most important.

## Reconciliation

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- The appraiser has explained any material differences in property information, or information about the transaction that is not typical for the market.
- The use of automated valuation models (AVMs) and other tools to objectively measure the accuracy of the appraisal may be used.
- The appraisal is made as is. If it is made subject to completion or subject to repairs, there is supporting documentation in the file to indicate that the conditions of the appraisal report have been met.
- The appraiser's opinion of market value of the subject property does not include any value assigned to personal property, including for example, boat docks and boat slips that are not part of the real property that is securing the mortgage.
- It is not acceptable for a Seller to change the appraiser's opinion of market value; any changes to the opinion of market value may only be made by the appraiser.
- If a field review results in a different opinion of market value, the most accurate opinion of market value is determined and used.
- The original appraiser performed the appraisal update. If not the original appraiser, another appraiser or an unlicensed or trainee supervised appraiser signed the appraisal.
- Effective date of the appraisal is dated after ratification of sales contract.

Reminder: If the Freddie Mac Settlement Date is more than 120 days after the Note Date, the Seller must warrant the value of the subject property at the time of the Freddie Mac Settlement Date is not less than the appraised value as of the effective date of the appraisal.

## Statement of Assumptions and Limiting Conditions and Appraisers' Certifications

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The appraiser:

- Has made no changes to the statement and certification.
- Has signed the report.
- Has a valid state license or certification.
- Does not appear on the Freddie Mac Exclusionary List.

**COVID-19 Response Notice:**

Visit our [COVID-19 Resources](#) web page for temporary guidance related to credit underwriting and property valuations.

This document is not a replacement or substitute for the information found in the *Freddie Mac Single-Family Seller/Service Guide* or terms of your Master Agreement or other Pricing Identifier Terms.

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