

# APPRAISAL MINIMUM STANDARDS



Note to Vendor: This is the document which AAMS quality control reviewer will use to evaluate the appraisal report in regard to Client-Specific underwriting guidelines. A line by line comprehensive quality control underwriting audit will be conducted on the report delivered.

In addition to the Client-Specific underwriting guidelines contained in this document, all appraisal reports are expected to be compliant with USPAP, Fannie Mae/Freddie Mac, UAD, FHA (if applicable) and the product specific assignment conditions. The product specific assignment conditions will be attached to the appraisal order. The quality control review is based upon the FNMA appraisal report forms with the most recent revisions currently published. Fannie Mae guidelines are available to the Appraiser at [www.AllRegs.com](http://www.AllRegs.com). Click on 2007-Selling Guide/Property and Appraisal Guidelines/Reviewing the Appraisal Report.

The completed and approved appraisal should lead the Reader of the report to the same conclusions regarding the final conclusion of value and property condition as those derived by the Appraiser.

Please thoroughly review the appraisal PRIOR to submission. For your convenience, the criteria have been categorized in the following appraisal standards and a table of contents provided. If you do not agree with or understand any of the following criteria, please call AAMS prior to submitting the report.

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# Assignment

## Upon Acceptance

- Agree to update AAMS order status system with the following milestones per agreed upon AAMS time frame guidelines (see AAMS Guidelines section for time frames).
- Accepted by vendor
- Scheduled
- Inspected
- In progress and/or in review
- Assignment to be completed and signed only by the assigned Appraiser. No unauthorized appraiser and/or trainee may complete the assignment.
- Appraiser MUST open and THOROUGHLY review all order attachments.

## Stop and Notify AAMS /Prior Services on Property

- Per USPAP requirements, please notify AAMS immediately, prior to beginning the appraisal process, if the appraiser has provided ANY prior service(s) on the Subject property (as an appraiser or in any other capacity) within the three-year period preceding the acceptance of this assignment. Please be as specific as possible when describing the prior service(s) without disclosing any prior assignment results or other confidential information.
- Once this disclosure has been made, the lender will determine if they consider acceptance of this new assignment to be a conflict of interest. If the client (through AAMS) gives consent for the appraiser to continue with the assignment, please refer to the “New USPAP Requirement/ Prior Services on Property/ Commentary required” assignment condition for further instructions regarding prior service disclosure.
- If the prior assignment required the appraiser to keep all information confidential, including the fact that a service was performed, then the appraiser is required by USPAP to reject the new assignment because the necessary disclosures cannot be made.

## Gramm-Leach-Bliley Act: Privacy Regulations

- In accepting this appraisal assignment Appraiser agrees to comply with Title V of The Gramm-Leach-Bliley Act (GLBA) which generally prohibits any financial institution, directly or through its affiliates, from sharing nonpublic personal information about the Client with a nonaffiliated third party.

## Scheduled Inspection

- Read all order instructions to clarify if there are any special requirements.
- All inspections must be scheduled with the provided contact (even if on any kind of key box) within 24 hours of acceptance. If there are any delays please notify AAMS immediately.

## **Utilities On Conventional and FHA**

- Confirm and comment in the report if all utilities are on inside of the home and mechanical systems (including hot water heater) are operating. Regardless of the loan type if the utilities and/or mechanical system(s) are not on or operating properly make the report subject to re inspection. Please add this comment either in the condition section at the bottom of Page 1 OR in the commentary section on Page 3.

## **Alert AAMS Immediately**

### **Subject Address/Product Type**

- If the address on the order differs from the subject property's actual address.
- If at any point in the appraisal process, it is determined the requested form/product is not the appropriate one for the subject property being appraised.

### **Unique Property or Manufactured Home**

- If the subject is a unique or atypical property type (i.e. log home, geodesic dome, earth home, A-Frame, low or high GLA, etc...) if there are not at least TWO recent sales of similar construction/style or features available for comparison to the subject.
- If the property appears to be a manufactured home, mobile home, or modular home.
- When the subject property:
  - in a manufactured home assignment was produced prior to June 15, 1976
  - Is a single wide manufactured home
  - Is a manufactured home within a condo project
- If Appraiser uncovers any evidence that a manufactured home has been moved from its ORIGINAL foundation.

### **Multi-Family or No Comparables**

- If the property has more than four separate living units.
- If after your research and property inspection, you have NO similar sales that have closed within the past 6 months. If you do not have at least one reliable indicator of value, similar in location, design, size, and condition, etc... please contact AAMS for direction.

### **Occupant:**

- A 1007 Comparable Rent Schedule AND 216 Operating Income Statement are required on those properties that are or will be tenant occupied. If the original order did not include a request for these forms please Stop and notify AAMS.

## Change in Scope

If at any point in the appraisal process you are requested to change the assignment's Scope of Work by someone other than AAMS, please do the following:

- Explain to the person requesting the change what the assignment requires.
- If the person requesting the change is persistent with their request, stop and contact AAMS immediately.
- Provide AAMS with details of the situation, what occurred, the outcome, etc... For example, if the contact requests no interior photos be taken at the inspection, or denies access to all rooms, please follow the steps above. AAMS will place the order on hold to notify the Client for direction on how they wish to proceed.

- If you ever receive inappropriate communication from any of the following: the Lender; the Borrower, the Seller or the Real Estate Agent, please notify AAMS immediately.

## Competency

- **Appraiser Competency:** To be eligible to complete this assignment the Appraiser must meet the following areas of competency:
  - Have access to the data necessary to deliver a credible appraisal or be able to associate with another Certified Appraiser, Appraisal Firm or Government Agency.
  - Appraiser must be competent according to USPAP Standard.
  - Appraiser must recognize and agree to comply with all applicable laws, regulations and specific conditions.
  - Appraiser must have geographical competency in the area of the assignment.

## Appraiser and Inspection

### APPRAISER:

- **Dress Code:** Appraiser is representing Accurate Appraisal Management Services and the Lenders/Clients as well as your own company. Therefore, it is important that you dress and conduct business in a professional and polite manner.
- **Appraiser Opinions & Comments:** Please do not discuss the due date, opinion of value or range of value, or anything to do with the content of the completed appraisal report, current market trends or details relating to the order with the Borrower/Contact. If asked such questions, politely advise them that per USPAP you are only allowed to discuss the specifics of the order with your client (AAMS) and any questions they have should be directed to their Lender.
  - Do not provide expectations as to when the appraisal process will be completed.
  - Do not be dismissive, demeaning or condescending

## **Be on time**

- **Punctuality:** Please arrive at the subject property at the agreed upon inspection time. If you are going to be earlier or later than 10 minutes of the agreed upon time, you must notify the person you are meeting and provide them with an accurate estimate of your arrival time

## **Stop and Notify AAMS/Unable to gain interior access**

- Whenever the appraiser is unable to gain access to the interior of the subject property for any reason, please contact AAMS BEFORE leaving the property to inform us of the situation.

If a definite appointment was set, an attempt must be made to reach the noted contact, prior to leaving the subject property. When it becomes necessary to reschedule, Appraiser will receive a trip fee.

## **Post-Inspection Appraisal Cancellation/Trip Fee/Photos May Be Required**

- When a trip fee is warranted due to an order cancellation, the appraiser is advised to retain exterior photos of the subject because some clients may require exterior photos to document the trip.
- When required, these photos should be uploaded by using the 'Add Documents' button on the AAMS order page.

## **Measurement**

- **Property Inspection:** A complete measurement, sketch and calculations of the subject property, basement, (if applicable) and auxiliary structures of value are required. Property Record cards can only be used as a comparison to the field measurements, not in place of the field measurements. To use any commercially generated floor plan sketch all dimensions and calculations must be included.

## **Sketch**

- If there is functional obsolescence associated with the floor plan, interior walls and openings for the affected area must also be indicated in the sketch.
- Architectural plans and/or marketing floor plans can be added as additional exhibits but cannot take the place of the Appraiser's sketch and calculations in the appraisal report.

## **Stop and Notify AAMS/Condition Issues**

Whenever the subject property:

- Is undergoing any construction or renovations, when not previously known or stated on the order.
- Has any health and safety concerns or is not habitable.
- Has a structural soundness issue or significant damage.
- Is in LESS THAN average condition (i.e. C5, C6).

## Stop and Notify AAMS/Subject Currently Offered for Sale

- When the subject property is CURRENTLY offered for sale on all refinance transactions.

## Stop and Notify AAMS/Zoning Issues

Whenever the subject property:

- Cannot be legally rebuilt to its current design and/or utility if damaged more than 50% or destroyed.
- Is a 1-4 family dwelling within a commercial or agricultural zoned district, AND the current Highest and Best use of the property is not a 1-4 family dwelling.
- Is commercial use, mixed use, agricultural use, Condo-tel, working farm or ranch, time share, community land trust, life estate, boarding home
- Is an illegal nonconforming use
- Is located in an area zoned commercial, industrial or office

## General Requirements

### USPAP Requirement/Opinion of Reasonable Exposure Time

Appraisers are required by USPAP to report an opinion of reasonable 'Exposure Time' for the Subject property in each appraisal where exposure time is a component of the value definition (as it is with mortgage-related market value assignments).

- Reporting Requirements: 'Exposure Time' should be clearly be reported in commentary as follows:
- In the context of the amount of time required for a hypothetical sale of a specific type of property.
- As of the effective date of the appraisal, AND
- As of a particular value (or range of values).

Example comment; **A reasonable estimate of 'Exposure Time' for a property of similar value and with similar features to the subject would be in the range of 120-180 days.**

**\*Note:** Please Provide this information in the additional comments section or in an addendum. A generic comment or one referring to exposure time being the same as marketing time is not acceptable.

## **USPAP Requirement/Prior Services Statement: Standards Rule 2-3**

Appraisers are required by USPAP to report whether they did or did not perform any prior service within the 3 years preceding acceptance of the appraisal assignment. One of the following statements must be provided in an addendum to the certification:

**NO: I have not performed any services, as an appraiser or in any other capacity, on the subject property within the three-year period immediately preceding acceptance of this assignment.**

OR

**YES: I have performed the following services on the subject property within the three-year period immediately preceding acceptance of this assignment: (DESCRIBE THE SERVICE(S))**

## **Appraiser Independence Requirements**

- Please include an Appraiser Independence comment assuring the client that your role in the process to complete this assignment was carried out without undue influence from any party to the transaction.
- **EXAMPLE: I certify, as the Appraiser, that I have completed all aspects of the valuation, including reconciling my opinion of value, free of influence from the client, client's representatives, Borrower, or any other party to the transaction.**
- **NOTE: This replaces the reference to HVCC compliance which should no longer appear in the appraisal report.**

## **Appraiser Certification**

- The appraiser's current license number and expiration date must appear in all reports.
- A copy of Appraiser's license certificate **MUST** be attached to each report.

## **Prior to Submission**

- Please thoroughly review your appraisal **PRIOR** to submission. **Always** run spell checker and your software's Quality Control before sending the report to AAMS. This also includes after any subsequent revisions that may be requested.
- **Do not include an Invoice** with the final report. Please send the invoice separately.
- For your convenience, the appraisal criteria have been categorized by report section.
- If you do not agree with or understand any of the following criteria, please call AAMS at 520-512-1892 or 877-512-0340 prior to submitting the appraisal report.

## **Detailed and Specific Commentary/Required**

- When an assignment condition and/or client specific guideline cannot be met, the appraiser must provide specific commentary addressing why. **For examples of statements please visit the AAMS website.**
- Please avoid the use of non-specific, generic or boiler plate commentary.



# Report Requirement by Section 1004 & Other Forms where applicable

## Subject Section

**Multiple Assessors' Parcel Numbers: Stop and Notify AAMS.**

### **One Year Marketing History:**

If the subject property is listed for sale or has been listed in the past twelve months, the Client requires the following:

1. Data Source and MLS number(s)
2. Days on market for current and any previous listings falling in the previous year.

## Contract Section

### **Fully Executed Purchase Contract (must obtain copy)**

- For a purchase transaction, AAMS will make every effort to provide the appraiser with a copy of the signed purchase agreement and all addendums at the time the order is assigned or prior to the property inspection.
- If the appraiser obtains a fully executed copy of the purchase agreement from any source other than AAMS, the appraiser is required to report in the contract section who provided the contract and the number of pages provided.

### **Fully Executed Purchase Contract/Must Review and Analyze**

- After a comprehensive review of the contract, report the conclusions of the analysis in the contract section of the report. Details specific to the subject's contract must be reported. It is not acceptable to state the contract is standard and with typical terms.
- Appraiser must also specifically comment on any conditions of the contract that are non-standard and affect the value and/or marketability of the collateral, or that materially impact the arms-length characteristics of a transaction.

## Neighborhood Section

### **Housing Trends/Consistent with 1004 MC**

#### **Changing Market**

- In a **changing**(declining or increasing) market, the client requires the appraiser to address the causes, rate and data sources used to identify the market change. (1004MC) and page 1.
- When there is ANY inconsistency between the Housing Trends reported in the neighborhood section and the trends indicated on the 1004MC, the client requires commentary to explain the apparent inconsistency AND the data sources used in the analysis of each.

### **Present Land Use**

- Present land use must equal 100%. If 'other' land use is indicated, appraiser to state what the other land use includes.

## **Site Section**

### **Site Dimensions:**

- Site dimensions must be in the report, "see plat" is not acceptable. Subject plat map must be included in the report and subject site identified on it. If plat map is unavailable, a statement as to why it is unavailable must be included.

### **Well and Septic/Commentary Required**

- For private well and/or septic, the client requires that the appraiser report whether they are typical for the market area and if NOT, whether there is any impact on marketability and value. This is to be reported in the addendum section under site commentary.

### **Zoning**

- The client requires that the following guidelines be followed:
  - The report must include BOTH a zoning classification (i.e. R1, RM2, etc.) including municipality and a zoning description (i.e. Single Family Residence, Multi-Family Residence, Commercial, etc.). Minimum lot size is also requested if available.
- If there is no zoning classification available for the subject property, the data source of this zoning information must be provided.
- If the subjects use under the current zoning is indicated as legal non-conforming (grandfathered use), a comment must be provided addressing whether the home can be legally rebuilt to its current state if destroyed.

### **Off-Site Improvements/Private Street**

- If the subject is located on a private street, the client requires the appraiser to address the following:
  - Who maintains the street?
  - Does the maintenance appear to be adequate?
  - Are private streets like this typical for the market area?
  - Does the private street allow access to public services (i.e. Police, etc.)?
  - Please provide at least one closed sale that is also located on a similar private street and identify it as such.

\*Note: Please provide commentary to explain if any of the requirements cannot be met.

## **Adverse External Influences Commentary Required**

- The client has the following requirements when the subject site appears to be affected by ANY adverse external influences observed from EITHER the appraiser's inspection or aerial photography (i.e. Google maps, Airport Environs Overlay map, etc.):
  - Detailed commentary disclosing the apparent adverse external influences.
  - Explanation of its effect on the subject's marketability and value.
  - Provide comparables with the same influence to demonstrate marketability.
  - Demonstrate photos (examples may include: non-residential/commercial use, industrial park, pond, power lines, heavy traveled roadways, etc.

\*Note: Provide commentary to explain any of the requirements cannot be met.

## **Include Total Acreage and Improvements**

- All acreage AND improvements within the boundaries of the subject property, as defined by the parcel ID number must be disclosed and included in the valuation.
- Do not artificially subdivide a parent parcel to create a hypothetical subject property (i.e. do not include only 5 acres of a 40 acre parcel).

## **FEMA Special Flood Hazard Area / Yes Selected**

Whenever the subject property is reported to be in a FEMA Special Flood Hazard Area, the Appraiser is required to provide:

- Commentary addressing the impact the Subject's Flood Zone location on its marketability and value and whether any of the closed sales used in the report are located in or influenced by the same flood zone.
- At least one closed or pending sale that is located in the same flood zone or a specific comment addressing why such a comparable is not available.

## **Improvements Section**

### **Stop and Notify AAMS/SFR with Accessory Unit/Legally ZONED Multi-Family/MUST be Completed on 1025/Small Res Income Form**

- When, during or after your research and property inspection, and BEFORE SUBMITTING YOUR REPORT, you discover that a SFR with an accessory unit is legally zoned for multi-family use. AND the accessory unit can be legally rented to a non-family member, stop and notify AAMS for further clarification.
- The Client requires this appraisal be completed on the 1025/ Small Res Income form. We will place the order on HOLD while AAMS contacts the Client to place a new order for the correct product.

### **Property Type/Legal Single Family with Accessory Unit Zoning and Utilities**

When appraising a single family residence with an accessory unit, the client requires the following information:

Appraiser comments should answer the following;

- Is the accessory unit currently rented?
- Does the accessory unit have separate utilities?
- Are accessory units common and typical in this market?
- Does the accessory unit comply with local zoning requirements? Appraiser to identify Zoning District and uses allowed under the zoning commenting on if an accessory unit can be legally rented to a non-family member.
- Does the accessory unit have a separate mailing address?

### **Property Type/Legal/Single Family with Accessory Unit Zoning Allows 2-4 Units/Guidelines**

When appraising a single family residence with an accessory unit, the client requires that specific guidelines be followed:

#### **Legal Accessory Unit / Guidelines:**

- SFR with **legal** accessory unit report must NOT include the unit in the subject's GLA and MUST reflect it as an individual line item in the SCA grid, even if adjustments for contributory value will be similar.

#### **Illegal Accessory Unit /Guidelines**

- Typically, when appraising a single family residence with an accessory unit, if research reveals the accessory to be **ILLEGAL**, the client requires the following:
- Do NOT include the accessory square footage in the GLA.
- Do NOT give the accessory unit any contributory value in the SCA. **EXCEPTION:** If the accessory unit **DOES** contribute value AND if it **IS** customary in your market to give such illegal accessory units value. Comparable of similar type property required.
- Clearly, logically disclose the results of your research.
- Adjust the SCA grid for the accessory unit (in a separate line item), giving it a market-based value.
- If you have ANY questions about how to proceed, stop and contact AAMS and we will address the issue with the client.

#### **C5/C6 Below Average Condition/'Subject To'**

- When the subject is in C5 or C6 condition (not habitable), the client requires the report be made 'subject to' the required repairs/inspections necessary to bring the subject up to C4 (average) condition AND the following must be provided:
  - An itemized cost to cure estimate for the repair items.
  - Demonstrative photos of observations which indicate needed repairs/inspections.
  - Comparables sales that reflect the 'as-improved' condition of the property.
  - A subject overall condition rating which reflects the 'as-improved' condition of the property at C4 condition level.

# Sales Comparison Approach Section

## **Comparable Data and Verification Sources:**

FNMA Announcement SEL-2010-09 requires: At least one Data Source and one Verification source for EACH comparable sale:

- Approved Data & Verification sources include any combination of the following, but are not limited to: MLS provider and number, Assessor and recording information, Tax Records, Deed Records, HUD-1, other Appraisers, Appraiser Files, closing documents, and other parties to the comparable transaction (real estate agents, buyer or seller).
- **Unacceptable responses/sources:** Public/County Records and Exterior Inspection are considered to be too general and are **NOT** acceptable. The specific type of public record must be indicated.

## Comparable Sale Selection

### **Comparable Selection/Leasehold**

- If the subject property rights appraised are Leasehold, the client requires at least two similar Leasehold comparable sales.

### **Comparable Selection/Condominiums/New Construction and Conversion/Builder Control**

- New Condo construction and conversion projects still under the developer's control may include only one builder/developer sale. (Resales in the subject project are allowed in addition to the one Builder/Developer sale.)
- All other Builder/Developer comparable sales must be taken from competing projects.
- All builder/developer sales must be verified by an independent source (i.e. MLS, HUD-1 Settlement, etc.).
- Condominium appraisals may include all closed sales from the subjects project, if:
  - The project is no longer under builder/developer control AND
  - The sales did not involve the builder/developer.

### **Comparable Selection/New Construction**

- For new and proposed construction, the client requires the following:
  - At least one closed sale from the subject's development.
  - At least one comparable sale from a competing development, outside the influence of the subject builder/developer.
  - Any additional comparable sales can be builder sales or re-sales from the subject's development or nearby competing developments (whichever the appraiser deems most similar and/or appropriate).
  - All builder sales must be verified by an independent source (MLS, public records, or HUD-1 Settlement Statement). ...CONTINUED...

It is expected that the Appraiser will visit the subject Builder and any relevant competing Builders to obtain the most recent closings.

\*Note: While we understand that it may be difficult in some markets, the appraiser is expected to adhere to this assignment condition whenever possible.

### **Comparable Selection/Modular Homes**

Modular houses must be identified as such in the Improvements Comment section of the report.

- Factory-built housing not built on a permanent chassis—such as modular, prefabricated, panelized, or sectional housing—is not considered manufactured housing and is eligible under the guidelines stated for one-unit properties. Other factory-built housing must assume the characteristics of site-built housing, must be legally classified as real property, and must conform to all local building codes in the jurisdiction in which they are permanently located. The purchase, conveyance, and financing (or refinancing) of other factory-built housing must be evidenced by a valid and enforceable first lien mortgage or deed of trust that is recorded in the land records, and must represent a single real estate transaction under applicable state law.
- FHA: Modular construction is also a factory-built home, but is treated the same as stick-built housing. FNMA guidelines stated below are helpful in providing sufficient information about the home and modular home market. FHA requires at least one modular comparable sale that supports the opinion of value, or detailed and specific commentary must be included regarding the lack of such comparables sale(s), even after extending your data search in terms of time of sale, distance, or similarity of marketable features.
- FNMA: Fannie Mae purchases mortgages secured by factory-built housing that:
  - is designed as a one-family dwelling, The appraisal must address both the marketability and comparability of modular homes.
  - assumes the characteristics of site-built housing, Each such home must have sufficient square footage and room dimensions to be acceptable to typical purchasers in the subject market area.
  - is legally classified as real property,
  - is permanently affixed to a foundation system that is appropriate for the soil conditions of the site, and
  - is designed to meet local and state codes.
- The process of selecting comparable sales for factory-built housing is generally the same as that for selecting comparable sales for site-built housing. When the subject property is modular, prefabricated, panelized, or sectional housing.

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- Fannie Mae does not require that one or more of the comparable sales be the same type of factory-built housing, although using comparable sales of similar types of homes generally enhances the reliability of the appraiser's opinion of value.

#### **Date of Sale/Time Adjustments**

- Date of Sale/Time adjustments MUST reflect the difference in market conditions between the effective date of the appraisal and the contract date of each Comp, NOT the date of sale.
- For example, if a contract was signed on a comparable on 1/1/2013 and closed on 3/15/2013, the time adjustment should be based on the contract date (active contingent or pending status) and not the closed date.
- BOTH the closed date and the contract date for each Comp must be indicated on the grid. (UAD required)

#### **Site Adjustments/Commentary**

Whenever a site adjustment is made Provide:

- A descriptive explanation supporting the adjustment.
- If site adjustments are made by a price per acre' or 'square feet'. The client requires that the appraiser explain how the adjustment was derived, particularly if it does not appear to be supported by the Opinion of Site Value in the Cost Approach (i.e., is the adjustment based on a per square foot difference? Is it based on a paired sales analysis? Is it to compensate for contributory value?)
- Whenever a site adjustment is NOT given and there is at least a 10% difference in site size between the subject and comparables, the client requires the appraiser to explain why an adjustment was NOT warranted.

#### **View Adjustments/Commentary**

Whenever a view adjustment is made provide a descriptive explanation supporting the adjustment.

#### **Comparable Selection Design Style&Required Terminology**

- The client requires the appraiser to state the architectural Design/Style of the subject and comparables.
- The client's interest is in whether the subject is a ranch, bi-level, two-story, bungalow, etc.
- Design descriptions such as traditional, conventional, average, etc. are not acceptable to this client.
- The client requires the appraiser to provide at least one closed sale that has the same (or similar) design style as the subject, even if it is necessary to extend the search parameters (in time or distance).If absolutely no such closed sale is available, even after extending standard search parameters, specific commentary MUST be provided describing the research efforts and search parameters.

**CONTINUED...**

\*Note: While we understand that it may be difficult in some markets, the appraiser is expected to adhere to this requirement whenever possible.

**Comparable Selection/Actual Age**

Whenever an adjustment for differences in age is made provide a descriptive explanation supporting the adjustment. If no adjustment is made for differences from the subject over 10 years please provide an explanation as to why an adjustment is not warranted.

**Comparable Selection/Condition**

Whenever a comparable with a C5 or C6 condition rating is utilized please provide an explanation of why the comparable warrants this condition rating.

**Comparable Selection/Bedroom Count**

- When the subject has 1 or 2 bedrooms, the client requires at least one closed comp with the same bedroom count to demonstrate market acceptance.
- If this is not possible, please provide specific commentary to explain the lack of comparable sales.
- In addition, please explain how market acceptance was determined when no similar closed sales were available.

**Unique Areas/Amenities**

Unique features such as accessory units, in-law suites, indoor pools, indoor sport courts, etc. should not be included in the GLA of the main dwelling.

- These unique areas should be adjusted as separate line items on the SCA grid.

**Stop and Notify AAMS /Comparable Selection /Similar Features**

- Stop and Notify AAMS whenever, after your research and property inspection, you have NO sales that have closed within the past 6 months AND are similar to the subject in the following features: Location, Site (size), Actual Age, Condition and GLA.

**Comparable Selection/Bracketing/ALL Line Items Affecting Value**

- The client requires that all value-contributing line items be bracketed by at least one closed sale, even if it is necessary to exceed typical distance or date of sale guidelines.

**Comparable Selection/Subject Has Design/Feature/Amenity NOT Shared by Any Sales**

- When the subject property has a design/feature/amenity that is NOT shared by any of the comparable sales, whether or not an adjustment is given, this represents an across-the-board adjustment, which requires an additional sale or detailed commentary to support the 'adjustment'. In this circumstance the appraiser should:
  - Extend the typical search parameters (time and distance) to provide at least one sale sharing the same features as the subject.
  - When there have been NO homes with similar (often unique) design/features (i.e. Log home, indoor pool, sports court, etc.) sold in several years or within any competing neighborhood, the appraiser must provide:
    - Evidence of the subject's marketability (homes of similar design and construction quality do exist in the market) AND ...CONTINUED...



-Data to support corresponding adjustments (or lack of) to sales not sharing the feature/amenity.

-When MLS data does not provide the required marketability evidence, the appraiser may need to search assessor records or other sources.

-Please include the following (or similar) statement: “My research indicates (x) number of homes within (x) miles of the subject which share the same (Design OR Feature OR Amenity)”.

**Comparable Selection/PUD Comparison Additional Requirements:**

- When the Subject HOA dues exceed \$50 per month, the Client requires the Appraiser to provide a comparison of the Subject development’s common elements with those of competing PUD developments (not limited to PUDs used in the Sales Comparison).

When it is necessary to use non-PUD sales, please also include:

- An analysis to support the inclusion of non-PUD Comps
- An analysis of the impact that the subject PUD deed restrictions have on its marketability & value, compared with the non-PUD Comps.

**Basement**

**Below Grade Finished Areas/Basements (For 1004 Form)**

- The client requires that all living areas in lower levels with at least one wall predominantly below grade (i.e. basement, walk-out basement) or which have a basement-type access, such as a ‘raised ranch’, be separated out and adjusted as basement and finished rooms below grade on the SCA grid.
- If the basement finish is comparable to the above grade finish, the appraiser may adjust that below grade area similar to the adjustment given for the above grade GLA, if appropriate. In which case, additional commentary must be provided by appraiser.
- The client’s ‘basement’ concern relates more to how below grade living area is categorized, rather than the specific valuation of the living area, which is for the appraiser to determine.

\*Note: If you have any questions concerning how to categorize the subject’s below grade finished area, please contact AAMS for clarification.

**Below Grade Finished Areas/Partially Below Grade/Split Level Homes**

- Finished living area that is PARTIALLY below grade may be included in the above grade living area ONLY for split-level homes (bi-level, tri-level, etc.) and other unique split foyer designs when:
- Local market and/or Assessor report the size as total living area.
- The below grade area has a quality of finish similar to the above grade living area AND
- The appraiser can provide AT LEAST two similar, proximate comps, which closed within the past six months.

\*Note: If at least two recently closed sales of similar split-level design are not available or you have any other questions, please notify AAMS and we will contact the client for further direction.

### **Updates/Adjustments Must Be Itemized**

- When adjustments are made for updates to the subject or comparables, the client requires a description of the updates to support the adjustments. Simply stating superior or inferior is not sufficient.

## **Sales Comparison Approach Summary**

### **Summarize Search for Comparable Sales:**

- Appraiser to provide explanation of steps taken and criteria considered to produce credible results.

### **Adjustments/Over 10% of Actual Sales Price of Closed Sales**

- Whenever a line item/feature is given an adjustment that is greater than 10% of the actual sales price of the closed sale, the client requires that the report include at least one supporting closed sale with a similar feature OR an explanation of how the adjustment was determined.
- (i.e. SCA adjustment (s) over 10% need to be supported or specifically explained.)

### **Adjustments/Over 15% Net/25% Gross of Actual Sales Price**

- Whenever net and/or gross adjustment exceed appraisal adjustment guidelines, comment is required why this was necessary and, why the sale or listing is considered to still be a credible indicator of value for the subject.

### **Use of Sale over 6 Months and/or not within 90 days**

- Whenever the closing date of a comparable is greater than 6 months, comment is required why this was necessary and, why the sale or listing is considered to still be a credible indicator of value for the subject.
- If in a changing market and two or more sales from the last 90 days cannot be provided commentary is required why this was not possible.

## **Cost Approach Section**

### **Site Value Ratio/30%**

- When the Opinion of Site Value exceeds 30% of the indicated Value by Cost Approach, the client requires commentary to address the impact on marketability and whether such a ratio is typical for the subject's market.

### **Remaining Economic Life**

- Should not be below the loan term (typically 30 Years)

## Reconciliation

Client requires the Appraiser to provide a brief, but specific, explanation of the reconciliation of Sales Comparison Approach to Value. This includes commentary within every appraisal report explaining how the comparable sales were weighted and the logic/analysis used in making those weighting decisions.

## Special Circumstances

### Special Circumstances:

#### Swimming Pools:

Swimming Pools are required to be filled with water and in working order, or filled with earth and properly abandoned according to local abandonment code. FHA also requires this except for when the home is a HUD home, and then FHA does not require the pool to be put into working condition.

#### Non permitted Additions:

- A “non-permitted” addition occurs when there is a failure to obtain a local/ municipal entity building permit. Non-permitted additions include, but are not limited to: An accessory unit, Garage conversion, or any other addition.
- **Can be included in the GLA if:**
- The appraiser explains the steps taken to attempt verification and they meet the following criteria:
- They were constructed in a workman like manner. Please include the words “**workman like manner**” in your commentary.
- The addition does not increase the ‘footprint’ of the original structure. If the footprint has been expanded and the appraiser is unable to verify permits, the appraisal should be completed subject to verification of permits.
- Non-permitted additions are typical for the market area.
- The appraiser is able to demonstrate market acceptance by the use of comparable sales with similar non-permitted additions. **The Appraiser should also identify the comparables with similar non-permitted additions.**

**CONTINUED...**

- **Cannot be included:**
- Non-permitted additions that are not allowed per zoning or are not typical for the market area are not to be included in the GLA, basement or other living area. The report can be made "as-is" as long as the appraiser describes the functional obsolescence for the cost of removal and returning the structure to its original state. The appraiser must comment on the:
  - Nature of addition
  - Conformity to the subject property
  - Any effect on value, marketability and zoning.

## Building Sketch Section

### **Building Sketch**

- The client requires that ALL interior appraisals include a building sketch, indicating exterior building dimensions (Condos require interior dimensions) and room locations/labels. This includes any basement area(s). Please be sure to use a font size for both the dimensions and labels so it is not so small that it is difficult to read.
- Calculations of all areas must be included.
- Builder's model sketch can be included; however, appraiser must provide their own sketch (with dimensions).
- The appraiser should comment regarding any significant differences (greater than 10%) between their own measurements and any published by local assessment/taxing authority.
- All covered porches are to be sketched and for FHA all significant open patio areas are to be sketched. FHA also requires the areas to be identified as covered or uncovered.

**NOTE: COMPLEX FLOOR PLAN:** When it is not possible to produce a credible sketch of a home due to the complexity of the floor plan or physically not being able to reach all sides of a home due to site configuration (example: cliffs) suggestions to the Appraiser are as follows: Measure home from the interior, Obtain public records of sketch and enhance to reflect Appraiser's measurements and label of rooms, add a statement to the report indicating why it was not possible to provide an original sketch and calculations and disclose how the sketch provided was obtained and what source the conclusion of gross living area or building area was confirmed.

### **Outbuildings/Required**

- The client requires that ALL outbuildings contributing value to the subject property be included in the sketch (with Dimensions).
- (i.e. detached garages, pool house, barns, etc., that are given value in the SCA grid.)

# Subject & Comparable Photographs

## Photo Criteria/Quality Requirements

- The following photo criteria must be met for AAMS appraisal reports:
- ALL photos – granular, blurred, pixilated, or obstructed view photos will NOT be accepted.
- In addition, all photos must exclude persons (including the Appraiser’s reflection), animals or photographs of persons.
- Client requirements are for the front, rear and street to be on one page. **Additional detail photos should be limited to 6 photos per page.**

## Subject Exterior Photos:

- Street scene photo must include a portion of the site. (Including a recognizable portion of the site/dwelling is recommended for clear identification.)
- Exterior photos must show all sides of the dwelling unit.
- Angle shots showing more than one side are acceptable.
- Appraiser must provide additional photos of any amenity (i.e. view, pond, lake, storage building, accessory unit, etc.) that affects value.

## Subject Interior Photos:

- Interior photos MUST, at a minimum, include the kitchen, ALL baths, and main living area.
- If the subject is a multi-family, interior photos of all units are required. Please label them accordingly so that the reader can identify the photos for each unit. If the subject is a single family home with an accessory unit, interior and exterior photos of the accessory unit are required.
- Additionally, photos of any updating that contributes to value, and photos of any physical, functional, or external obsolescence that detracts from value, must be provided.

## Proposed Construction:

- If the subject property is new construction and the improvements have not been started, the appraiser must take photographs that show various views of the subject site.

**CONTINUED...**

**Manufactured Homes:**

Appraiser to provide a CLOSE UP photo of:

- Manufacture's Data Plat/Compliance Certificate (usually an 8.5''x11' sticker located in the interior (laundry room, under the kitchen sink or in the master bedroom closet) of the home.
- HUD Certification Labels (aka HUD Seal or Tags is a 2'' x 4'' aluminum plate) attached to the exterior of each section of the home.
- Crawl Space

**Required Labeling of Photos:**

Label each photo with its specific use (i.e. kitchen, main living area, bath, etc.) No generic terms are allowed. (Example: Interior)

**NOTE:** Any additional photos are always appreciated by the Client and underwriter.

**COMPARABLE PHOTO REQUIREMENTS:**

- Original photos taken by the Appraiser are required for all comparables. The preprinted scope of work in the Appraisal forms states in item number (3): "inspect each of the comparable sales from at least the street." MLS photos are allowed to supplement original photos but must be identified as such and a comment provided why it was necessary to use the MLS photos.

**FHA Photo Requirements**

- FHA requires the appraiser to provide an 'original' photo of each comparable to verify that you have inspected the comparables from the street. We realize that there is some ambiguity in this requirement and we request that the following guidelines be followed.
- Please provide an 'original photo of each comparable (sales, actives and pendings).
- If the photo provided is original, but out of season (taken during a previous assignment), we will accept the photo, but it must be accompanied by a statement verifying that you PERSONALLY took the photo.
- MLS photos are not sufficient for FHA reports, unless you would have to trespass on private property to take the photo. In these instances provide a photo from the street as well as the MLS photo.
- For example, if a comparable (sale, active or pending) is located in a gated community, the appraiser MUST provide an original photo of the gated area and also provide an additional MLS photo for the exterior description.

## Map

**Location Map**

- The client requires a location map that clearly displays the subject and all comparable sales utilized in the Sales Comparison Approach.
- Address indicators on map should not block each other or specific property locations.
- Plats, surveys, satellite photos, and flood zone maps are always appreciated.

## 1004 MC Addendum

### 1004MC-Incomplete Data

- The client requires that the shaded fields of the 1004MC grid be completed if the data is readily available to the appraiser through local MLS.
- If MLS data for the shaded fields was not available, the appraiser must explain its lack of availability, in the 1004MC commentary, or if zero results from the search.
- In addition, do not expand search parameters to include data other than comparable sales to the subject area.

### 1004MC-Condo

- Completion of the bottom condominium section of the 1004MC is required whenever the subject property is a condominium.

## FHA Requirements

### Health and Safety Issues/'Subject To' Report Required

- All FHA appraisals on properties exhibiting any of the following 'Health and Safety' issues, must be made 'subject to' repair correction of the deficiency OR 'subject to' professional inspection (where appropriate):
- Defective paint surfaces on properties built prior to 1978 (possible lead paint).
- Defective paint surfaces on properties built AFTER 1978, which is exposing the untreated wood surface.
- Security bars on windows without INTERIOR safety release latches or another outside access from bedroom.
- Evidence of termite activity or damage
- Any other conditions deficiencies that affect safety, security and/or structural soundness. A good reference for the Appraiser is Mortgagee Letter 2005-ML-48.

### FHA Protocol Items:

- The following statements are required in all FHA Appraisals:

### Minimum Property Requirements Statement:

- AS IS Appraisal: " The subject meets all FHA/HUD minimum property requirements as outlined by Handbooks 4150.2 and 4905.1, and all applicable Mortgagee Letters and frequently asked questions. "
- SUBJECT TO Appraisal: "Upon completion of repairs the subject will meet all FHA/HUD minimum property requirements as outlined by Handbooks 4150.2 and 4905.1, and all applicable Mortgagee Letters and frequently asked questions. "

\*Note: for new construction the property must meet **minimum property standards**.

**Attic Inspection:**

- A head and shoulder inspection of the **attic** is required by FHA/HUD. A photo is preferred to be included from this inspection in addition to the following statement, but at a minimum the following statement is required. **“A head and shoulder inspection of the attic has been conducted by this Appraiser.”** Please note FHA requires that the words head and shoulder be included in the statement.

**Intended Use and User:**

- FHA/HUD must be included as an additional intended user. The intended use for all appraisals prepared for FHA must include a statement indicating the use is to support the underwriting requirements for an FHA-insured mortgage.

**Utilities: Per Appendix D of handbook 4150.2 the status of the utilities must be reported in the “Improvements: section under “condition of the property”.**

- The appraisal must report whether the utilities were on or off at the time of the appraisal. If off, condition the appraisal on a satisfactory re-inspection that the utility that was off at the time of the appraisal does not require alteration, repair or further inspection.

**Condominium Estimated Remaining Economic Life:**

- Ist to be entered in the Reconciliation section of the form 1073 as a statement similar to that contained in the cost approach section of the other three FHA approved forms, i.e. **“Estimated Remaining Economic Life \_\_\_\_\_ Years.”**

**FHA Case Number:**

- FHA case numbers must be on all pages and addenda within the report. Every page of the file uploaded must have the FHA Case number provided and address.

NOTE: At this time FHA realizes not all Appraisal software allows placement of the case number on every page. If the Appraiser’s software is capable the case number is required.

ADDRESS: FHA/HUD DOES require that the subject property address be on all pages.

**NOTE: ADDITIONAL FHA PROTOCOL INFORMATION AND QUESTIONS CAN BE FOUND:**By Calling FHA Connection Hot line: 1-800- CALL FHA (1-800-225-5342)

- On line at FHA Keywords:  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/keywords](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/keywords)
- Mortgagee Letters:  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administration/hudclips/letters/mortgagee](http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/letters/mortgagee)



### **Well and/or Septic/Availability of Access to Public Utility(s)**

- Whenever the subject has a private well and/or a private septic system, the appraiser must report whether public water and/or sanitary sewer utility(s) are available to the subject site and if connection to it is feasible.

\*Note: If this information cannot be obtained, please disclose the lack of availability of the information and outline the attempts made to obtain the information within your commentary.

### **Reconciliation Comments/New Construction:**

- FHA has the following guidelines for New Construction:
- **LESS than 90%:**If the subject is LESS than 90% complete at the time of the inspection, the report MUST be made 'subject to completion per plans/specs'.
- **MORE than 90%:**If the subject is MORE than 90% complete at the time of the inspection, the report MUST be made 'subject to the following repairs or alterations' and the appraiser must provide an itemized list (with representative photos) of the incomplete items.
- **LESS THAN 12 MONTHS OLD:**If the subject is LESS than 12 months old, the appraiser is REQUIRED to indicate the month and year completed wherever the 'Year Built' is reported within your appraisal. The month and year built for any comparable less than 1 year old is also required.

### **Manufactured Homes/Required Commentary**

- FHA will not finance manufactured homes that have been moved from the original foundation.**Please provide a statement indicating the home has not been moved from its original foundation.**
- Foundation and Skirting: Appraiser to make report subject to engineers certification of homes foundation and skirting if it cannot be determined if it is in compliance with minimum property requirements.
- A statement that a **head and shoulders** inspection of the crawl space was conducted is required. While a photograph is not required it is appreciated.

## **FHA 203K Requirements**

### **FHA/203K/Appraiser Credentials**

- 203K is an FHA program that requires an FHA appraisal performed by an FHA approved appraiser.
- The appraiser must have experience with 203K appraisals as documented by 203K work samples.

### **FHA 203K/Stop and Notify AAMS**

- Stop and notify AAMS whenever:
- The appraiser is the same person as the 203K consultant. (FHA prohibits this.)
- The appraiser identifies Health and Safety repair issues that were not noted in the work write-up.

### **FHA 203K/Standard Appraisal**

- Standard 203K loans will ALWAYS involve an FHA Consultant and have a work write-up.
- Reports MUST be developed ‘subject to COMPLETION per plans and specs...’ which are provided by the FHA Consultant.
- Reports MUST also provide an ‘as is’ value supported by comparable sales.
- A comment MUST be included in the Reconciliation section stating that the appraisal is for a 203K loan and that the report has been developed ‘subject to completion per plans and specs...’
- The dollar amount of repairs MUST match the Consultants estimated repair costs in the ‘plan review/work write-up’ and must be AT LEAST \$5,000.
- The client wants ONLY the cost estimate of repairs and No ‘soft costs’ (i.e. reserves, escrows, consultant fees, etc.)

All pages of the Consultant’s ‘plan review/work write-up’ including the Consultant’s name and the date of the work write-up, MUST be attached to the appraisal report.

All reports MUST contain BOTH an ‘as-improved’ (‘subject to’) value AND as ‘as-is’ value.

- ‘As-improved’ value: the report should be developed ‘as-improved and this value indicated in the reconciliation section as the conclusion of market value on page 2 of the 1004 form.
- ‘As-is’ value: An ‘as-is’ value MUST also be provided along with supported closed comparables.

# USDA Requirements

## USDA/Guaranteed Rural Development/Special Requirements

- **Specific USDA protocol should be attached to your appraisal order and if not please notify AAMS.**
- USDA requirements are listed below: Must be completed on the 1004 or 1073 form and include the following:
  - A statement, in the report, documenting the FHA roster status of the appraiser.
  - USDA must be included in the report as an Intended User (i.e. lender/client/USDA).
  - The Standard comment indicating that the subject property complies with the minimum FHA requirements per Handbooks 4150.2 and 4905.1 and all applicable Mortgage Letters and Frequently Asked Questions.
  - If the subject property is in need of repairs or completion then the statement must say “Upon completion of repairs (or construction) the subject will comply with minimum FHA requirements...”
  - A completed copy of the Existing Dwelling Certification (available in your software forms library).
  - When the subject property has a swimming pool USDA requires the Appraiser to provide the contributory value of the pool in a separate comment within the appraisal report. See the USDA outline for the treatment of in-ground swimming pools below.

## In Ground Swimming Pools

Approval to purchase dwellings which include an in-ground swimming pool is allowed as long as any contributory value of the swimming pool is not financed in the loan amount. For this reason:

- Typically, a swimming pool has value and adjustments are made for comparable sales that do not have swimming pools. It is possible that a swimming pool does not have a contributory value.
- Appraiser to value home with the in-ground pool (if the pool would be recognized in the market place). Then provide a comment indicating the amount the in-ground pool contributes to value.
- An appraiser must not indicate that a swimming pool has no value simply because “this is a Rural Development guaranteed loan.” Under USPAP, the appraiser should address the swimming pool under local market conditions.
- Above ground swimming pools, hot tubs, saunas, etc. will not affect the eligibility of the property. Rural Development considers these personal property items.
- Stop and Notify AAMS for further direction if an appraisal does not meet the minimum standards.

## Manufactured Homes

Manufactured Home appraisals must be completed on the 1004C form. Please also include the following regardless of if the loan type is Conventional or FHA:

### **CLOSE UP AND CLEAR PHOTOS OF:**

- **HUD Certification Labels** (aka HUD Seal or Tags is a 2” x 4” aluminum plate) it is typically located on exterior of each section of the home and 1 foot up from the floor and one foot in from the road side. )**AND**
- **Manufacture’s Data Plate/Compliance Certificate**(usually located in the interior of the home and is typically the size of an 8.5’x11’ sheet of paper)
- **Crawl Space:** Inspection of the crawl space is required and the statement a “Head and shoulders inspection of the crawl space was made by this appraiser” should be made. If the crawl space could not be inspected commentary as to why it was possible is required.

**Stop and Notify AAMS:** If the manufactured home is missing the HUD Certification Label and/or Manufacture’s Data Plate/Compliance Certificate.

**RELOCATION STATEMENT:** Appraiser to provide a statement indicating if the home has or has not been moved from its ORIGINAL foundation.

### **SALES COMPARISON APPROACH:**

**Comparable Sales of:** At least two closed sales of manufactured homes.

**COST APPROACH:** Client requires the Cost Approach to be completed in all cases.

## Condominium 1073 Form

### **Required Form: 1073**

- Appraiser to determine if subject property is legally a Condominium. If the Appraiser cannot confirm or if the subject is actually a townhome/PUD please STOP and NOTIFY AAMS Immediately.
- The condo project information at the bottom of page 1 and top of page 2 of the 1073 condo form must be filled out.
- Remaining Economic Life: FHA requires Appraiser to provide the remaining Economic Life of the condominium the reconciliation section of the 1073 form. Client requirements require this for Conventional Appraisals as well.  
**Example: The Estimated Remaining Economic Life is \_\_\_\_\_ years.**
- 1004MC Subject Project Condominium Section must be filled out in addition to the upper market data section of the 1004MC form.

## Conventional Site Condos

### **1073 or 1004 Forms are Acceptable/Additional Project Data is Required for 1004**

- The client will accept conventional Site Condo appraisals on EITHER the 1073 condo appraisal form or the 1004 URAR.
- However, when a Site Condo is completed on the 1004 URAR, the client requires the appraiser to provide additional condo project information.
- This information is available on the bottom of page 1 and top of page 2 of the 1073 condo form or can be provided on a Condo Project Addendum which is available from most appraisal software providers.

## Field Reviews

**Required Form:** FNMA Form 2000 / One-Unit Residential Appraisal Field Review Report (March 2005)

### **Required Inspection(s) and Attachments:**

The Field Review always requires a front exterior inspection of the Subject and ALL comparable sales, with the following required attachments:

- Current, original photos of the Subject's front and street scene
- Photos of ALL original Comparables and if applicable, Review alternative comparables.
- Location Map indicating the subject, the original Comparables and if applicable the alternative comparables used in the review.

**Exposure Time:** An opinion of exposure time is required in the field review unless exposure time is reported in the original appraisal AND the Reviewer concurs with the original opinion of value.

## Desk Review & Enhanced Desk Review

**Required Form:** FNMA Form LSI1DR 09/2008 or DE 2008 / One-Unit Residential Appraisal Desk Review Report

### **Enhanced Desk Review:**

The Reviewer is to utilize the same form as noted above for Desk Review but is required to include a minimum of two additional closed sales not utilized in the original appraisal report

## Final Inspection 1004D/Compliance Inspection Report CIR

**Conventional Final:** Form Required: 1004D

**FHA or USDA Final:** Form to be determined by the Lender and will be designated on the order.

**For any type of Final:**

- Per the directive of the Appraisal Standards Board, a Final Inspection is NOT considered an extension of the original assignment and thus requires a prior service disclosure in accordance with the Conduct Section of the USPAP Ethics Rule. Please disclose within the report that the Appraiser has performed a prior service on the Subject Property within the three-year period preceding the acceptance of this assignment. NOTE is it not necessary to contact AAMS prior to completing the final inspection assignment.
- Please provide photos of the front the home and specific repair items to document completion of the item(s) in question.
- Signatures Section / Dates Required:
  - Date of Signature and Report – The current date of the Appraiser’s signature
  - Date of Inspection – The date of the Completion inspection.

**FHA/USDA: Additional Requirements:**

- **FHA Case number** must be on all pages of the report.
- **Intended User:** A statement should be included within the body of the report indicating that the Intended User of the report is “the Lender/Client & HUD (or HUD/FHA) within all FHA Reports.
- **Meets Minimum Property Requirements (Standards) Statement:** If applicable, please include the following comment within the report, “The subject meets all FHA/HUD minimum property requirements as outlined by Handbooks 4150.2 and 4905.1, all applicable Mortgagee Letters and Frequently Asked Questions.”

## Summary Update (1004D)

Form Required: 1004D

**Summary Appraisal Update:**

- Date of Signature and Report: The current date of Appraiser’s Signature
- Effective Date of Appraisal Update: The date of the Update Inspection
- Photo Requirements: Provide a new front and street scene photo of the subject property.
  
- **FHA Only:** Provide:
  - A completed 1004MC
  - FHA Case Number must be on all pages
  - Intended User: A statement should be included within the body of the report indicating that the Intended User of the report is “the Lender/Client & HUD (or HUD/FHA) within all FHA Reports.

# Federal Disaster Declaration Area

## **Conventional/1004D Update/Federal Disaster Declaration Area**

- When a 1004D/ Update is ordered for a Conventional financed property located in a Federal Disaster Declaration Area, contact AAMS for further instructions.

\*Note: If the subject is located in the FEMA declared Disaster Area, the AAMS website will include the following statement in the Appraisal Order Details section: “This property is located in a FEMA Disaster Area.”

## **FHA/Federal Disaster Declaration Area**

When a 1004D Disaster report is ordered for an FHA financed property located in a Federal Disaster Declaration Area, the Client requires an Interior AND Exterior Inspection and the following:

### 1. DAMAGES:

- **NO DAMAGE:** If the Subject property/neighborhood DID NOT sustain damage, the following commentary and photo(s) MUST be provided:

Having inspected the interior and exterior of the Subject property, I certify to the best of my knowledge that the Subject property sustained NO significant damage due to the recent disaster, including damage from either flood or wind. The Subject property appears to be in acceptable condition

- **DAMAGE:** If the Subject property/neighborhood DID sustain damage, the following commentary and photo(s) MUST be provided:

Having inspected the interior and exterior of the Subject property, I DID observe the following damage that appears to have resulted from the recent disaster (including damage from flood or wind): Description of Observed Damage: Then Appraiser to provide an itemized list of damages with repair estimates and state if the damages are structural or complex. The Appraiser should recommend a third party inspection by a qualified professional.

### 2. REQUIREMENTS FOR ALL DISASTER REPORTS: The following commentary and photo(s) are required in either circumstances:

- **Commentary:** Having personally inspected the Subject neighborhood from the street, following the recent disaster, the neighborhood appears to be in the following condition: Provide Description of the Neighborhood.
- **Photos:** Interior and Exterior photos of the subject property verifying the above statement.

## State Specific Requirements

### Corrosive Imported Drywall (Chinese Drywall)

- For all homes in Florida, Louisiana and Virginia, and for any home in an area where corrosive imported (Chinese) drywall is known to be an environmental issue, constructed or with remodeling from 2005-present, appraiser should comment whether she/he readily observes any of the following:
  - Corrosion on mental fixtures, wires or plumbing
  - Sulfur odor in home
  - Drywall with Made In China or Knauf markings
  - Observations of corrosions or drywall markings must be documented with photos.

### Arizona

- **Appraisal Management Company Number:40037** must be disclosed in the report
- **Disclosure of Fees Arizona State House Bill 2778:** requires the Appraiser to disclose as part of the Scope of work the fee paid to them by the Appraisal Management Company.
- **Military Airport Proximity Disclosure:** If the subject property is located within the boundaries of a military airport disclosure zone this must be disclosed within the report and commentary provided as to the effect on marketability of the subject. In addition comparables should be provided and identified that fall under the same Military Airport Zone.

### California

- Appraisal Management Company Number: #3000321 must be disclosed in the report

### Carbon Monoxide Detectors/'As-Is' Report Requested

- California now requires property owners of certain 1 to 4 unit residential properties to install working carbon monoxide detectors, per state statute. Although there is no language requiring an appraiser or lender to verify and/or enforce this requirement, some appraisers may feel obligated to note any lack of compliance within their report.
  - Unless overruled by client specific guidelines, when the appraiser believes that they must document non-compliance within this statute, it is AAMS preference that the report be made 'as-is'. This will allow the client to determine whether or not the report should be conditioned on the addition of detectors.
  - If the appraiser believes that the report MIST be made 'subject to' the addition of carbon monoxide detectors, please explain in commentary.

California continued...



## **Zoning/Compliance/Car Storage**

- When the subject property's care storage appears to be atypical for the market area because it has been removed or altered (potentially affecting zoning compliance), AAMS requires that the appraiser contact local zoning authorities to verify the legality of the car storage and provide the following in the report.
  - A statement confirming the subject's zoning compliance for car storage.
  - The name and phone number of the contact at the Zoning Department.

\*Note: If not properly addressed within the appraisal report, this can create potential liability for the appraiser.

## **Illinois**

- **Disclosure of Appraisal Management Company as Client:** When the subject property is located in Illinois, a state law requires that the appraiser identify AAMS as the client.
- **Legal Descriptions:** If after due diligence, the complete legal is not available to the appraiser, please provide the following comment: The complete legal description was not available in the normal course of business.

## **Nevada**

- **Appraisal Management Company Number:** 40000363 must be disclosed in the report
- **Disclosure of Fees:** The Nevada Legislature passed A.B. 287, which was signed by Governor Gibbons on May 29, 2010. Effective April 20, 2010, Regulation 091-09 (codified as an amendment to Chapter 645C of Nevada Administrative Code) requires disclosure within the body of the appraisal report, as a dollar amount, the total compensation paid to the appraiser who performs the appraisal services and the total compensation retained by the Appraisal Management Company for its services associated with the management of the appraisal process.

## **New Mexico**

- New Mexico is a non-disclosure state. Please be sure to make a comment in the appraisal report to this effect.

## **Texas**

- Texas is a non-disclosure state. Please be sure to make a comment in the appraisal report to this effect.

## Revisions

- Requested revisions are due within 24 hours from notification.
- Please Summarize at the end of the Report Addendum what the revisions were and/or place the required commentary relating to the requested revisions at this same location in the report.
- Prior to submission of revised report always run your appraisal software quality control piece and always spell check.
- If the report is revised for any reason a new signature date must be applied.