



# Accurate Appraisal Management Services Product Standards 2019

**Effective June 22,2020**

Note to Vendor: This is the document in which AAMS quality control reviewers will use to evaluate the appraisal report in regards 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 (when 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 current versions published. Fannie Mae guidelines are available to the Appraiser at [www.AllRegs.com](http://www.AllRegs.com). **Click on current – FNMA Selling Guide/Property and Appraisal Guidelines/ Reviewing the Appraisal Report, most recent version. FHA- handbook 4000.1 03/27/2019 & Appraisal Report & Delivery guide (03/15/2016).**

The completed appraisal report submitted 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 table of contents provided. It is the intention of these standards to be in compliance with USPAP at a minimum. If you do not agree with or understand any of the following criteria, please call AAMS prior to submitting the report.

# Table of Contents

<b><u>Sections</u></b>	<b><u>Page</u></b>
Acceptance.....	3
Alert AAMS Immediately.....	5
Appraiser and Inspection.....	7
General requirements.....	9
Report Requirements by Section 1004 and Other Forms where Applicable	
- Subject.....	11
- Contract.....	12
- Neighborhood.....	13
- Site.....	14
- Improvements.....	16
- Comparable Sales.....	19
- Sales Comparison Approach Summary.....	26
- Cost/Income Approach and Reconciliation.....	27
- Special Circumstances.....	28
- Building Sketch.....	30
- Subject and Comparable Photo requirements and Maps.....	31
- 1004MC Addendum.....	33
FHA Requirements.....	34
FHA 203K Requirements.....	38
USDA Requirements.....	40
Manufactured Homes.....	41
Condominium 1073 Form.....	42
Field Reviews.....	43
Desk reviews.....	44
Final Inspections / Compliance Inspection reports (CIR).....	45
Summary Updates.....	46
Federal Disaster Declaration Area.....	47
State Specific requirements.....	48
Appraisal Revisions and Reconsideration.....	50

## Acceptance

### **Stop and Notify AAMS /Prior Services on Property**

- Per USPAP requirements, please notify AAMS immediately, **prior to acceptance of the appraisal assignment**, 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 Appraiser makes the disclosure, AAMS will notify the lender. 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 complete the assignment including USPAP disclosure of previous work.
- 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.

### **Upon Acceptance**

Agree to update AAMS order status system with the following milestones per agreed upon AAMS time frame guidelines (Per vendor service agreement).

- 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 which typically consist of Product type overlays and purchase contracts and addendums. There may be more than one attachment so please be sure to open and review them all.

### **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.
- FHA Attic/ Crawl Space/ Under Carriage /water heater. Confirm that the access points, for those areas that require inspection, are available, accessible, and have the ability to open-prior to inspecting.

## Acceptance cont.

### **Utilities: Verify Utilities on or off prior to inspection**

#### **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. If the utilities and/or mechanical system(s) are not on or not operating properly; make the report 'subject to' re-inspection. Make the hypothetical assumption that systems will be operative with no excess costs and that the systems are operative.

#### **CONVENTIONAL:**

- Confirm whether the utilities are on or off, and provide a comment in the report. The report should NOT be made 'subject to' solely for the reason the utilities are not on at the time of inspection.

AAMS suggests adding commentary about utilities in the condition section at the bottom of Page 1 or in the commentary section on Page 3.

## Alert AAMS Immediately

### **Subject Address**

- If the address on the order differs from the subject property's actual address or from UPSP.

### **Multiple Parcels/ Tax Codes**

- If the property consists of more than one tax parcel.

### **Owner**

- If the contract seller name differs from the owner of public records.

### **Contract**

- If the sales price differs from the information on the contract provided in the order.
- If the counter offer box is marked and no counter offer is supplied.
- Currently offered for sale on any refinance transaction.
- If assignment is for a purchase and there is not a signed purchase contract attached to the order.

### **Appraisal Form/ Product Type**

- 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.
- Single family Residence with Accessory Dwelling unit (SFR + ADU) in a zoning that allows multi-family development.

### **Zoning Issues**

- 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 residential 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.
- Residential use is NOT allowed for areas zoned commercial, industrial, or office.
- If current use is not highest and best use-splittable lot/2 parcels/

### **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:
  - Is a Manufactured home that was produced prior to June 15, 1976?
  - Is a single wide Manufactured home?
  - Is a Manufactured home within a condo project?
  - Is a Manufactured home within a flood zone other than 'X'?

## **Alert AAMS Immediately cont.**

### **Unique Property or Manufactured Home cont.**

- If the order is for FNMA or FHA Appraisal and the **Appraiser uncovers any evidence** that the Manufactured home has been moved from its ORIGINAL foundation.
- If the order is for FHA and has shared well, and there are more than 4 well shares. Remember to request a copy of the well agreement- **FHA requirement.**
- Built in Swimming pool and/or built in spa is empty (non-functioning) or covered.

### **Multi-Family or No Comparable**

- 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 may be required on those properties that 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 that the appraisal assignment requirements are set by the lender. .
  - 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.

### **Appraiser Independent Requirement:**

**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 per USPAP**

#### **Appraiser Competency Expands Certifications #11, 12 on the appraisal form**

To be eligible to complete an assignment, the Appraiser must meet the following areas of competency:

- Have access to the data necessary to deliver a credible appraisal.
- Appraiser must be competent according to USPAP Standard.
- Appraiser must recognize and agree to comply with all laws, regulations, and specific conditions.
- Appraiser must have geographical competency in the area of the assignment.

NOTE While USPAP allows an Appraiser to associate with another competent Appraiser; FHA & FNMA do not allow this association. An Appraiser must be competent before accepting an assignment.

## **Appraiser and Inspection**

### **AAMS Appraiser Standards of Professionalism**

#### **Following through the Appraisal process from order to delivery;**

##### **Order**

- Timely acceptance of the order as per vendor service agreement.

##### **Order Documents**

- As each order is unique, **Read all order instructions & attachments** on every assignment to ensure the proper expectations are reached for the order on the first submission of the report.

##### **Inspection**

- Set timely appointments with the Contact provided and make a courtesy call to agents to let them know when using a key box. Be courteous and accommodating when setting and conducting an inspection appointment. If you are going to be late or early, notify the contact. Never conduct unannounced inspections. Do not “Drop In” because you are in the area as it may be disruptive to the Consumer. Be courteous and positive. Greet the Consumer upon arrival and show proper identification (i.e. business card) during the introduction. Allow the Consumer to accompany you during the inspection if preferred by the Consumer.

##### **Dress Code**

- Appraiser is representing Accurate Appraisal Management Services and the Lenders/Clients as well as their own company. Therefore, it is important that you dress and conduct business in a professional and polite manner.

##### **Appraiser Opinions & Comments**

- Engage the Consumer in appropriate conversation relevant to the assignment only. Please do not discuss the due date, fee, 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.
- Be courteous.
- Do not provide expectations as to when the appraisal process will be completed.
- Do not be dismissive, demeaning or condescending.
- Consider information provided by the Consumer, and provide tactful responses to questions without revealing confidential information.

##### **Additional standards of Professionalism**

- No solicitation of the Consumer is permitted at any time.
- Children and/or pets should not accompany you on an inspection appointment.
- Provide timely and professional communication with your AAMS customer Service Representative.

## Appraiser and Inspection cont.

### 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.
- 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 photos of the subject because some clients may require photos to document the trip.
- When required, these photos on appraisal photo pages should be uploaded by using the Upload button on the AAMS order page.

### Measurement

- **Property Inspection:** A complete measurement, sketch, and Appraiser's calculations of the subject property, basement (if applicable), and all auxiliary structures given 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

- Consists of sketch with floors identified, exterior dimensions, room labels, and calculations.
- Include all Entry/ Exit doors- either by label or icon.
- 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.
- Please disclose the measurement technique being utilized for the calculation of gross living area. (i.e. ANSI Standards or Traditional Standard).

### Stop and Notify AAMS/Condition Issues

Whenever the subject property:

- Is undergoing any construction or renovations, when not previously known or stated in the order.
- Is not habitable.
- Has a structural soundness issue or significant damage.
- Is in LESS THAN average condition (i.e. C5, C6). (Health and Safety concerns).
- Has an empty swimming pool.



## General Requirements

### USPAP Requirement: 2018-2019

- **Report Options:** The order is for an Appraisal Report. Please use your software providers USPAP 2014 Addendum and/or add a statement to the report explaining the use of the term Summary Appraisal Report is on the pre-printed FNMA form.

### USPAP Requirement: 2018-2019: Standard 1-2c (IV) Comment

- **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 reported in commentary.
- **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 performed no services, as an Appraiser or in any other capacity; regarding the property that is the subject of this report 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))**

This Disclosure of prior service requirement also applies to repair re-inspections, finals, updated, and conversions (FHA to Conventional financing) as they are new assignments; not a continuation of the original assignment.

### Appraiser Independence Requirements (AIR)

- 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, expiration date, and copy of license must appear in all reports.

## General Requirements cont.

### 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. If questions- contact AAMS.
- Please avoid the use of non-specific, generic or boiler plate commentary.
- Comply with Fair Housing verbiage.
- Check report for cloning or duplicate statements.

### Uniform Appraisal Dataset (UAD)

- For those orders to be placed on forms required to be written in UAD formatting (Forms URAR 1004; Condo Unit 1073; Exterior only Condo 1075 and Exterior Only Single Family 2055) please follow the most recent UAD protocol and include the UAD legend of definitions and codes as well as your proprietary list of Abbreviations.

### Prior to Submission

- Please thoroughly review your appraisal PRIOR to submission. **Always** run spell checker and your software's UAD Quality Control feature before sending the report to AAMS. This should also be run after each revision.
- **Do not include an Invoice** with the final report. Please upload the invoice separately one time, showing the Accurate Appraisal Management Services address **1650 E River Rd Suite 201B Tucson, AZ 85718.**
- 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.

## Report Requirements by Section 1004 & Other Forms where Applicable

### Subject

#### Multiple Assessors' Parcel Numbers

FNMA: The list below provides the requirements when the security property consists of more than one parcel of real estate.

- 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 second lot is non-buildable must be included in the loan file.
- Each parcel must have the same basic zoning (for example, residential, agricultural).
- The entire property may contain only one dwelling unit. Limited additional nonresidential improvements, (i.e. 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 (i.e. a home built across both parcels where the lot line runs under the home).
- The mortgage must be a valid first lien that covers each parcel.
- The Appraiser must include the highest and best use analysis in the appraisal report to support the Appraiser's conclusion of the existence of Excess Land. The Appraiser must include Surplus Land in the valuation.

FHA: See FHA specific section in the Standards

#### Occupancy

- If vacant but staged please add a comment explaining the staging. If home is supposed to be Owner occupied, but there are no furnishings, Stop and Notify AAMS.

#### Property Rights

Leasehold – required items:

- Terms of the lease.
- Remaining term of the lease as of the effective date of the appraisal.
- Any restrictions/conditions of the lease that could impact the marketability of the property.

#### One Year Marketing History

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

- Data Source and MLS number(s):MLS#\_ \_ \_; Original list date-mm/dd/yyyy; and original price.
- Date and amount of any price changes.
- Days on market for current and any previous listings falling in the previous year.

## Contract

### **Non MLS Sale/ Other**

If a non-arm's length sale or a For Sale by Owner please provide details of how the Buyer was captured, time on market, how advertised, and any other relevant information. If no response is provided after due diligence, disclose the efforts to obtain the information.

### **Signed 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 signed copy of the purchase agreement from any source other than AAMS, **\*STOP AND NOTIFY AAMS\***. The Appraiser is required to report in the contract section who provided the contract and the number of pages provided.
- Appraiser should **confirm** with a party to the transaction what is **the final contract price**, to assure no counter offers or addendums are missing from the contract package.

### **Signed 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.
- Analyze Interested Party Contributions (IPC).
- Personal Property included in the purchase contract must be disclosed and a comment made that it is not considered in the conclusion of value.

### **Transaction Type**

Arms' length transactions must meet 3 components:

- The absence of a relationship between the Buyer and Seller.
- A Selling price and other conditions that would prevail in an open market environment.
- Transaction Costs paid by the Seller that are considered both reasonable and customary for the market in which the subject property is located.
- Examples of non-arm's length transactions include:
  - Buyer and Seller related by blood or by marriage to the Seller
  - Fiancé or domestic partner
  - Renters buying from landlord
  - Trading properties with Seller

## Neighborhood

### **Boundaries**

Specific neighborhood boundaries must be provided, and should be defined as North, East, South, and West (spelled out) consistent with UAD.

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

- In a **changing 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 Appraiser should explain why there is a difference. It is required, the Appraiser provide 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. Appraiser to comment on favorable or unfavorable factors that may affect marketability or value.
- If the final conclusion varies from predominant value by 20% or more-comment is required, addressing how the conclusion differs relative to the predominant value and if there is any market impact as a result of the variance.

## Site

### Site Dimensions

- List all boundary dimensions (UAD=40 characters max.). Dimensions can be continued in site notes. If “see plat” is used, a copy of the plat, with legible dimensions, must be included in the report.
- Upload portal requires ‘sf’ or ‘ac’ suffix on site size.
- 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.
- If the site size differs from the plat- provide source of the site size and explain the variance.

### 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. Include comments on whether connection to public utilities is available. Also, identify those comparable that may have a well and/or septic on the Sales Comparison Approach Grid to show market acceptance of the feature. If it is not possible to identify the comparable with the similar feature on the grid, then please do so in 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. City xx\_\_\_ Single Family Residence, or Multi-Family Residence, or Commercial, etc.). Minimum lot size is also requested if available.
- If there is no zoning classification available for the subject property, please provide a comment on the steps taken to confirm this fact.
- If the subject’s 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.

### Highest and Best Use

- A commentary of the use is required. Use of the 4 tests to help in determining the Highest and best use: legally permissible, physically possible, financially feasible, maximally productive that results in the highest value, is required.

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

- If the subject is located on a public street and the subject abuts the actual street, no commentary is required.
- Appraiser to clarify if subject uses shared easement or driveway to access the Public Street and make an Extraordinary Assumption that the shared access is a recorded ingress/egress.
- If the subject is located on a private street or shared driveway, the client requires the Appraiser to address the following:
  - Who **maintains** and **owns** the street/driveway?
  - Is there year round access?

## Site cont.

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

- Does the maintenance appear to be adequate and acceptable in the market?
- Are private streets/shared driveways typical for the market area?
- Does the private street/shared driveway allow access for public services (i.e. Police, Emergency Responders, etc.)?
- Please provide at least one closed sale that is also located on a similar private street and identify it as such either on the grid or in commentary.

### **Public Street Ownership but not publicly maintained**

- Please provide Ownership and who maintains it. Disclose Ownership and Maintenance entities, which may be different entities.
- Please provide at least one closed comparable with similar ownership and/or maintenance and identify this sale.

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 comparable with the same influence to demonstrate marketability.
- Demonstrative photos (examples may include: non-residential/commercial use, industrial park, pond, power lines, heavy traveled roadways, etc.

NOTE Provide commentary to explain why 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 segment a 40 acre parcel to include only 5 acres).

### **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.

## Improvement

**Use the 1<sup>st</sup> date on site for year built, NOT blended date.**

Definition:

An Accessory Dwelling Unit (ADU) refers to a habitable living unit added to, created within, or detached from a primary one-unit Single Family dwelling, which together constitute a single interest in real estate. It is a separate additional living unit, including kitchen, sleeping, and bathroom facilities. IF it is not capable of independent living- it is not an ADU.

**Stop and Notify AAMS: When the subject is an SFR with Accessory Dwelling Unit/Legally ZONED Multi-Family MAY NEED TO be Completed on 1025/2-4 Unit Form**

- Highest and Best Use Analysis will determine property classification.
- 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 1025/2-4 Unit 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 Dwelling Unit Zoning and Utilities**

When appraising a single family residence with an accessory dwelling 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 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 total.



## Improvement cont.

### **Illegal Accessory Unit /Guidelines cont.**

- 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. FNMA requires 3 Comparable of similar type property that have the same non-compliant zoning use.
- Clearly, logically disclose the results of your research.
- Adjust the SCA grid for the accessory unit (in separate line item), giving it a market-based value.
- If you have ANY questions about how to proceed, stop and **contact AAMS immediately**.

### **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:
  1. An itemized cost to cure estimate for the repair items.
  2. Demonstrative photos of observations which indicate needed repairs/inspections.
  3. Comparable sales that reflect the ‘as-improved’ condition of the property.
  4. A subject overall condition rating which reflects the ‘as-improved’ condition of the subject property at C4 condition level.

### **Health and Safety Hazards both FHA and Conventional**

- Bedrooms or sleeping rooms must have direct access (door or window) to the exterior-not enclosed porch. If Wrought Iron security is present-a quick release opening is required on a minimum of one opening in each sleeping room (removal is an option).
- Other hazards-not an inclusive list: exposed or bare wires; unstable or rotted decks; uncovered cisterns; open man holes, interior keyed dead bolts on bedroom or entry/exit doors, or any other condition that could deteriorate the security of the collateral. The Appraisal should be made ‘subject to’ correction of the hazard (s).
- Empty swimming pool- Refer to Local Code for guidance. (See special circumstances section.)

### **Roof**

- It is important that the Appraiser place commentary in the report if the roof is not visible for example, due to snow coverage, and should address any evidence of leakage as noted, on the interior ceilings or attic, or exterior on underside of porch roof or overhang.

## Improvement cont.

### Manufactured Homes

#### FNMA requires:

- The HUD data plate/ Compliance certificate (on the interior) and the HUD certification labels (exterior).
- If either form is absent- make appraisal 'subject to' IBTS Report.
- Statement that the unit must not have been previously installed or occupied at any other site or location, except from the manufacturer or the dealer's lot as a new unit.
- Non-permitted additions/carports/porches/ storage attached directly to home may affect the structural integrity and property should be 'subject to' Engineer's certification.

#### FHA/HUD requires:

- If the HUD certification labels are missing- require IBTS report.
- HUD data plate/Compliance certificate(inside)—note its absence and comment that Appraiser is unable to answer questions relating to snow and wind loads. (last question on page 1). Investor requires IBTS.
- Statement that the unit has not been installed or occupied at any other site or location, except from the manufacturer or the dealer's lot as a new unit.
- Additions/carports/porches/storage attached directly to the home may affect the structural integrity and property should be 'subject to' Engineer's certification.
- Comment of skirting: - note presence or absence of backing (4000.1-page 528). If lightweight material- skirting MUST be attached to a rigid backing.
- The appraisal of a Manufactured home is **ALWAYS** 'subject to' Engineer's certification of the foundation.
- If located in a flood zone – Elevation certificate is required.

## Comparable Sales

### 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, TRID-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 Sales Selection

- In an effort to reduce underwriter’s requests for additional comparable and disputes over value, it is suggested commentary be provided for all appraisal assignments describing the criteria used in the comparable search, including the parameters for time, distance, age, range of GLA, style, etc. Dollar based search parameter is not an accepted criteria.
- Comparable (pre-adjusted) must bracket the final conclusion/ value.
- 2 active or pending comparable are required on all sales by some clients including FHA, depending on market trends. Refer to the order overlay for any exception.

### Sales comparison grid priority

- For clarity and consistency in formatting; the primary comparable sales should be in positions 1-3 on the sales comparison grid, followed by any additional sales, Then followed by actives and pending’s, with actives and pending’s placed on a listing comparable Grid (must be UAD compliant) Listing Comparable Grid (UAD compliant) is available from software vendor’s form library.

### FNMA Forms Appraiser Certification #4

Requires the Appraiser have “adequate comparable market data to develop a reliable sales comparison approach...” If after researching comparable sales for this assignment it is determined there is not adequate market data to develop a credible result, expand search in distance and time, providing commentary. If there is still inadequate data, contact AAMS to determine direction to be taken on the report.

### Comparable Selection/Leasehold

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

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

- New Condo construction and conversion projects that are 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.

## Comparable Sales cont.

### Comparable Selection/ Condominiums; New Construction and Conversion/Builder Control cont.

- All builder/developer sales must be verified by an independent source (i.e. MLS, TRID Settlement, etc.). *TILA-RESPA Integrated Disclosure (TRID)*
- Condominium appraisals may include all closed sales from the subject's 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 TRID (HUD-1) Settlement Statement).
- 02/01/2017 Currently, FNMA requires the Appraiser to select at least one closed sale from the subject subdivision or project and one sale from outside the subject subdivision or project when selecting comparable for the appraisal. (The third comparable can be from inside or outside the subdivision or project.) In new subdivisions or projects, compliance with this requirement may be difficult due to a lack of closed sales.

With this update, we will now accept two pending sales in lieu of one closed sale in the subject subdivision or project in the event closed sales are not yet available. When this flexibility is used, the Appraiser must also provide at least three closed comparable sales from outside the subject subdivision or project

THE APPRAISER MUST 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.

Any Factory-built housing which not built under HUD approval (HUD Certification label) is not considered Manufactured housing, and is eligible under the guidelines stated for one-unit properties. Types including modular, which can be on-chassis or off-chassis, prefabricated, panelized, or sectional housing: all meet that criteria. 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 (IRC for example). 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.

## Comparable Sales cont.

### Comparable Selection/Modular Homes cont.

- FNMA: Fannie Mae purchases mortgages secured by factory-built housing that:
  1. Is designed as a one-family dwelling, the appraisal must address both the marketability and comparability of modular homes.
  2. 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.
  3. Is legally classified as real property – Affidavit of affixture or similar documentation.
  4. 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- IRC for example. Many States have inspection/ approval process for modular housing with different approval stamps.
  5. When the subject property is modular, prefabricated, panelized, or sectional housing; the process of selecting comparable sales for factory-built housing is generally the same as that for selecting comparable sales for site-built housing.
  6. Fannie Mae does not require that one or more of the comparable sales are of 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 1/1/2016 and closed on 3/15/2016, 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)

### Sales Concessions

If the comparable sales indicate sales concessions or other Interested Party Contributions (IPC), the following is required:

1. Both the specific type of concession and the amount of the concession must be reported in the Description Column ("Typical" is not an acceptable explanation.)
2. The amount of the adjustment should reflect the difference between what the comparable actually sold for with the concessions and what they would have sold for without them. NOTE Cash sales or sales with no concessions provide a good baseline/paired analysis to determine market impact and should be included whenever possible.

## Comparable Sales cont.

### Sales Concessions cont.

3. If a concession amount is noted, but NO adjustment is being given, please describe why you believe an adjustment is not necessary? Remember describing a concession amount to be “Typical” is not sufficient explanation. Please comment if the concession type and/or amount are not reported by your MLS or was not available for some other reason.

NOTE Per FNMA guidelines positive adjustment for sales or financing concessions are not acceptable.

### 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 subjects and comparable, 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. (Photograph(s) of the subject view are required.)

### Comparable Selection Design Style & Required Terminology

- The Appraiser must state the architectural Design/Style of the subject and comparable in UAD compliant format.
- 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.
- The Appraiser must 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.

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 Sales cont.

### **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.

REMINDER: condition is a holistic approach and is not relative to the subject. The same condition rating should be maintained for a specific comparable whenever it is used. Collateral Underwriting (CU) will compare current and previous uses of the same comparable in various reports by the Appraiser and/or other Appraisers.

### **Comparable Selection/Bedroom Count**

- When the subject has 1 or 2 bedrooms, at least one closed comp with the same bedroom count to demonstrate market acceptance is required.
- 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 dwelling unit (also known as guest suite or in-law suite), 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.  
This may not apply to some of the newer Next Gen suites found in some newer projects.

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

- Stop and Notify AAMS whenever, after your research and property inspection, Appraiser has NO sales that have closed within the year 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 When 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 variance, 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:

## Comparable Sales cont.

### Comparable Selection When Subject Has Design/Feature/Amenity NOT Shared by Any Sales cont.

- Evidence of the subject’s marketability (homes of similar design and construction quality do exist in the market) AND:
  - 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 is located in an HOA, 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), and any impact on marketability.

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. Table summarizing the requirements follows.

#### PUD COMMON ELEMENTS REPORTING

If Common Elements and Amenities are...	AND Appraiser indicates improvements are...	THEN...
Minimal improvements that do not impact marketability <b>OR</b> Material improvements, but comparable sales have the same amenities	Standard/typical for the area <b>AND</b> Comparable sales have similar common elements/amenities	Appraiser to state there is no marketable difference in the common elements and amenities.
Minimal improvements that do impact marketability <b>OR</b> Material improvements, and comparable sales do not have the same amenities	Not standard/typical for the area <b>AND</b> Comparable sales do not have similar common elements/amenities	Appraiser must define impact to marketability and adjust value accordingly.

\*Disclose if HOA has any pending litigation and if so- is there any market impact.



## Comparable Sales cont.

### **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 the below grade area at a rate similar to the adjustment given for the above grade GLA, if appropriate. In which case, additional commentary must be provided by Appraiser detailing this fact.
- 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:
  - a. Local market and/or Assessor report the size as total living area.
  - b. The below grade area has a quality of finish similar to the above grade living area AND
  - c. 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.

- FNMA and FHA both require below grade areas to be split and treated separately.

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

- When adjustments are made for updates to the subject or comparable, provide a description of the updates to support the adjustments. Stating superior or inferior updates is not sufficient support. - Mandatory field description with discretionary value adjustment is expected

## Sales Comparison Approach Summary

**Form: Number of active listings and sold listings at the top of page 2 of the appraisal should match the totals on the 1004MC.**

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

- Appraiser to provide explanation of steps taken and search 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.
- 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. While the comment is no longer required by FNMA, it remains an investor requirement, and is also a FHA/HUD requirement.

### **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.
- In no case will FHA accept sales over 1 year for comparable 1-3.

### **Adjusted price of comparable sales range exceeds 25% of the lowest sale**

Whenever the Adjusted Sale Price range of the comparable is GREATER than 25% of the adjusted sale price of the LOWEST comparable sale, commentary explaining the reason(s) for the LARGE range is required. (Calculate this range by multiplying the lowest adjusted sale price of the closed sales by 1.25%. If the highest adjusted sale price of any of the sold comps is greater than this number, the range exceeds 25% and commentary must be provided.)

This type of large range would typically lead the Reader of the report to question whether all value contributing differences between the Subject and the comparable sales have been identified and properly adjusted. Possible reasons could include:

- Scarcity of comparable sales
- Larger range was necessary to bracket a specific line item
- Potential adjustments exist, but could not be made due to insufficient market data, etc....

**Sales History – If prior sale is within time period, disclose the activity on the history grid. If outside of time period but relevant, disclose in the commentary section.**

## Cost/Income Approach and Reconciliation

### Cost Approach

**Per FNMA, FHA or USDA the entire Cost Approach is to be developed for single family residences ONLY when any of the following are applicable:**

1. It is requested by the Client
2. The subject is a unique type of construction or has specialized improvements
3. The Appraiser considers it to be relevant to the assignment.
4. The subject is a Manufactured home FNMA & investor required
5. The subject property is less than 1 year old and for a USDA loan
6. If the appraisal is for a Jumbo Loan; a full Cost Approach is always required.

### **Remaining Economic Life**

- **FHA:** Remaining Economic Life is always required to be provided.
- **CONVENTIONAL:** Remaining economic life is required on all reports.

For **Condominiums** it must be reported in the reconciliation section of the 1073 form per FHA protocol.

If Site value ratio exceeds 30%, please comment. Site Value is required by investor.

### Income Approach Section

**Rent Survey is part of multi-family form, 1007 form for one-unit properties**

- The form requires rent survey for all units even if owner occupancy exists or is anticipated.

**Operating Income Statement form 216**

- The form is required by Freddie Mac and investors. It is no longer required by FNMA. Unless specifically removed by order instructions, the form is part of residential income report package.

### Reconciliation section

The Appraiser is to provide a brief reconciliation of the three approaches to value.

Sales comparison Approach to Value- provide a brief but specific, explanation of the reconciliation of Sales Comparison Approach to Value. This includes commentary within every appraisal report explaining how each of the comparable sales were weighted and the logic/analysis used in making those weighting decisions and the sale given the most weight. Please provide sufficient information to enable the client and intended users to understand the rationale for your opinion(s) and conclusions(s).

USPAP Standards Rule 1-6 States:

In developing a real property appraisal, an Appraiser must:

- a) Reconcile the quality and quantity of data available and analyzed within the approaches used; and
- b) Reconcile the applicability and relevance of the approaches, methods and techniques used to arrive at the value conclusions(s).

## Special Circumstances

### **Swimming Pools barrier requirements of local authority**

- Many municipalities and the state of Arizona have pool barrier requirements.
- All properties with pools must meet appropriate requirements.

Must be operative and filled with water to receive full contributory credit. Swimming Pools, not filled with water and in working order, should be treated in the following manner:

- 'subject to' being filled and operative to receive full credit.
- Filled with earth and properly abandoned according to local abandonment code. Show cost to cure and any partial value-based on market reaction.
- Pool is empty and covered with a cover that is sufficiently strong to support a person without purposeful or accidental injury, or a barrier/fence exists. Show cost to cure, partial value-based on market reaction and/ or any functional obsolescence due to the empty covered pool on site.

NOTE Stop and notify AAMS when the pool is not filled and in working order. There may be times where other criteria apply under these circumstances.

### **FHA requires**

- Swimming pool must be operative to receive full credit.
- Pool is abandoned and will be filled with dirt per local municipality code. Show cost to cure and any partial value-based on market reaction.
- Enclosed pool is empty, covered with a cover sufficiently strong enough to support a person without "purposeful or accidental injury"- show "cost to cure", partial value, and any functional obsolescence due to covered empty pool on site. See page 531 of the Handbook 4000.1

If the pool has been winterized, or the Appraiser cannot determine if the pool is in working order, the Appraiser must complete the appraisal with the extraordinary assumption that the pool and its equipment can be restored to full operating condition at normal costs.

### **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.

### **CONVENTIONAL LOANS: Non-permitted Additions can be included in the GLA if**

- The addition must be a legal use-i.e. no set-back or other code violations.
- The Appraiser explains the steps taken to attempt verification of permits (report data sources) and if the addition is a legal use under zoning.
- Nature of the addition and that it does not result in a change in the number of units comprising the subject property (e.g. A 1 unit property is converted into a 2 unit)
- They were constructed in a workman like manner and there is no readily noticeable health or safety issues relating to the addition.
- 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 exiting permits.
- Non-permitted additions are typical for the market area and a typical buyer would consider the "non-permitted" additional square footage to be part of the square footage of the property.

- 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 comparable with similar non-permitted additions.**

## Special Circumstances cont.

### 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 permitted state. The Appraiser must comment on the:
  - Nature of addition
  - Conformity to the subject property
  - Any effect on value, marketability.

### Hauled water

**Conventional** – FNMA will accept hauled water; appraiser to comment on market acceptability and availability of public service or private wells. Appraiser to provide closed sales with hauled water.

**FHA** When the request is for property with hauled water, see special instructions to Appraiser:

1. Include comparable with similar hauled water.
2. Comment on the distance to public utilities.
3. Comment on presence of dug (drilled) wells in the area with similar water quality
4. Include photo of storage tank-comment if above or below ground; size of tank; proximity of the tank to improvement.

### Solar Panels

- If the solar panels are owned- the panels can be included in the valuation- use paired sales or other method of valuation. A Discounted Cash Flow, for the reduced energy expenses, provides additional support. Use of PV Value Tool or other valuation methods can provide support.
- If the panels are leased- the panels are not included in value. A statement is required by the Appraiser disclosing the ownership status of the panels.
- Prepaid lease is a lease- ownership transfer is not part of a lease.

## Building Sketch

### **Building Sketch**

- The client requires that ALL interior appraisals include a building sketch. The sketch is based on exterior building dimensions (Condos require interior dimensions)... Identify each level by label.
- This includes any basement area(s).
- Sketch should include room locations/labels; include all entry/exit doors on all levels- either by label or icon.
- Please be sure to use a scale large enough to produce a drawing that is easy to read and 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.

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 was the source used to confirm the conclusion of gross living area or building.

### **Outbuildings/Required**

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

## Subject & Comparable Photographs and Maps

### 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.
- All zoom or other enhancements to the photos must be identified.
- 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 with specific labels.

### Subject Exterior Photos

- Street scene photos, one in each direction, 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.

### Subject Exterior Photos cont.

- Appraiser must provide additional photos of any amenity (i.e. **view**, pond, lake, storage building, accessory structures, etc.) or adverse influence-(traffic/business) that affects value.
- If there are any concerns on the site such as encroachments or zoning set-backs please provide a photograph.

### Subject Interior Photos

- FNMA: Interior photos MUST, at a minimum, include the kitchen, bedrooms, all baths, and main living area. This also includes the interior of an accessory unit. Also include photos of quick release mechanism on all sleeping room exits to the exterior.
- Any additional **areas** (e.g. BASEMENT, attic, etc....).
- 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. Please provide a photo of any repair item(s).
- (FHA)Condominiums: photos of common area and shared amenities of the project **are required**.
- Snow covered roofs or remodeled area photos should be included.

NOTE any additional photos are always appreciated by the Client and underwriter

### Required Labeling of Photos

(Reminder: maximum of 6 photos per page for additional photos.)

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

- IF any portion of the property is inaccessible for photos- STOP and NOTIFY AAMS.

## **Subject & Comparable Photographs and Maps cont.**

### **Comparable Photo Requirements**

- Original photos taken by the Appraiser are required for all comparable. 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 Appraiser’s original photos of the comparable, but must be identified as such and a comment provided why it was necessary to use the MLS photos.  
This is a lender/investor requirement.

### **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.
- Show grade or slope, if possible.

### **Manufactured Homes**

Appraiser to provide a close up legible photos of:

- Manufacture’s Data Plate/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. (numbers must be legible)
- Crawl Space and/or Attic if applicable.

### **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. Flood map required when subject is located in a flood zone.
- For Jumbo Products see Client Specific Overlay attached to the appraisal order. In most cases additional maps are required.

### **Aerial**

Required on all reports as of 2019; to include the subject and surrounding area with sufficient detail to show individual properties: The subject and surrounding properties.



## **1004MC Addendum**

### **1004MC Addendum Section form is required by Freddie Mac, FHA, and investors**

#### **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 those utilized to capture the comparable sales and listings utilized in the Sales Comparison Approach.

#### **1004MC-Condo**

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

## FHA Requirements

### References

References for the Appraiser are: Handbook 4000.1 and Appraisal Report and Data Delivery Guide.

[http://portal.HUD.gov/HUDportal/documents/HUDdoc?id=SFH\\_POLI\\_APPR\\_RPT\\_FIN.PDF](http://portal.HUD.gov/HUDportal/documents/HUDdoc?id=SFH_POLI_APPR_RPT_FIN.PDF)

NOTE be aware that these are live documents which can and will be modified. Check HUD website for the most recent effective date. Currently the 4000.1 date is 03/27/2019. Appraisal Report and Data Delivery Guide is 03/15/2016. Compliance with Data Delivery Guide will minimize EAD (Electronic Appraisal Delivery) errors.

### FHA Case Number

- Case number is xxx-xxxxxxx, numeric only. (Example 123-4589034).
- FHA case numbers must be on all pages and addenda within the report.

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.

### FHA – Multiple Parcels

- If the subject of an appraisal contains two or more legally conforming lots under one legal description and ownership, and the second vacant lot is capable of being divided and/or developed as a separate parcel where such a division will not result in a non-conformity in zoning regulations for the remaining improved lot, the second vacant lot is Excess Land.
- The value of the second lot must be excluded from the final value conclusion of the appraisal and the Appraiser must provide a value of only the principal site and improvements under a hypothetical condition. The Appraiser must include Surplus Land in the valuation.
- The Appraiser must include the highest and best use analysis in the appraisal report to support the Appraiser's conclusion of the existence of Excess Land.

### Utilities

Handbook 4000.1 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, and the hypothetical assumption that system does not require alteration, repair or further inspection after utilities are turned on.

The Appraiser must notify the Mortgagee if mechanical systems do not function or do not appear:

- To have reasonable future utility, durability, and economy;
- To be safe to operate;

- To be protected from destructive elements; or
- To have adequate capacity

## FHA Requirements cont.

### **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. 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.) The Lender will make determination of whether the connection is feasible.
- For private well **and** septic, the Appraiser must be familiar with the FHA 4000.1 minimum distance requirements between private wells and sources of pollution and, if discernible, comment on them.
- The Appraiser is not required to sketch or note distances between the well, property lines, septic tanks, drain fields, or building structures but may provide estimated distances where they are comfortable doing so.
- If the subject property line is adjacent to residential property, the local well distance requirements prevail. If the property is adjacent to non-residential property or roadway, there needs to be an appropriate separation distance from the property line.
- If appraiser is unable to determine these distances, report should be completed “subject to” a survey or inspection by a qualified 3<sup>rd</sup> party to determine if distances are considered appropriate.
- If there are obvious or readily observable signs of system failure, the Appraiser is to require inspection to ensure that the system is in proper working order.

Well Share: FHA allows up to four properties to be connected to a well provided there is: an acceptable legal agreement between the property owners; the quality of the water is found acceptable; there is sufficient capacity; and it is in accordance with local well codes. COPY OF WELL AGREEMENT SHOULD BE INCLUDED IN APPRAISAL REPORT. For Hauled water, please see special circumstances.

### **FHA Protocol Items**

#### **Attic and/or Crawl Space Inspection**

A head and shoulder inspection of the attic, and/or crawl space, is required by FHA/HUD. A photo is required by FHA and the investor to be included in this inspection in addition to the following statement, “A head and shoulder inspection of the attic (or crawl space) has been conducted by this Appraiser.” Please note AAMS requires that the words head and shoulder be included in the statement.

**Roofs** must have 2 year remaining physical life, or inspection by qualified 3<sup>rd</sup> party is required. (Investor requires Appraiser to state: Roof has life of 2 years if no inspection is being required)

- If portions of roof are not visible, Appraiser to explain why portions are not visible, and report the results of the assessment of the underside of the roof, overhang, attic, and the ceilings.

**Hot water heater** must have temperature & pressure-relief valve with piping to safely divert escaping steam or hot water.

**Appliances** 09/30/2016- e. Appliances I. Definition:

Appliances refer to refrigerators, ranges/ovens, dishwashers, disposals, microwaves, and washers/dryers. Appliances that are to remain and that contribute to the market value opinion must be operational. The Appraiser must note all appliances that remain and contribute to the Market Value.

## **FHA Requirements cont.**

### **Minimum Property Requirements Statement**

#### **Intended Use and User – FHA from handbook**

The intended use of the appraisal is solely to assist FHA in assessing the risk of the Property securing the FHA-insured Mortgage (24 CFR § 200.145(b)).

FHA and the Mortgagee are the intended users of the appraisal report. The FHA Appraiser does not guarantee that the Property is free from defects. The appraisal establishes the value of the Property for mortgage insurance purposes only.

#### **'AS IS' Appraisal:**

"The subject meets all FHA/HUD minimum property requirements as outlined by Handbook 4000.1, and Appraisal Report and Data Delivery Guide. "

#### **'SUBJECT TO' Appraisal:**

"Upon completion of repairs the subject will meet all FHA/HUD minimum property requirements as outlined by 4000.1, and Appraisal Report and Data Delivery Guide. "

(For new construction the above requirement statement should read the subject property must meet minimum property standards, instead of minimum property requirements.)

### **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' and builders certification form should be marked 2<sup>nd</sup> "subject to" box.
- **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, and a cost to cure. Should be marked with 3<sup>rd</sup> "subject to" box.

### **Condominium Estimated Remaining Economic Life**

- Is 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."

### **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).  
For Condos- this includes the unit, common area and exterior.

- Defective paint surfaces on properties built AFTER 1978, which is exposing the untreated wood surface.

## FHA Requirements cont.

### Health and Safety Issues/'subject to' Report Required cont.

- Security bars on windows without INTERIOR safety release latches or alternate outside access from sleeping quarters (minimum of 1 window or exit per sleeping room)
- Evidence of termite activity or damage-including prior treatment.
- Any other conditions deficiencies that affect safety, security and/or structural soundness.

NOTE 2 'subject to' boxes can be checked; 3<sup>rd</sup> box for re-inspection by the Appraiser; 4<sup>th</sup> box for qualified 3<sup>rd</sup> party inspections; 3<sup>rd</sup> party inspections are delivered to the underwriter.

### Manufactured Homes/Required Commentary

- **If in a flood zone, elevation certificate is required.**
- FHA will **not** finance Manufactured homes that have been **moved from the original foundation.** IF Manufactured home has been moved; STOP AND NOTIFY AAMS. Appraiser to provide a statement stating the home has not been moved. If unable to confirm, a comment should also be provided reporting the steps taken to try to confirm this information including observation of marriage line and structure.
- Foundation: Appraiser to make report 'subject to' engineers' certification of home's foundation, including skirting and additions, for all Manufactured home appraisals.
- A statement that a head and shoulders inspection of the crawl space was conducted is required. A photograph of the crawl space is required.

FHA: Modular construction is also a factory-built home, but is treated the same as site-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/specific commentary must be included regarding the lack of such comparable sale(s), even after extending your data search in terms of time of sale, distance, or similarity of marketable features.

### FHA Sketch Protocol

All covered porches are to be sketched and all significant open patio areas are to be sketched. FHA also requires those patio areas to be identified (labeled) as covered or uncovered on the sketch. Room count **must** be consistent with room count on pages one and two of the appraisal.

### FHA Photo Requirements

- Photos of all rooms are required.
- FHA requires the Appraiser to provide an 'original' photo of each comparable to verify that you have inspected the comparable from the street. We realize that there is some ambiguity in this requirement and we request that the following guidelines be followed.
- If a 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 appraiser took it.

- MLS photos are NOT sufficient for FHA, unless you would have to trespass on private property to take the photo or if the subject is located in a gated community. In these instances provide a photo from the street/gated access AND the MLS photo.
- Crawl Space and/or Attic space photos are required.

## FHA 203K Requirements

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

- 203K is an FHA program that requires an FHA appraisal performed by an FHA approved Appraiser.
- 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.)
- 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.
- 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 Consultant’s estimated repair costs in the ‘plan review/work write-up’ and must be AT LEAST \$5,000.(Not Contractor)
- 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 an ‘as-improved’ (“subject to”) value. An as-is value is only required on Flipping and certain Refinance transactions.
- If an as-is value is requested- stop and contact AAMS. This may be a different assignment.
- ‘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.

### **FHA 203K Limited Appraisal**

Only cost estimate, no consultant, appraisal is “subject to” completion.

### **FHA Treatment of non-permitted additions**

All HUD/FHA properties must comply with zoning. Any non-permitted addition must be a legal use. A non-permitted addition can be included in GLA if:

- The addition or conversion space is accessible from the interior of the main dwelling in a functional manner;
- Has permanent and sufficient heat source

- Was built in keeping with the design, appeal, and quality of construction of the main dwelling. If the addition or conversion does not meet the above criteria, it should be addressed on a separate line item in the sales grid-not in the GLA. Appraiser should address the impact on marketability (Appraiser to make determination if addition or conversion is included in GLA)

### **FHA 203K Requirements cont.**

#### **FHA Treatment of non-permitted additions cont.**

If illegal use- then include cost to cure (return property to legal permitted status) and make appraisal 'subject to'. Like Comparable(s) with similar non-permitted additions should be included on the Sales Comparison Approach grid. Commentary on the steps taken to confirm whether the addition is non-permitted should also be provided within the appraisal report

## 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 Handbook 4000.1 and Appraisal Report and Data Delivery guide. 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). (This is an investor requirement).
  - When the subject property has a swimming pool, USDA requires the Appraiser to include the contributory value of the pool in the appraisal report.
  - Cost Approach must be completed: if Appraiser considers property to be unique; have specialized improvements; is new Manufactured home; or the client request a cost approach to be completed; then a cost approach is required.

### **In Ground Swimming Pools**

Approval to purchase dwellings which include an in-ground swimming pool is allowed. Appraiser to value home with the in-ground pool (if the pool would be recognized in the market place).

- 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 the subject property does not meet the minimum standards or if the property includes accessory dwelling unit.



## Manufactured Homes

Manufactured Home appraisals must be completed on the 1004C form.

### Close up Legible Photos Required 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 one foot up from the floor and one foot in from the road side of each section. ) 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, make appraisal 'subject to' re-inspection,

### Label & Data Plate

- If the Manufactured home is missing the HUD Certification Label and/or Manufacture's Data Plate/Compliance Certificate follow FHA protocol.
- If the certification label(s) are absent-make the appraisal 'subject to' IBTS report for the missing label(s) if the Data plate/Compliance certificate is missing, make the report "subject to" IBTS.

**\*Comparable Sales of:** At least two closed sales of Manufactured homes are required.

## Condominium 1073 Form

Condominium appraisals must be completed on the 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 in 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.
- Photos of common area facilities and amenities are required.

### **Conventional Site Condos Section**

#### **1073 – Required for FHA**

#### **1004 Forms are Acceptable under the following circumstances**

- The client will accept conventional Site Condo appraisals on the 1004 if the unit is a detached condo and if the entire project consists solely of detached dwellings, and if the Appraiser includes an adequate description of the project and information about the HOA fees and quality of the project maintenance.
- The 1073 condo appraisal form is required if not solely detached or if the Appraiser does not provide the required additional project commentary.
- This required project 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. At a minimum the following condo-specific information is also required:
  1. Project Attachment Type (Detached or Attached)
  2. Project Design Type
  3. Project Unit Dwelling Count (Number of Units)
  4. Number of Project Dwelling Units sold (Number of Units Sold)

NOTE Please provide this information in the Additional Comments section or in an addendum.

## Field Reviews

Field Reviews must be completed on the FNMA 2000 form.

### **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 (both directions)
- Photos of ALL original comparable and if applicable, Reviewer's alternative comparable.
- Location Map indicating the subject, the original Comparable and, if applicable, the alternative comparable 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.

**USPAP 2018-2019: Date Requirement:** Three dates are required to be reported in the review as required by USPAP 2018-2019 under Standards 3 & 4 (Appraisal Review, Development; and Appraiser Review, Reporting)

1. Date of the work under review (Signature date of the original appraisal report (OAR))
2. Effective date of the opinions or conclusions in the work under review (Effective Date of the Original Appraisal Report).
3. Date of the Appraisal Review Report (Signature Date of the Review Report)

NOTE these dates should be provided in the appropriate form fields or, if no form field exists; please provide them in a comment in the addendum of the report. IF a value is being provided by the Reviewer, then the report must meet USPAP Standard 1 as applicable.

### **Enhanced Field Review Section**

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

- In addition to those requirements noted in the Field Review Standards above the Reviewer is required to include a minimum of two additional closed sales not utilized in the original appraisal report.

## Desk Reviews

Desk Reviews must be completed on the LSI1DR 09/2008 or DE 2008 form.

### **Exposure Time**

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

### **USPAP 2018-2019: Date Requirement**

Three dates are required to be reported in the review as required by USPAP 2018-2019 under Standards 3 & 4 (Appraisal Review, Development; and Appraiser Review, Reporting)

1. Date of the work under review (Signature date of the original appraisal report (OAR))
2. Effective date of the opinions or conclusions in the work under review (Effective Date of the Original Appraisal Report).
3. Date of the Appraisal Review Report (Signature Date of the Review Report)

NOTE these dates should be provided in the appropriate form fields or, in no form field exists; please provide them in a comment in the addendum of the report.

## Final Inspection / Compliance Inspection Report (CIR)

Conventional Finals must be completed on the 1004D form.

FHA/USDA Finals: Form to be determined by the Lender and will be designated on the order.

### **For any type of Final (2018-2019)**

- Per USPAP FAQ #25, a Final Inspection is NOT considered an extension of the original assignment unless it is part of the original agreement for services. A subsequent request would be a new assignment and as such requires disclosure in accordance with the Conduct Section of the USPAP Ethics Rule. Please disclose within the final inspection 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.
- Include AMC # and fee paid to Appraiser on the form.

### **FHA**

If the property is less than 90% complete and is ‘subject to’ completion per plans and specifications- then the final is on CIR92051. If the property is over 90% complete and is ‘subject to’ re-inspection for various items-(like customer selections, utilities on-systems verified) then the final is by the Appraiser on the 1004D form. (Photos of slope of site are required)

## Summary Updates

Summary Updates must be completed on the 1004D form.

### **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**

- 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.

### **For any type of Update**

Per USPAP 2018-2019 FAQ #25 a Final Inspection (Update) is NOT considered an extension of the original assignment unless it is part of the original agreement for services. A subsequent request would be a new assignment and as such requires disclosure in accordance with the Conduct Section of the USPAP Ethics Rule. Please disclose within the final inspection 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.)

## 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

### **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 state 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, comparable should be provided and identified, that fall under the same Military Airport Zone.
- Pool Barrier- state law or municipality laws cover the majority of properties with private in-ground pool or spa.
- Tucson Smoke detectors- link [http://cms3.tucsonaz.gov/files/fire-prevention/FAQ/Smoke\\_Detectors/smoke\\_detectors.html](http://cms3.tucsonaz.gov/files/fire-prevention/FAQ/Smoke_Detectors/smoke_detectors.html)

### **Colorado**

- Appraisal Management Company Number #AMC 200000070 must be disclosed in the report.
- House Bill 09-1091 requires homeowners and owners of rental property to install carbon monoxide alarms near the bedrooms (or other room lawfully used for sleeping purposes) in every home that is heated with fossil fuel, has a fuel-fired appliance, has a fireplace, or has an attached garage. This requirement applies to every home that is sold, remodeled, repaired, or leased to a new tenant after July 1, 2009.

### **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 MUST be made “subject to” the addition of carbon monoxide detectors, please explain in commentary.
  - Double strapped water heaters are required along with photo.

## **State Specific Requirements cont.**

### **California cont.**

#### **Zoning/Compliance/Car Storage (LA County)**

- When the subject property’s car 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.

### **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.

## **Appraisal Revisions and Reconsiderations**

1. Requested revisions are due within 24 hours from notification.
2. 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.
3. 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.**

The 2018-2019 USPAP FAQ 136 states:

“The date of the revised report should be the date that it is completed and transmitted to the client.”  
According to USPAP, a report is a communication “transmitted to the client upon completion of an assignment.”

Since, in this case, a new report is being completed and transmitted, it should be dated accordingly. This is true even when the only changes are minor corrections and the assignment results are unchanged.

- In addition, if the certification is dated, that date should also be based on the date the report is resubmitted. In the resubmission, the Appraiser is certifying the content of the revised report, so any certification date cannot precede the completion of the revisions

### **Reconsiderations**

Responses due within 2 business days or notify AAMS of expected delivery Date

**End of AAMS Product Standards**