

**ATLANTA HOME
OWNERSHIP CENTER
PROPERTY TRAINING 2012**

N. Dan Rogers III, AHOC Director
Debra F. Robinson, AHOC Deputy Director and Acting,
PUD Director

7/27/2012

***On Behalf of The AHOC and
Training Team, We Welcome
you Today.***

***PLEASE BE CONSIDERATE OF
OTHERS***

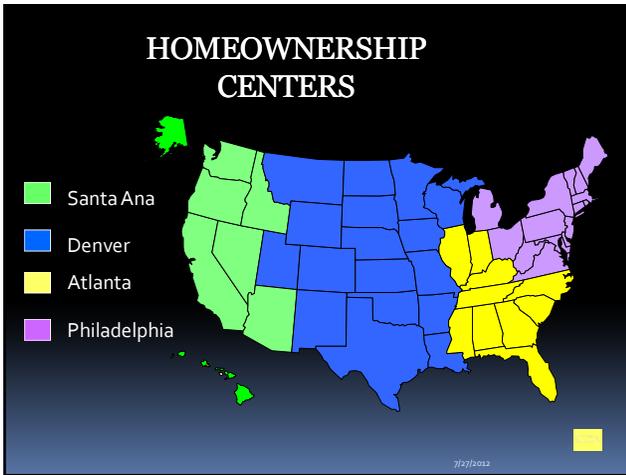
- 1. Please silence your cell phones and pagers.*
- 2. If you must answer your phone, please step out.*
- 3. If you must text, please respect your instructor and neighbors.*

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TECH. BRANCH SPEAKER

Malcolm Jefferson
Technical Branch I, Chief

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40 Marietta Street
Five Points Plaza 7th Floor
Atlanta, GA. 30303



The Need For This Presentation

This Presentation should serve:

- As an **Introduction** to the basics of FHA Appraisals;
- As a **Refresher** for Appraisers and lenders;
- To **Explain** official policy issues and Mortgage Letters.

Objectives

Our Objectives for today are to provide:

- Updates on policy and procedures,
- Review forms required by FHA ,
- Property condition requirements,
- Reconciliation – appraisal conditions,
- Encourage discussions and answer questions

DISCUSSION

- Resources
- New Mortgagee Letters
- URAR-Single family home
- URAR-Manufactured home
- URAR-Condominium
- URAR-Small income residential
- 203k
- REO
- FHA Quality control
- Appraiser & Appraisal Updates

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Resources

Resource Center:

www.HUD.gov

800-CALLFHA
(800-225-5342)

E-Mail: answers@hud.gov
FHA FAQ: www.hud.gov/answers

4/1/2010

Resources

- Appraisal requirements contained in **HUD Handbook 4150.2 CHG-1**
<http://www.hud.gov/offices/adm/hudclips/handbooks/hsgb/4150.2/index.cfm>
- Additional policy on appraisals and underwriting appraisals contained in **HUD Handbook 4155.2**
<http://www.fhaoutreach.gov/FHAHandbook/prod/index.asp>
- Supplemented by mortgagee letters.

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Resources

Handbooks:

- 4150.2 (6/99) Valuation Analysis
- 4150.1 REV 1 (3/90) Valuation Analysis
- 4145.1 REV 2 (12/91) Architectural Processing & Inspections
- 4905.1 REV 1 (3/91) Requirements for existing 1-4 family units
- 4910.1(7/94) Appendix K, MPS
 - Proposed construction – 1-4 family

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Information and Reference Links

- Jerry Mayer's Automatic Emails - <http://www.hud.gov/offices/hsg/sfh/ref/hsgregst.cfm>
- Appraiser's Page - <http://portal.hud.gov/portal/page/portal/HUD/groups/appraisers>
- Handbooks/Mortgage Letters - www.hud.gov/hudclips

WWW.HUD.GOV

"New" Website Homepage

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Mortgage Letters & Handbook for Roster Appraisers - Windows Internet Explorer

http://portal.hud.gov/hudportal/HUD/ce-portal/offices/housing/sf/loan/apprais...

Mortgage Letters & Handbook for Roster Appra...

HOMEOWNERS
LEARN MORE

Avoiding Foreclosure
Whether you're in foreclosure now worried about it in the future, we have information that can help.
LEARN MORE

- 2009-28 Appraisal Independence
- 2009-09 Fannie Mae Form 1044/UC/Freddie Mac Form 711 and Appraisal Reporting Requirements
- 2008-39 Revised Eligibility Requirements as a result of HERA
- 2008-36 Maximum Mortgage Limits for 2009
- 2008-29 Help For Homeowners Origination
- 2010-09 Second Appraisal Requirements and Limits on Cash-out Refinances - Superseded by 09-48
- 2007-11 FHA Secure Initiative and Guidance on Appraisal Practices in Declining Markets
- 2006-33 New Construction-Architectural Exhibits Requirements for SF Properties
- 2006-24 Revised HUD-92564-CN For Your Protection, Get a Home Inspection
- 2006-14 Property Flipping Prohibition Amendment
- 2006-09 Revised Appendices A and C to Handbook 4150.2, Change 1
 - Table of Contents
 - Appendix A
 - Appendix C
- 2005-48 Repair/Inspection Requirements Existing Properties/Revisions to Appraisal Protocol
- Attachment
- 2005-34 Adoption of
 - 2005-06 Lender Accountability
 - 2005-02 Seller Concessions and Verifications of Sale
 - 2000-30 Performance & sanctions matrix & attachment

Reference Materials

- Handbook HUD-4150.2
- Revised Table of Contents
- Revised Appendix A
- Revised Appendix C
- Revised Appendix D
- HUD Reference Guide

FHA Appraisal Report Mob. Desc.

**POLICY
RESOURCES**

Recent Mortgagee Letters:

Mortgage Letter 11-30

- **ML 11-30: The Uniform Appraisal Dataset (UAD) and appraisal reporting forms**
 - Mandatory for all case numbers assigned on or after **January 1, 2012, and**
 - For all appraisals performed on HUD real estate owned (REO) and Pre-Foreclosure Sale (PFS) properties with an effective date on or after **January 1, 2012**

New FHA appraisal reporting requirements

The following table identifies which appraisal reporting forms have been modified by the UAD and which modified forms will be required and/or accepted by FHA.

	UAD Modified Appraisal Form	Fannie Mae/ Freddie Mac Form #	FHA Required
1	Uniform Residential Appraisal Report	Fannie Mae 1004 Freddie Mac 70	Yes
2	Individual Condominium Unit Appraisal Report	Fannie Mae 1073 Freddie Mac 465	Yes
3	Exterior-Only Inspection Residential Appraisal Report	Fannie Mae 2055 Freddie Mac 2055	Not accepted
4	Exterior-Only Inspection Individual Condominium Unit Appraisal Report	Fannie Mae 1075 Freddie Mac 466	Not accepted

UAD Field Specific Requirements and FHA Compliance

FHA Roster appraisers must become familiar with the modified appraisal forms, including the UAD field specific requirements detailed in Appendix D of the Uniform Mortgage Data Program and which is posted on the web sites of [Fannie Mae](#) and [Freddie Mac](#). Except for the cases listed below, FHA Roster appraisers must comply with the instructions and requirements as provided by the GSEs in Appendix D.

The following table identifies FHA specific compliance requirements:

UAD Field Specific Requirement	Appraisal Form Section	FHA Requirement
Select relevant subject condition rating	Improvements	"Subject to" select the as-repaired condition
Input room count and finished/unfinished basement areas	Sales Comparison Grid Basement & Finished Rooms Below Grade	Enter only verifiable data and cite source in the addendum
Appraisal made "as-is," "subject to"...	Reconciliation Section	"As-is" only for HUD REO or PFS properties
Enter Appraiser Trainee and Supervisory Appraiser Information	Appraiser Certification Section (Pg. 6)	Supervisory appraisers and trainees are not permitted

FHA Appraisal Reporting Requirements Remain in Effect

FHA Roster appraisers are reminded that all FHA appraisal reporting requirements remain in effect and are in effect. Appraisers must continue to perform the research necessary and exercise the due diligence to produce a credible and accurate appraisal. The UAD field specific requirements are not a substitute for, and do not exempt, FHA Roster appraisers from the requirement to provide adequate explanations in the addendum of the reporting form regarding methodology, anomalies, property deficiencies and other conditions that may have an impact upon the value of a property and its marketability.

In all cases, a property's compliance with Minimum Property Standards (new construction) and Minimum Property Requirements (existing construction) must be thoroughly addressed by the appraiser. FHA Roster appraisers are reminded that the Statement of Insurability is also required for all appraisals performed on HUD REO properties.

Mortgagee Letter 2011-07

- **Elimination of the Master Appraisal Report (MAR)**

- Effective January 12, 2011,
- No new case numbers assigned
- Require an appraisal be performed

Mortgagee Letter 2010-43

- **Flood Zone Requirements**

- Effective for all case numbers assigned on or after March 1, 2011.
- Obtain life-of-loan flood zone determination
- Coastal Barrier Resource System (CBRS) unit is not eligible for an FHA-insured mortgage.

Mortgagee Letter 2010-15

- **Notifies of Changes to Data Entry Requirements in FHA Connection**

- Effective 02/15/10
- No Assigned Appraiser
- The effective date of the appraisal **must be** after the case number assignment date except in certain limited circumstances

Mortgage Letter 2010-15

- Limited Circumstances:
 - Ordered as a conventional
 - HUD REO or government guaranteed loan purposes
 - Mortgagee must ensure that the appraisal was performed in accordance with HUD/FHA Guidelines

Mortgage Letter 2010-13

- Appraisal Update and/or Completion Report (Fannie Mae Form 1004D/Freddie Mac Form 442/March 2005):
 - Two additional prohibitions,
 - Market Conditions Form must be completed,
 - Defines the validity periods.

Mortgage Letter 2009-51 1004-D - Part A/Summary - Appraisal Update

- Extends existing appraisal about to expire
 - Completed by original FHA Roster appraiser
 - NOT for properties that have declined in value
 - Valued improvements must be visible from street
 - NOT when inspection reveals deficiencies or changes
- 2010-13 – Only update once

Mortgage Letter 2009-51
1004D - Part B/Completion Report

Does not replace HUD-92051 (CIR) for new construction & manufactured housing

- Completed by any FHA Roster appraiser
- Appraiser MUST:
 - Review requirement/conditions noted in A. report
 - Inspect item(s) & confirm completion/satisfaction
 - Describe value impact if item(s) not completed

Appraiser Qualifications

- Appraisers must...*be certified by the State in which the property to be appraised is located; or by a nationally recognized professional appraisal organization;*
- Appraisers must also...*have demonstrated verifiable education in the appraisal requirements established by the Federal Housing Administration.*

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**REQUIREMENTS AND
COMMON DEFICIENCIES**

URAR FORMS: 1004, 1004c, 1073, & 1025

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Appraisal Requirements are Constant Between FHA Programs

- 203b = Single family (1-4 units)
- 203k = Rehab loan
 - Streamlined(k)
- 203h = Disaster Victims
- GNND = Good Neighbor Next Door
- HECM – FHA’s reverse mortgage
- EEM – Energy Efficient Mortgage



The FHA Appraisal

- Intended Use
 - To support FHA insuring and underwriting requirements
- Intended Users
 - Lenders
 - HUD/FHA – must be included as Intended User
- Effective Date
 - Date of property visit

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PURPOSES OF THE FHA APPRAISAL

1. Determine eligibility for FHA mortgage insurance based on the property’s condition and location.
2. Estimate property value for FHA insurance purposes.

FHA Accepted Appraisal Forms

- [Fannie Mae form 1004 \(URAR\)](#) 1 unit SF
- [Fannie Mae form 1004C](#) Manufactured Home
- [Fannie Mae form 1073](#) Condo
- [Fannie Mae form 1025](#) 2-4 unit properties
- [Fannie Mae form 1004D](#) Update &/or Completion
 - ❖ PART A Summary Appraisal Update Report
 - ❖ PART B Completion Report
- [Fannie Mae form 1004MC](#) Market Conditions Addendum
 - ❖ Used with ALL FHA Appraisals

Valuation Package

Appraisal Report

- Required Exhibits
 - **Map**
 - **Sketch**
 - **Photographs (Subject & Comparables)**
- Appraisal package must be completed in its entirety by the assigned appraiser

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Required Exhibits

Photographs are to:

- Show front and rear at opposite angles to show all sides of subject property and all improvements
- Show street scene
- Be at least a single photo of each comparable
- Show the grade of the vacant lot; proposed construction
- Be taken by appraiser (no people in photos)
- Be original photographs, MLS photos are not to be used as primary photo

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What do you think?



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Why FHA Won't Do A Drive By



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Required Exhibits

Sketch

Improvements should include:

- **Garage(s)**
- **Deck(s)**
- **Patio(s)**
- **Porch(es)**



Dimensions must be included for all improvements.

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Subject Section

Common Deficiencies

- Assessors Parcel Number
- Real Estate Taxes
- Neighborhood Name
- PUD Identified
- HOA Fee Missing

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Contract Section

URAR 1004

<input type="checkbox"/> did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.			
<small>CONTRACT</small>			
Contract Price \$	Date of Contract	Is the property seller the owner of public record?	<input type="checkbox"/> Yes <input type="checkbox"/> No Data Source(s)
Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower?		<input type="checkbox"/> Yes <input type="checkbox"/> No	
If Yes, report the total dollar amount and describe the items to be paid. \$ _____			



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Subject Section

Twelve Month Listing History

USPAP Standard Rule 1-5(a):

Requires the appraiser to “analyze all agreements of sale, options, and listings of the subject property current as of the effective date of the appraisal”

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Subject Section

FHA Requirements

- The appraiser's certification states in part, *"I have researched, verified, analyzed and reported on any current agreement of sale of the subject property, any offering for sale of the subject property in the twelve months prior to the effect date of the appraisal..."*

- Report all listing dates, offering prices and data sources for the prior 12 months

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Contract Section

Contract Price:

- Enter the final agreed upon contract price.

Contract Date:

- The Atlanta HOC regards the date of contract as the date all parties execute the sales agreement.

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Contract Section

Sales Concessions:

- The appraiser is to report any financial assistance (loan charges, sales concessions, gift or down payment assistance, etc.) paid by any party on behalf of the borrower.
- If the sale involves personal property (e.g. above ground pool, lawn mower, furniture, etc.) it should be identified and excluded from the valuation.

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Appraisals in Declining Markets

(Mortgage Letters 07-11)

Appraiser Responsibilities:

- Perform objective analysis of quantifiable data
- Determine if property values in subject area are increasing, stable, or declining
- If located in a “declining” area, report in the Neighborhood Section as well as in the housing trend section and/or determine if there is an “over-supply” of properties

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Appraisals In Declining Markets

Appraiser Determination

- Recorded by appraiser in *One-Unit Housing Trends* portion of *Neighborhood* section on appraisal.
- Must be identified by the conclusions of the Fannie Mae 1004MC, Market Conditions Addendum. The appraiser must provide a summary comment and support for all conclusions relating to the market trend.

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Appraisals In Declining Markets ML 2009-09

- Form 1004MC, *Market Conditions Addendum*. <http://www.fhaoutreach.gov/FHAHandbook/prod/infomap.asp?address=4155-2.4.4.c>
- Required on all FHA appraisals.
- Appraisals of properties located in declining markets must include at least 2 comparable sales that closed within 90 days and 2 current listings.
- In cases where compliance with this requirement is difficult or not possible due to the lack of market data, a detailed explanation is required.

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Site

Dimensions	Area	Shape	View
Specific Zoning Classification <input type="checkbox"/> Zoning Description			
Zoning Compliance <input type="checkbox"/> Legal <input type="checkbox"/> Legal Nonconforming (Grandfathered Use) <input type="checkbox"/> No Zoning <input type="checkbox"/> Illegal (describe)			
Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) its present use? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe			
Utilities		Off-site Improvements—Type	
Public	Other (describe)	Public	Private
Electricity <input type="checkbox"/>	Water <input type="checkbox"/>	Street <input type="checkbox"/>	<input type="checkbox"/>
Gas <input type="checkbox"/>	Sanitary Sewer <input type="checkbox"/>	Alley <input type="checkbox"/>	<input type="checkbox"/>
FEMA Special Flood Hazard Area <input type="checkbox"/> Yes <input type="checkbox"/> No FEMA Flood Zone		FEMA Map #	FEMA Map Date
Are the utilities and off-site improvements typical for the market area? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe			
Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe			

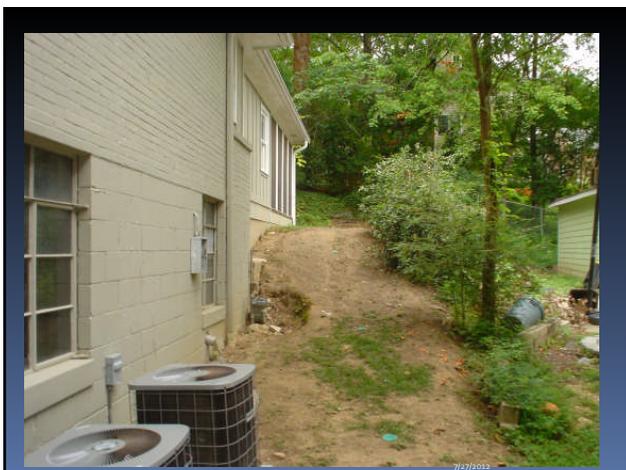
FHA requires the appraiser to disclose if any property is subject to hazards that endanger the physical improvements, affect livability, marketability or health and safety of occupants

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Site Hazards & Nuisances

- Subsidence
- Active or planned drill sites
- Above ground stationary storage tanks
- High voltage transmission lines/towers
- Grading and drainage
- If evidence of existing problems, property may not be eligible. Appraiser should explain on page 1 of the URAR

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Without Proper Drainage You Have Problems

Site Problem/Foundation Problem



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What should you do?



Site Hazards & Nuisances

Excessive noise or hazard from heavy traffic area:

- Heavy traffic noise does not render property unacceptable
- Market acceptance is important
- Quantify effect on market value due to proximity

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Individual Water Supply & Sewage Systems

- Appraiser is not required to sketch distances
- Report and call for inspection of readily observable deficiencies of well or septic systems or HUD and state and local separation distances
- Report availability of connection to public or community water/sewer system
- Appraiser **must identify noncompliance**

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Does Septic Tank Comply With Local Code?



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Probably Not An Acceptable Septic



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Septic Line Just Past The Fence Line



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Site Hazards & Nuisances

- If unclear as to the severity of the condition, report it, and submit the completed report;
 - ❖ The **lender** is responsible to clear the condition
 - ❖ The **lender** decides whether to accept the property

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Common Deficiencies – Site Section

Appraisal Fails to Address in the Comment Section:

- Zoning issues
 - Incorrect identification
 - Classification not described
- Boundary dimensions and site areas
- Incorrect FEMA designation
- Private roads
- Well & septic not identified correctly

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Improvements/Accessory Unit

What is an Accessory Unit?

General Description
Units <input type="checkbox"/> One <input type="checkbox"/> One with Accessory Unit
of Stories
Type <input type="checkbox"/> Det. <input type="checkbox"/> Att. <input type="checkbox"/> S-Det./End Unit
<input type="checkbox"/> Existing <input type="checkbox"/> Proposed <input type="checkbox"/> Under Const.
Design (Style)
Year Built
Effective Age (Yrs)

- Separate Additional Living Unit
- Separate Kitchen, sleeping, and
- Bathroom Facilities
- Attached or Detached
- On single family lot

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Accessory Units



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Accessory Units



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Crawl Space

- What should the appraiser check for when inspecting the crawl space or slab?
 - **Blocked or inadequate access**
 - **Space inadequate for maintenance and repair (recommended 18 inches)**
 - **Support beams not intact**
 - **Dampness or ponding of water**
 - **SLAB**
 - Cracks that could affect structural soundness

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Foundation/Basement



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Structural Conditions & Foundation



Ceiling cracks from foundation movement

Foundation movement

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Property Condition Requirements

- May require subsequent repairs:
 - Cracked masonry or foundation damage;
 - Drainage problems/standing water against foundation/Structural;
 - Hazardous material on the site;
 - Faulty, defective or inoperable mechanical systems

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Attic

Attic	<input type="checkbox"/>	None
<input type="checkbox"/> Drop Stair	<input type="checkbox"/>	Stairs
<input type="checkbox"/> Floor	<input type="checkbox"/>	Scuttle
<input type="checkbox"/> Finished	<input type="checkbox"/>	Heated

- **Inadequate access**
- **Evidence of holes**
- **Support structure not intact or damaged**
- **Significant water damage visible from interior**
- **No ventilation by vent, fan or window**
- **Missing insulation**

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Hmmmm?

**WHY WE INSPECT THE
ATTICS AND CRAWL
SPACES?**

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Read Please



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Quick Fix



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Needs some work?



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“Missed it by...”



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That should fix it..



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Mechanical Systems

- All utilities should be on at the time of appraisal inspection



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Electrical System

- Do electrical switches function?
- Presence of sparks or smoke from outlet(s)
- Exposed, frayed or unconnected wiring



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All purpose tape and it glows



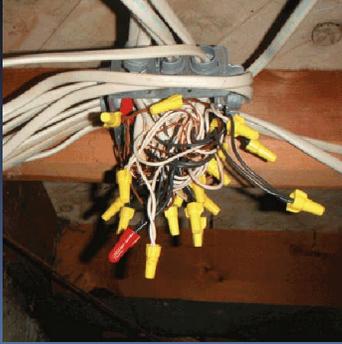
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Who needs breakers?



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The kitchen is the yellow.



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It works!!!



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Plumbing System

Water

- ✓ Drop or limitation of pressure
- ✓ No hot water

Toilet

- ✓ Toilets do not function
- ✓ Presence of leaks

Sinks/Bathtubs/showers

- ✓ Basin or pipes leak
- ✓ Water does not run



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Training potty for adults?



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It fits..



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Improvements

Appliances <input type="checkbox"/> Refrigerator <input type="checkbox"/> Range/Oven <input type="checkbox"/> Dishwasher <input type="checkbox"/> Disposal <input type="checkbox"/> Microwave <input type="checkbox"/> Washer/Dryer <input type="checkbox"/> Other (describe)			
Finished area above grade contains:	Rooms	Bedrooms	Bath(s)
Additional features (special energy efficient items, etc.)			
Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.)			
Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe			
Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe			

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Hold it up



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Property Condition Requirements

- Consider and describe overall quality and condition of property
- Identify items that require immediate repair (health & safety, structural soundness)
- Identify items where maintenance has been deferred, which may not require immediate repair
- Photo documentation of property condition is always advisable

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Property Condition Requirements

Typical conditions that would require further inspection and/or repair by qualified individuals or entities that may require subsequent repairs:

- Infestation – evidence of termites;
- Inoperative or inadequate plumbing, heating or electrical systems;
- Structural failure in framing members;
- Leaking or worn-out roofs

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Property Condition Requirements

- FHA does not require automatic inspections for the following items and/or conditions in existing properties unless mandated by State or local jurisdiction, customary in the area or lender required:

- Well (individual water system)
- Termite
- Flat and/or unobservable roof

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Minor Property Deficiencies

- Deferred maintenance
- Normal wear and tear
- “As Is” appraisal permitted
- ML 2005-48

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Major Property Deficiencies

- Health and Safety
- Security
- Soundness
- Structural integrity

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Three “S’s”

Repairs are to be limited to necessary requirements; the 3 S’s

Safety - the health and safety of the occupants,

Security - preserve the continued marketability of the property,

Soundness - the structural integrity.

Clearing Conditions

Inspection by Appraiser

- MUST be in the appraiser’s scope of **EXPERTISE**
- Appraiser can not issue MH foundation certification

Inspection of major structural items

- FHA Compliance Inspector, licensed architect or engineer, or appropriately licensed trades person
- Certifications to be on letter head of licensed persons

Compliance Inspection Report HUD-92051 (CIR)

- The CIR may be used by FHA Fee Inspectors, Roster Appraisers, and/or DE Lenders:
 - Appraisers may use the CIR for “repair issues” only
 - Appraisers may use the CIR to certify completion of New Construction!

1004D

The 1004D is Acceptable to Clear Repairs for Existing Properties

Remember

- The nature and degree will determine whether the said deficiency requires repair;
- Appraiser must provide cost estimate for required repair;
- The lender is responsible to clear the condition;
- The lender decides whether to accept the property.

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On your mark, get set...Ahhhhh!!!



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Sales Comparison Approach

Sales Comparison Grid:

- Market based adjustments
- Line item adjustments exceeding 10% require explanation
- Net adjustments > 15% and gross adjustments > 25% requires explanation

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Sales Comparison Approach

Common Deficiencies:

Comparable Range

- Failure to report price range of comparable listings and sales

Sales Comparison Grid

- Proximity to subject distance and direction
- Verification sources
- Reporting financing and concessions
- Use of generic terms
- Confusing abbreviations
- Inconsistent reporting of subject features or condition

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Sales Comparison Approach

Common Deficiencies:

Prior sales

- Failure to report prior sales of subject and comparable sales

Summary of Sales Comparison Approach

- Concessions
- View & Site
- Age & Condition
- Amenity
- Recommended adjustment guidelines

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Sales Comparison

▪ A True Comparable Sale:

- Will Resemble the Subject Property
 - In As Many Areas as Possible,
 - Location

▪ Have Time of Sale/Time Adjustments

- Closed within six months (no more than 12 months),

ATYPICAL COMPARABLES

- Foreclosures
- Short Sales
- Distressed Sales

No Contributory Value?

- Appraisers are not to assign “zero” value just to avoid addressing FHA requirements!
- Zero value is often placed on accessory structures that were
 - added without permits; or
 - exhibit costly defects
- Zero value may mean removal of the structure

Income Approach

Income Approach is generally not recognized as a basis for buying by the market.

Income Approach is not required for FHA appraisals completed on the *Fannie Mae Form 1004*.

Enter “N/A” in each blank field in this section of the report.

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Reconciliation

(Handbook 4150.2, Appendix D)

URAR 1004

Indicated Value by:	Sales Comparison Approach	Cost Approach (if developed)	Income Approach (if developed)

This appraisal is made: "as is," subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair: _____

Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my best opinion of the market value, as defined, of the real property that is the subject of this report is \$ _____ as of _____, which is the date of inspection and the effective date of this appraisal.

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Reconciliation

Conditioning the Appraisal

- As Is
 - **No repairs, alterations or required inspections**
 - **Establishing the "as is" value for 203(k)**
 - **Recommending the property for rejection**
- Subject to Completion per Plans & Specs (less than 90% complete)
- Subject to Repairs or Alterations (90% or more complete)
- Subject to Required Inspection

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Stage?



Stage?



Stage?



Defining Stage of Construction is Important

- Appraisers are required to describe the stage of construction,
 - **Suggested Codes:**
 - Use "P" for Proposed
 - Use "UC" for Under Construction
 - Use "E" for 100% complete (<1 year old)

Construction Exhibits for Appraiser

- Proposed or Under Construction less than 90% complete:
 - Builder's Certification of Plans, Specifications and Site
 - Complete set of Plans and Specifications
 - Description of Materials
- Appraise "... **subject to completion per plans and specifications ...**" and a final inspection by a fee inspector

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Builder's Certification (form HUD-92541)

Builder's Certification of Plans, Specifications, & Site U.S. Department of Housing and Urban Development Office of Housing Federal Housing Commissioner OMB Approval No. 2502-0495 (exp. 02/28/2009)

Property Address (street, city, state, ZIP code) Subdivision Name

Mortgagee (Lender's) Name & Address (Use the lender who closed the loan) File Case Number

Phone Number

I. Site Analysis Information: To be completed on all proposed and newly constructed properties regardless of LTV ratio.

a. Flood Hazard: Are the property improvements in a Special Flood Hazard Area (SFHA)? Yes No

1) Provide the community number and date of the Flood Insurance Rate Map (FIRM) used to document your answer. Community Number _____ Map Date _____

2) Is the community participating in the National Flood Insurance Program and in good standing? Yes No

3) If "yes" to 1a, above, attach:
 (i) a Letter of Map Amendment (LOMA); or
 (ii) a Letter of Map Revision (LOMR); or
 (iii) a signed Floodway Certificate documenting that the lowest floor (including basement) is built in compliance with 24 CFR 200.205(a)(4).

b. Hazards: Is the property located within 1000 feet of a highway, freeway, or heavily traveled road? Yes No

Within 5000 feet of a railroad? Yes No

Within one mile of a coal or oil field or 5 miles of a military airfield? Yes No

c. Runway Clear Zones / Clear Zones: Is the property within 2000 feet of a civil or military airfield? Yes No

If "yes," is the property in a Runway Clear Zone / Clear Zone? Yes No

d. Erosion/Retention/Retreatable Storage Hazard: Does the property have an unobstructed view, or is it located within 2000 feet of any nearby housing or existing agriculture or farm production? Yes No

e. Toxic Waste Hazards: Is property within 5000 feet of a dump or landfill, or is it on an EPA Superfund (RFS) list or equivalent State list? Yes No

f. Reasonable Hazard or Adverse Conditions:

(1) Does the site have any rock formations, high ground water levels, inadequate surface drainage, springs, sinkholes, etc.? Yes No

(2) Does the site have unstable soils (expansive, collapsible, or erodible)? Yes No

(3) Does the site have any excessive slopes? Yes No

(4) Does the site have any rock pits? Yes No

If "yes" to f, b, c, d, e, or f, attach a copy of the State-licensed engineer's (note and attached) reports, designs, and/or calculations showing compliance with HUD requirements to ensure the structural soundness of the improvements and the health and safety of the occupants. Refer to HUD Handbook 41-45.1 and FHA Data Sheet 703.

Construction Exhibits for Appraiser

- Under Construction 90% or more complete:
 - Builder's Certification of Plans, Specifications and Site
 - Do you need Plans and Specs and Description of Materials?
 - Appraiser notes any repairs and/or alterations required
- Appraisal is completed "... **subject to the following repairs or alterations ...**" and a final inspection by a fee inspector

7/27/2012

Construction Stage

When is a home appraised as 100% complete?

- Home is 100% completed with all utilities on and fully functional

Appraisal can then serve as final inspection

Appraise "...As Is..."

7/27/2012

UNIFORM RESIDENTIAL APPRAISAL REPORT (URAR)

URAR- Form 1004C
Manufactured Homes
ML 2009-16

7/27/2012

Manufactured Homes

Manufactured Homes Must Comply With All Current and Regulations. ML 2009-16

- The home must have been built after June 15, 1976
- Never occupied at any other location
- Be at least 400 square feet living area
- Be titled and taxed as real estate
- Licensed, local engineer must certify the foundation system is in compliance with the "Permanent Foundations Guide for Manufactured Housing" (9/96)
- If used as a model home on the dealers lot, that is okay. If moved from the dealers lot to a storage facility, this is not okay

7/27/2012

Title II Eligibility

HUD Handbook 4155.2 4.2.b & ML 2009-16

- Must be designed to be used as a dwelling with a permanent foundation built to FHA criteria
- Must not have been previously installed or occupied at any other site or location

Non-compliance = Reject

Engineer's Certification on Foundations Compliance

ML 2009-16

An Engineer's Certification on Foundation Compliance with the PFGMH must be:

- > Completed by a licensed professional engineer or registered architect; licensed/registered in the state where the manufactured home is located
- > Site specific and contain the engineer's or registered architect's signature, seal, and/or state license/certification number
- > Contained in both the lender's loan file and the insuring binder when submitted to FHA

Engineer's Certification on Foundations Compliance

ML 2009-16

An Engineer's Certification on Foundation Compliance is not required in the loan file or insuring binder for:

- > FHA-to-FHA refinance transaction, provided that no modifications have been made to the foundation or structure from the date of the effective certification.
- > FHA-HUD Real Estate Owned (REO) Division sales.

“Site” Section

FEMA Special Flood Hazard Area
(SFHA)
(100 Year Frequency)

- MH w/o basement, the finished grade level beneath must be at or above the SFHA.
- MH with basement - the grade beneath the basement floor shall be at or above the SFHA



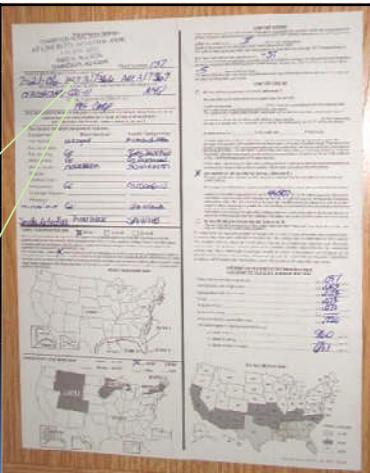
DATA
PLATE



Compliance
Certificate

HUD
Certification Label #

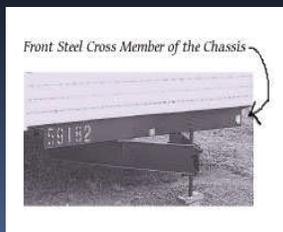
Serial Number(s)



Manufacturer's Serial Number
≠ HUD Label Number



HUD Label
(rear of section)



Serial Number / VIN #

IBTS
HUD Label Verification Request

www.ibts.org

Missing Label

Copy of verification must be in insuring binder

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Perimeter Enclosure
ML 2009-16



- Shall be a continuous wall,
- Must be adequately secured,
 - If the perimeter enclosure is non-load bearing there must be adequate backing to permanently attach, support & reinforce the skirting.



“Improvement” Section

Permanent connection to water, sewage system and other utilities required.

Report the quality of construction using:



- NADA Manufactured Housing Appraisal Guide
- Marshall & Swift Residential Cost Handbook; or,
- Other published cost service



Cost Approach & Manufactured Homes

- Required for new manufactured homes
- For existing manufactured homes, enter the “Opinion of Site Value”



Cost Guide



- Provide name of cost service used
 - Include reference page numbers
 - Edition & date of latest updates referenced
- Provide adequate information for the lender/client to replicate the cost figures and calculations used



Appraising MH in a Condo Project



- Use FNMA Form 1004C
- Attach & complete Project Information section of the FNMA 1073 (Individual Condo)
- Comparables must be condo manufactured homes
 - Detailed explanation required when search parameters are expanded due to lack of comparables in subject market area

ML 2011-22

Additions



7/27/2012

Manufactured Home Subject



7/27/2012

What Do You Think?



7/27/2012

Is This Eligible ??



7/27/2012

Manufactured Mansions



7/27/2012

UNIFORM RESIDENTIAL APPRAISAL REPORT (URAR)

URAR- Form 1073
Condominium

7/27/2012

Condo or Townhome?



7/27/2012

Condo or Townhome?



7/27/2012

Condo, Office, or Hotel?



7/27/2012

Single Family or Condo?



7/27/2012

Condo or Co-op?



7/27/2012

Report Form 1073 Subject Section

Individual Condominium Unit Appraisal Report					File #
<small>The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.</small>					
Property Address	Unit #	City	State	Zip Code	
Borrower	Owner of Public Record		County		
Legal Description					
Assessor's Parcel #	Tax Year		R.E. Taxes \$		
Project Name	Phase #	Map Reference	Census Tract		
Occupant <input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant	Special Assessments \$	HOA \$	<input type="checkbox"/> per year	<input type="checkbox"/> per month	
Property Rights Appraised <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)					
Assignment Type <input type="checkbox"/> Purchase Transaction <input type="checkbox"/> Refinance Transaction <input type="checkbox"/> Other (describe)					
Lender/Client	Address				
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input type="checkbox"/> Yes <input type="checkbox"/> No					
Report data source(s) used, offering price(s), and date(s)					

7/27/2012

Condo or PUD?

Condominium

- Any mortgage covering a one-family unit in a project coupled with an undivided interest in the common areas and facilities which serve the project.
 - May include dwelling units in detached, semi-detached, row garden-type, low or high rise structures
- * **Note:** 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".

PUD (Planned Unit Development)

- If the development contains common areas and facilities owned by a homeowners' association to which all homeowners must belong and to which they must pay lien-supported assessments

7/27/2012

Condo Valuation Protocols

Appraiser must analyze Declaration or Master Deed

Appraiser must analyze Homeowners Assoc. Bylaws

Appraiser must analyze Homeowners Assoc. operating budget

Declaration of Condo, Master Deed, and HOA are publically recorded documents at county court house; sometimes on line

The operating budget is available from HOA

Omission of any of the preceding fails to complete Scope of Work for condo valuation

When appraiser fails to attain budget, explanation must be provided.

7/27/2012

Condo Valuation Protocols

Condominium unit analysis requires additional considerations:

Floor level location;

Location within project or building. Positive or negative view attributes;

supply/demand among varying unit models;

Atypical attributes: i.e. covered or enclosed parking purchased with units, private balconies, storage lockers, etc...

7/27/2012

UNIFORM RESIDENTIAL APPRAISAL REPORT (URAR)

URAR- Form 1025
Small Income Residential
2-4 Unit

7/27/2012

Appraisal Form 1025

Small Residential Income Property Appraisal Report

- This report form is designed to report an appraisal of a two-four unit property.
- A 4-unit dwelling with an accessory unit is ineligible for FHA financing
- If one or more of the units a manufactured home, the appraiser completes the HUD Data Plate and Improvements section and include in the report
- If a two - four unit property is located within a condo project, the appraiser completes the Project Information section of the 1073 and include it in the report.

7/27/2012

203K



7/27/2012

Standard 203 (k)

Eligible Properties:

- One to four family dwelling that has been completed for 1+years
- If you can use any part of a home (i.e. the foundation) you can use the “K” to build a new one.
- Move-on
- Mixed use (business = no more than 25% - 1 floor; 49% - 2 floor; or 33% - 3 story)
- Condominiums in projects that have been approved by FHA

7/27/2012

Standard 203 (k)

Appraisals:

- As-Repaired {market value} required by FHA
- As Is, maybe requested by the lender
- Appraiser’s Fee

7/27/2012

Streamlined (k)

MORTGAGEE LETTER 2005-50
(Replaces Mortgage Letter 2005-19)

The Streamlined (k) limited repair program is intended for uncomplicated rehabilitation and/or improvements to a home for which plans, consultants, engineers and/or architects are not required.



7/27/2012

Streamlined (k) Appraisal Requirements

- Appraiser must note any health and safety deficiencies or conditions;
- A description of the proposed repairs and/or improvements must be included;
- The appraiser is to indicate an “after-improved” value in the reconciliation section.

7/27/2012

ENERGY EFFICIENT MORTGAGE (EEM)



7/27/2012

EEM Appraisal Protocol

- Disclose EEM items if known
- Value contribution not mandatory
- Final certification by fee inspector

7/27/2012

Procedures and Policies
HUD REO APPRAISALS
HUD REO APPRAISALS
7/27/2012

FHA Appraiser

- The FHA (Roster) Appraiser :
 - Reports fair market value in “as-is” condition;
 - Ensures FHA’s MPR (minimum property requirements) guidelines,
 - Establishes the list price for the REO property,
 - Performs the same duties.

APPENDIX A
HB 4150.2

VALUATION OF REAL ESTATE
OWNED PROPERTIES

APPENDIX A GUIDE

- Scope:
 - In accordance with USPAP and HUD/FHA
- Contractual Responsibility of Appraisers:
 - Appraiser “hired” by the AM
- Intended Use of Appraisal:
 - Determine the Listing Price

APPENDIX A GUIDE

- Intended User:
 - The AM, lender, and HUD/FHA
- Statement of Insurability
 - Insurable
 - Insurable with Repair Escrow
 - Uninsurable
- Effective Date of Value
 - Site visit date

HUD REO APPRAISAL REPORT

HUD REO APPRAISAL REPORT

- The appraisal report consists of:
 - The applicable reporting forms,
 - (1004, 1025, 1075, and 1004c),
 - All required exhibits
 - Property sketch
 - Street map
 - A copy of the Property Condition Report

HUD REO APPRAISAL REPORT

Requirements:

- 1004 MC
- Photographs
 - Subject Photographs;
 - Representative interior photos ;
 - Street scene
 - Comparable photos

HUD REO APPRAISAL REPORT

- Identify assignment as: "Other";
- Indicate the property type: "HUD REO property";
- HUD REO properties are to be appraised: "as is";
- The market value is as of the effective date of the appraisal.

HUD REO APPRAISAL REPORT

- URAR page 1
 - Flood Zone Requirements
 - Septic Well Requirements
 - Subject
- URAR page 2
 - 2 Comparable sales within 90 days
 - 2 Comparable sales within 6 months
 - Use of REO comparable sales

HUD REO APPRAISAL REPORT ORDER

- Cover Page
- Report
- Additional Comparables and Listings
- Text Addendum
- MPR Addendum
- 1004MC

HUD REO APPRAISAL REPORT ORDER

- Sketch
- All photos of the Subject property
- Comparable photos
- Maps (Location and Flood Map)
- Appraiser's License
- ECR (Environmental compliance record)
- PCR (Property condition report)

HUD REO APPRAISAL REQUIREMENTS

- ### HUD REO APPRAISAL REQUIREMENTS
- The FHA Case Number.
 - PCR must be provided to the appraiser
 - The statement of insurability is reported in **bold font**,
 - This Statement of Insurability indicates if the property can be sold with FHA mortgage insurance.

- ### HUD REO APPRAISAL REQUIREMENTS
- Statement of Insurability:
- Properties are marketed and sold based on the condition of the property existing at the time of listing
- **INSURABLE-**
 - “as is” condition-no repairs

HUD REO APPRAISAL REQUIREMENTS:

Statement of Insurability cont,

- **INSURABLE WITH REPAIR ESCROWS**
Repairs of less than \$5000
- **UNINSURABLE**
Repairs greater than \$5000

172

APPRAISAL REQUIREMENTS

- The appraiser must report any/all deficiencies.
- Cost-to-cure.

MPR Addendum

Subject: 109 Woodlawn Plantation FHA Case # [REDACTED]

Client: Home Telos-1A

The Property Condition Report (PCR) was provided to the appraiser by the client and is included within this appraisal. The report has been retained by the appraiser and is part of the appraiser's work file.

The mechanical systems were not checked for functionality by the appraiser; however a visual inspection was performed. PCR report indicated that all systems were listed in satisfactory condition unless otherwise noted below.

Insurable With Statement: Insure with repair escrow. The subject property can be sold as insured with a repair escrow, because the cost of repairs necessary to meet FHA's Minimum Property Requirements are estimated to be \$5,000 or less.

Buyer Incentives: Repair/replace damaged carpet.

The intended use for an REO appraisal is to estimate the "as is" market value of the property in order to provide a basis for determining the listing price of the property for marketing purposes.

The intended user of a REO appraisal is the M&M contractor, the lender (under certain circumstances) and HUD/FHA

Minimum Property Requirements (MPR) Repairs

Item Noted:	Required Repair	Estimated Cost:	Noted on PCR?
Replace AC Condenser		\$1500	On PCR

HUD REO's

ML 2010-08

REO Second Appraisals:

- A second appraisal may not be ordered to support a higher purchase price;
- A second appraisal can be ordered only to support a higher sale if there are material deficiencies with the current appraisal;
- Or the current appraisal will not be valid on the date of contract ratification.

The DE underwriter is responsible for this decision.

7/27/2012

Appraisal Portability

ML 2009-29

When the borrower requests that the case be transferred to a new lender...

- The lender is expected to transfer the case number to the new lender.
- The First lender is expected to provide the appraisal to the new lender.
- No new fee is due the appraiser.
- FHA does not require that the appraisal bear the name of the new lender.
- The new lender is not permitted to request that the appraiser change the name of the client on the appraisal to the new lender.

7/27/2012

Appraisal Portability

ML 2009-29

Where a new borrower and a new sales contract are involved...

- The lender must transfer the case number to the new lender. No new fee is due the appraiser.
- The new lender should collect the appraisal fee from the new borrower, and then reimburse the former lender for the cost of the appraisal
- <http://www.fhaoutreach.gov/FHAHandbook/prod/informap.asp?address=4155-4.1.0.5.b>

7/27/2012

Appraisal Portability

ML 2009-29

A new appraisal may only be ordered where...

- The first appraisal contains material deficiencies as determined by the second lender's underwriter.
- The appraiser performing the first appraisal is on the second lender's exclusionary list of appraisers.
- Delays in receipt of transferred appraisal would delay closing and cause harm to borrower.

7/27/2012

Appraisal Validity Period

ML 2009-30

For case numbers issued prior to 01/01/10

For case numbers issued on or after 01/01/10

7/27/2012

Appraisal Validity Period

ML 2009-30

Extensions:

- Where a sales contract was signed or the loan was approved prior to the expiration of the appraisal...
- Appraisal may be extended for 30 days to allow for loan closing.
- <http://www.fhaoutreach.gov/FHAHandbook/prod/infomap.asp?address=4155-2.4.4.f>

Re-use:

- **Cannot re-use an appraisal for a closed mortgage.**

7/27/2012

**PROPERTY INSURABILITY:
APPRAISAL REVIEW**

Are Reviews Necessary?

Of the pre-closing files reviewed,
75% - 85% of the appraisals were
found to be unacceptable.



Appraisal Reviews

- **Technical Reviews:**
 - Desk Reviews
 - Field Reviews
- **Provide Technical Support to Underwriting Staff in PETR and HECM Reviews.**

Monitoring The FHA Roster Appraiser

- Rate of loan default
- Number of Assignments
- Property Location (Area)
- Loan and property type
- Time period
- Quality of Work Product

Appraisals Subject to a Detailed Review?

- Credit Package Deficiencies
- Consumer Complaints
- Missing or conflicting documentation
- Departures from HUD and/or USPAP Standards
- Previously Sanctioned Appraisers
- Within Selected Geographical Area

Appraiser Actions and Sanctions

- **Actions**
 - Notice of Deficiency (NOD) (no appeal)
 - Remedial Education (no appeal)
- **Sanctions**
 - Removal or Removal w/Education (up to 12 mos)
 - Limited Denial of Participation (LDP) (May or may not be National in scope)
 - Debarment (could be indefinite)

3 Leading Forms of FRAUD

- Over Value
- Misleading Information
- Fraudulent Information

Appraisal Performance Standards and Sanctions

ML 2009-41

FHA oversight is based on the following risk factors:

- High default rate on loans
- High volume of FHA loans
- Complaints
- Referrals
- Previously sanctioned appraisers

7/27/2012

Appraisal Performance Standards and Sanctions

ML 2009-41

How does the FHA review process work?

HUD staff review appraisers routinely;

The severity of the deficiencies determines the actions;

ML 2000-30 provides an Appraiser Violation Matrix .

7/27/2012

Disciplinary Action

ML 2009-41

- **Notice of Deficiency (NOD):** Minor exceptions
 - **Education:** Must attend class within 60 days of notice
 - **FHA Roster Removal:** Improper valuation, fraud, failure to report repairs, serious omissions.
 - Limited Denial of Participation (LDP)
 - National Debarment
 - Civil Money Penalties
 - Civil & Criminal Actions
- Multiple sanctions may be pursued concurrently

7/27/2012

Discussion

- Resources
- New Mortgage Letters
- URAR-Single family home
- URAR-Manufactured home
- URAR-Condominium
- URAR-Small income residential
- 203k
- REO
- FHA Quality control

7/27/2012

Spare pair?



7/27/2012
