

With respect to Mortgages delivered to Freddie Mac on or after **May 1, 2009**, the Seller represents and warrants that it has adopted Exhibit 31, Home Valuation Code of Conduct, and for each conventional Mortgage that has an application date on or after **May 1, 2009**, the appraisal was obtained in a manner consistent with the HVCC. The appraisal report must be completed in a manner that correctly depicts or describes the neighborhood, site and improvements. Use the following list of reminders as a tool when underwriting the appraisal report. For complete information on appraisal requirements, refer to Guide Chapter 44.

Subject property

- The property address and legal description match the loan application, sales contract, and title documents.
- All identifying spaces are completed (borrower, client, occupant, lender, etc.).
- Purchases: Owner on Public Record matches property seller on contract and title documents.
- Refinances: Owner on Public Record matches borrower on loan application and title documents.
- Occupancy matches transaction (e.g., Owner matches occupant for refinance of Primary Residence).
- Data sources used to verify the listing and sale price information are provided.
- There are no “For rent”, “For sale” signs in photo of subject property on owner-occupant refinance application.
- Lender/client is the originator or Seller.
- Appraisal ordered by lender rather than another party (buyer, property seller, Realtor) to the transaction.

Contract

- Appraisal was ordered after sales contract was written.
- Appraiser analyzed contract and the analysis is consistent with the rest of the report.
- Appraiser noted any gifts and other financial assistance paid by any other party on behalf of the borrower.

Neighborhood

- Property values are increasing or stable. If declining, appraiser has addressed in comments and comments are consistent with other appraisal information.
- Appraiser has not indicated appreciation in a known stable or declining area.
- Demand/supply is in balance. If shortage or over supply, appraiser has addressed in comments and comments are consistent with other appraisal information.
- Marketing time is under 3 months or 3–6 months. If over 6 months, appraiser has addressed in comments and comments are consistent with other appraisal information.
- The subject property is within the neighborhood price and age. If not, appraiser has addressed in comments and choice of comparable sales; lender must ensure that comparable sales support marketability.
- The Form 71, Market Conditions Addendum to the Appraisal Report, supports the appraiser’s determination of market trends and conditions prevalent in the subject neighborhood.

Site

- Zoning compliance is legal, legal nonconforming, or no zoning. If the subject property is an attached condominium unit and zoning compliance is legal nonconforming, loan file must indicate that the subject property can be rebuilt to current density if severely damaged or destroyed.
- The flood zone information is provided and correct.
- Utilities and off-site improvements are typical for the market. If not, comparable sales must support marketability with atypical utilities and off-site improvements.
- If private well or septic system is shared and/or is off-site, the appraiser provided comparable sales to support marketability.
- There are no adverse site conditions or external factors. If there *are* adverse conditions, the appraiser must provide comparable sales with same adverse conditions to determine amount of adjustments and demonstrate marketability. If there are land-use restrictions, the loan file must indicate that the subject property can be rebuilt if severely damaged or destroyed.
- If the subject property is a Manufactured Home, the zoning must be residential. The appraiser must have also completed the HUD data plate section of Form 70B.
- Mixed use properties must be located in a residential neighborhood, be primarily residential in nature, and must be typical for the properties in the market; represent a legal, permissible use of the property under the local zoning requirements; 1-unit Primary Residence; if used commercially, the Borrower is the owner an operator of the business; the dwelling wasn't modified in a manner that has an adverse impact on marketability; and the commercial use does not have an adverse affect on the safety of the property or site.

Improvements

- The subject property is existing construction. If proposed or under construction, the appraisal is subject to completion per plans and specifications, and photos with either an appraisal update or completion certificate are provided. If the subject property has been recently renovated, a detailed description of the renovations is attached and photos are provided.
- There is no evidence of infestation, dampness or settlement that would indicate lack of structural integrity (soundness). If there is such evidence, loan file supports inspections and any needed remedy.
- There are no conditions that affect the habitability, safety or structural integrity (soundness) of the subject property. If there are such conditions, the appraisal is subject to repairs, and there is appropriate documentation (e.g., completion certificate with photos) in the file to demonstrate that the condition has been remedied.
- The subject property generally conforms to the neighborhood. If not, appraiser has addressed in comments and choice of comparable sales. Lender must ensure that comparable sales support marketability.
- An energy-efficient property uses cost-effective design, construction, materials, equipment and site orientation to conserve energy, consistent with the climate of the area in which the property is located.

Sales Comparison Approach

- Recordation information has been provided for all closed comparables.
- Sales history shown on the appraisal report is consistent with the loan application and other file documentation.
- The number of comparable properties currently offered and offered for sale in the last 12 months is consistent with the information in the Neighborhood section (e.g., demand/supply), and the sale price/owner's estimate of value is within the prices indicated.
- The proximity of the comparable sales is consistent with the neighborhood characteristics and with the number of comparable sales offered for sale.
- Distance of comparable sales is consistent with the neighborhood.
- Land value is not excessive for area.
- At least three of the comparable sales appear to be in the same market area as the subject property. See the location map and Neighborhood Description. Appraiser has supported any use of sales in competing neighborhoods.
- The sales prices/gross living area for the comparable sales are consistent with the subject property.
- The appraiser noted any concessions. The comparable sales should be 'at market' sales.
- At least three of the comparable sales are sales that were closed before the effective date of the appraisal.
- Comparable sales are recent. If the sale of a comparable property occurred more than 12 months before the date of the appraisal, the appraiser justified the use of that comparable property in the appraisal report.
- The site, view, age and design of the subject property are consistent with the Improvements section, and the comparable sales are similar.
- The condition of the comparable sales is similar to that of the subject property. Any use of superior comparable sales is explained and supported by market data.
- The comparable sales are similar to the subject property. Any adjustments are supported by market data and additional comparable sales. Large adjustments indicate comparable sales may be inappropriate.
- Adjustments are not excessive for area where marketing time is under 6 months.
- If the subject property is in a controlled market, there is at least one comparable sale outside the control of the developer, builder or property seller.
- If the subject property has unusual features, atypical utilities, etc., the appraiser provided additional comparable sales to support marketability and determined the amount of the adjustments to be made to comparable sales.
- If the subject property is a manufactured home, there are at least 2 comparable sales that are also manufactured homes of the same style, quality, and condition, and of a similar age.
- The photographs are clear and the building sketch indicates that the subject property and comparable sales are consistent with the description of the properties and within the same market.
- Photographs match description of property.
- Photographs of subject property were not taken from odd angles (e.g., appraiser trying to hide detrimental conditions).
- Photographs do not reveal items not disclosed in appraisal (e.g., commercial property next door, railroad tracks, another structure on premises, etc.).
- House number in photos matches property address.

- Weather conditions in photo of property are appropriate for the date of the appraisal (e.g., July photo does not show snow on the ground for a property in Illinois).
- The appraiser researched the sale and transfer history of the subject property (three years from effective date of the appraisal) and comparable sales (one year from last sale date).
- All comparable sales verified as recorded (data source MLS, sales office, SREA, CMDC, real estate agent, etc.).
- Any prior sales of the subject property are consistent with the loan application and title documents.
- The sale prices of any prior sales and listings of the subject property are consistent with the market as reported by the appraiser. Any rapid increase in price, such as with a renovation, is supported with a detailed explanation and appropriate photographs. Any decrease in price is supported by market data, such as in the Property Values section and appraiser comments.
- The appraiser provided an analysis of the sales and transfer history of the subject property and comparable sales.
- The appraiser provided a summary of the Sales Comparison Approach, and the summary is consistent with the information provided and with other sections of the report.

Additional Comments

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

Cost Approach

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

Income Approach

- If the subject property is a 2- to 4-unit property, the income approach is required and provided.
- Appraiser provided unadjusted units of comparison and, for purchases, indicated what factors investors in the market consider most important.
- The indicated value by income approach (and cost approach if provided) support the sales comparison approach.

Reconciliation

- The appraiser has explained any material differences in property information, or information about the transaction that is not typical for the market.
- A tool such as Home Value Calibrator, or a similar tool, is used to identify loans where there's likelihood that an appraised value is inflated over actual market value. If the loan is identified, the appraisal is further reviewed for accuracy.
- The effective date of the report is within 120 days. If it is more than 120 days, the loan file contains an appraisal update meeting the requirements of Guide Chapter 44.
- Effective date of appraisal is dated after ratification of sales contract.
- The appraisal is made as is. If it is made subject to completion or subject to repairs, there is supporting documentation in the file to indicate that the conditions of the appraisal report have been met.

Statement of Assumptions and Limiting Conditions and Appraisers' Certifications

- The appraiser has made no changes to the statement and certification.
- The appraiser has signed the report.
- The appraiser has a valid state license or certification.
- Appraiser has demonstrated knowledge of activity in subject property county.
- The supervisory appraiser (if any) inspected the subject property and comparable sales.
- The Appraiser does not appear on the Freddie Mac Exclusionary List.