12

Chapter 12

Understanding Appraisals

In This Chapter

As a mortgage professional, it is important to understand how to read and use appraisals. Appraisal reports document an opinion of market value for a property based on objective data. The Uniform Residential Appraisal Report (URAR) is the primary appraisal form used by lenders for residential property. The sales comparison approach to value is an important process for determining an opinion of market value. This chapter defines the concept and key terms, and then reviews the procedure. After a brief discussion of selecting comparable sales, the chapter focuses on the rules and procedures for making adjustments. Next addressed is researching the sale and transfer history of properties, as required on the URAR. Finally, some points are made about the reconciliation process and developing a final opinion of value.

At the end of this chapter, you will be able to:

- Identify the steps necessary to complete a real estate appraisal.
- Contrast the three appraisal approaches used to arrive at an opinion of value.
- Identify the elements recorded on a Uniform Residential Appraisal Report (URAR).
- Describe how adjustments are made to comparable properties.
- Discuss the impact of rules on appraisal independence.

Key Terms

Appraisal
Appraisal Management Company (AMC)
Automated Valuation Model (AVM)
Comparables
Contributory Value
Drive-by Appraisal
Gross Living Area (GLA)
Indicated Value Range
Market Value
Matched Pair Analysis
Neighborhood
Recertification of Value
Reconciliation
Sales Comparison Approach
Subject Property
Substitution
URAR
USPAP

Real Estate Appraisal

An **appraisal** is an *estimate or opinion of value as of a certain date that is supported by objective data.* There are many important concepts in that short definition. First, an appraisal is only an **estimate** or **opinion**; it is not a guarantee of value. While it is an opinion of value, however, it must be supportable and based on facts. The other equally important part of the definition of appraisal is that the estimate of value is as of a **certain date**. Change is constantly occurring, and so value is also subject to constant change. This is why an appraisal is only valid as of its effective date, which establishes terms, conditions, and economic circumstances upon which the value is estimated. Appraisals may be performed for a variety of reasons.

Appraisal Approaches

Appraisers value properties using three different approaches. Each approach is independent of the others and is performed separately to arrive at an opinion of value. Many factors can drive the appraiser's choice in the application of the approaches, such as the type of property being appraised and the type and extent of research and analysis needed in an assignment. As a result, the appraiser could elect to use one, two, or all three approaches.

- **Sales Comparison Approach.** Develops an opinion of value of real property by comparing the property being appraised with other similar properties, called comparables or comps, which have sold recently in the same market area as the subject property.
- **Cost Approach.** Develops an opinion of value for a property by calculating the cost of the land, site improvements, the cost to build the structure on the land, and the cost of any depreciation to the property. The cost approach to value is best for relatively new construction or for unusual or special purpose properties that have few or no comparables and do not produce income, such as hospitals, schools, or churches.
- **Income Approach.** Sometimes called the capitalization approach, it estimates the value of real estate by analyzing the revenue, or income, the property currently generates or could generate often comparing it to other similar properties. This approach is most widely used with commercial or investment properties.

Uniform Standards of Professional Appraisal Practice (USPAP)

The **Uniform Standards of Professional Appraisal Practice (USPAP)**, established and promoted by the Appraisal Foundation, dictates a number of standards, rules, and guidelines that licensed appraisers must follow when completing an appraisal report. Many of these rules relate directly to the appraisal report itself. For example, whenever an appraiser undertakes an assignment to develop an opinion of value, it is unethical for the appraiser to accept compensation contingent upon the reporting of a predetermined value, a direction in value that favors the client, etc. Any interest the appraiser may have in the subject property or the outcome of the appraisal must be clearly documented in the appraisal report.

A written report, such as the Uniform Residential Appraisal Report (URAR), must also adhere to certain standards regarding the amount of research and work that must be performed. Under USPAP rules, the appraiser must also prepare a complete workfile for each assignment that includes, among other things, all data and documentation necessary to support the appraiser's opinions and conclusions in the report. Other USPAP rules are highlighted as they become relevant to this discussion.

The Uniform Residential Appraisal Report (URAR)

The **Uniform Residential Appraisal Report (URAR)** is the predominant appraisal report form you will likely see and use as a residential mortgage professional. The URAR is referred to as Fannie Mae Form 1004 or Freddie Mac Form 70. The URAR is used for single-family homes, individual units in a planned unit development (PUD), or other one-family properties. This form is *not* designed for appraising condominiums (Form 1073), multi-family investment properties (Form 1025), or manufactured homes (Form 1004C).

The URAR form is based on the appraiser performing **both an interior and exterior inspection** of the subject property. Additionally, the appraiser is to inspect the exterior of the comparable sales used to support the conclusion of value. This exterior inspection from the street verifies that the comparable's condition in relation to the subject generally conforms to the neighborhood and otherwise represents a comparable property.

Keep in mind that the URAR is used not only to report a final opinion of value for the subject property, but also as a means of communicating with the client and anyone else authorized to read the appraisal report. The lender is considered an authorized user of the report regardless of who orders or who pays for the appraisal. Note that a lender generally will only consider and use appraisals that are addressed to the lender from an appraiser on its approved list or from an approved appraisal management company.

The appraiser's report should be clear and concise, logical and consistent, but it must also be supported and documented with market evidence in defense of the conclusions reached. The appraiser's opinions must be supported by analytical data to ensure the integrity of the appraisal process. The reader should be led to the same conclusion the appraiser reached in evaluating the available data. The URAR form can offer a process, but it does not substitute the standards for compliance as set forth by USPAP.

The Sales Comparison Approach

The **sales comparison approach** compares the subject property with other recently sold properties in the same location as the subject in order to assign value. The **subject property** is *the property being appraised or for which a value opinion is sought.* The *properties used to support the opinion of value* are the **comparables**, also called comps. For residential appraisals, USPAP rules state that when the sales comparison approach is applicable, an appraiser must analyze as many comparable sales as are necessary. The URAR form is designed for inclusion of three comparables, but additional sheets can be used if more comparables are needed to support the appraisal conclusions.

The sales comparison approach is considered the most useful and accurate of the three appraisal methods because it's rooted in actual market activity. It is also sometimes referred to as the **market data approach**. This approach, however, only considers *past sales that have actually closed.* Properties currently for sale are not used as comparables since their final selling price hasn't been determined. Appraisers must look at past sales for the objective evidence to support their analyses of property value based on what a typical buyer would pay without undue influence. This is implied in the Fannie Mae definition of **market value** as *the most probable price that a property should bring in a competitive and open market.* With a truly objective appraisal, another buyer should agree with the value and be willing to pay the same price for the property. By looking at enough comparable sales, the assumption is made that the resulting appraisal analysis reflects the actions of typical real estate buyers in the marketplace.

Substitution and the Typical Buyer

The integrity of the appraisal process depends on basing property value on the actions of a **typical buyer,** *one acting in his or her own best interest, without undue pressure, influence, or emotional attachment, and who would rationally and readily accept a less expensive substitute if available.* The theory of **substitution** says that *an informed buyer will not pay more for a home (or a feature in a home) than a comparable substitute.* Appraisers must take this into account as it limits a property's worth in the marketplace.

But a buyer who employs the theory of substitution considers *all* properties currently for sale, not just those already closed, as the appraiser does. Acknowledging this inherent limitation to the sales comparison approach, the URAR form has a place (at the top of the Sales Comparison section) for information on comparable properties currently for sale and all comparable properties that have sold within the past 12 months. This ensures these figures are considered when determining whether the subject property should be at the high or low end of the indicated value range.

Finding Comparable Sales

The sales comparison approach typically uses between three and five comparable sales to arrive at a value figure in a residential appraisal. A **minimum of three** comparables is required by most secondary market lenders to ensure an accurate appraisal from sufficient data. Comparables should be **recent sales**, usually *within six months prior to the date of the appraisal.* If any comparables used are older than six months, the appraiser must comment on the reasons for using them as supporting data and make any necessary value adjustments to reflect any differences in market conditions.

There are	7	comparable properties currently offered for sale in the subject neighborhood ranging in price from $	174,900	to $	192,500	.
There are	12	comparable sales in the subject neighborhood within the past twelve months ranging in sale price from $	168,500	to $	191,000	.

FIGURE 12.1: Top lines of a sample Sales Comparison Approach from the URAR Form.

Same Market Area

The ideal situation is to use recently sold comparables in the same market area as the subject property. Defining the neighborhood is one part of the process, but this is often more than just physical boundaries, such as roads. Neighborhood boundaries can also be defined by price range, demographics, or government services. In fact, almost anything can be used to define a neighborhood, except those things prohibited by fair housing laws.

If there aren't enough properties that have recently sold in a given area, other similar areas may be researched. The appraiser must use knowledge and judgment to select the best areas for comparably valued properties, and make appropriate price adjustments, along with clear explanations as to why they were necessary to use.

While physical location is important, any comparable property must be close in style and other features to the subject property. Similarity in use and other externalities ensures that a typical buyer would see the properties as ready substitutes for one another.

Same Transfer of Rights

The subject property and the comparables chosen for comparisons should involve the same transfer of rights. Most often, the subject of a residential appraisal will involve a fee simple transfer, in which the entire bundle of rights is sold to the new owner. The appraiser should verify that the comparables used in the appraisal report were also a fee simple transfer. When part of the bundle of rights (e.g., mineral rights) is sold separately, it is best that the subject and the comparables involve the same transfer of rights to avoid potentially complex calculations that may or may not be a true measure of market value impact in that particular area. If the appraisal assignment calls for the valuation of some partial interest in the subject property (e.g., equitable title), then the comparables chosen should also involve the same transfer of partial interests.

Part of an Arm's Length Transaction

The comparables used as the basis for comparisons must have been part of an **arm's length transaction** that occurred *under typical conditions in the marketplace, with each party acting in his or her own best interests.* The transaction should have involved payment for the property in cash or with a mortgage through a lender, where the seller did not make any unusual payment concessions or owner financing. Comparables with related parties, that sold as part of a liquidation sale (e.g., foreclosure), or with other unusual terms or concessions, should be eliminated.

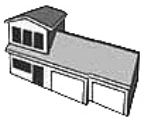
Adjusting Comparable Sales

Since it may be difficult to find properties that are the same as the subject property in all respects, the sales comparison approach allows for adjustments. **Adjusting properties** is *the process of making chosen comparables come as close as possible in features to the subject so that meaningful price comparisons can be made.* The rules for adjusting properties are simple:

1. The subject property is the starting point and *never changes*.
2. If the comparable is missing a feature that the subject has, the appraiser *adds* to the comparable to make the properties equal.
3. If the comparable has a feature that the subject property does not, the appraiser *subtracts* from the comparable to make them equal.

Class Activity: Adjustment

Let's say that the value of a garage is determined to be $5,000. Individually or as a class, fill in the blanks in this simple example of adjusting comparable sales and discuss a reasonable value for the subject property:

	Subject Property	Comparable 1	Comparable 2	Comparable 3
Feature	 1-car garage	 No garage	 1-car garage	 2-car garage
Adjustment Needed	Never adjust!			
Pre-adjustment Value	--	$91,000	$100,000	$110,000
Final Value	$100,000			

This process is repeated for each significant feature that is different between the subject property and the comparables ***on the day they were sold.*** After all adjustments are made, an appraiser can reconcile the adjusted prices of the comparables to estimate the value of the subject property, weighting the comparables as appropriate—**never averaging them**.

Adjustments as of Sale Date

Adjustments are made to comparables for differences between the subject property and the comparables, *only as of the day the comparables were sold.* Changes to the comparables after they sold don't count because they would not be reflected in the price. If an appraiser is considering a comparable, but then learns it needed extensive repair or rehabilitation work when sold, it's not a good choice unless the subject property also needs similar work.

Significant Features

Adjustments are only made to comparables for significant features, generally physical features, but they can also be *features of the transaction,* such as when a sale occurred or financing terms. Some features are objective, such as the number of bedrooms, while other features are subjective, such as the condition. Also, significant features can change from area to area; for example, a view of the golf course in a golf course community or access to a waterway for riverfront property. Every feature doesn't need to be considered every time, since the object is to find comparables that are already as close as possible to the subject.

If differences in features between the comparables did *not* result in differences in sale prices, then only those features that appeared to contribute to any price differences should be noted. For example, if two similar comparables sold for almost exactly the same price, even though one has central air conditioning and one has a heat pump, one could conclude that the presence of central air or a heat pump did not have a significant effect on the price. Therefore, this is not a significant feature.

Limits on Adjustments

Total adjustments that may be made to comparables are limited by Fannie Mae and others in the secondary market. The reason for limitations is to provide some sort of benchmark as to how close the comparables actually are to the subject property. If they are too dissimilar, this will result in excessive adjustments. When making adjustments, Fannie Mae prefers the comparables to fall within the following guidelines unless there's

an appropriate explanation and justification. As a guideline, note that any **individual line adjustment** to the comparables sales price should not exceed **10%**. For example, if the comparable sale price was $100,000, no individual line adjustment should exceed $10,000.

Total Net Should Not Exceed 15%

The total net value of all adjustments should not exceed **15%** of the comparable sale price. With this guideline, all adjustments must be added or subtracted together, following the sign of the adjustment. So, all positive adjustments (for missing features) are added together, and all negative adjustments (for additional features) are subtracted from that total. This final figure generally should not exceed the 15% limit.

Total Gross Should Not Exceed 25%

The total gross (absolute) value of all adjustments should not exceed 25% of the comparable sale price. With this guideline, all adjustments are added together, but without regard to their sign; it doesn't matter if adjustments are positive or negative. Total adjustments generally should not exceed 25%.

Class Activity: Adjustment Limit

Property #1:

A comparable sold for $85,000. It had positive adjustments for a garage (+$3,000) and a half bath (+$1,500), and a negative adjustment for a basement (-$2,500).

What is net adjustment, and is it within acceptable parameters?

Property #2:

A comparable sold for $55,000. It had a positive adjustment for a half bath (+$1,500), and negative adjustments for owner financing (-10% = -$5,500), basement (-$2,500) and garage (-$3,000).

What is the net adjustment, and is it within acceptable parameters?

Property #3:

A comparable sold for $55,000. It had positive adjustments for a garage (+$3,000) and half bath (+$1,500) and negative adjustments for owner financing (-$5,500), a basement (-$2,500), and bedroom (-$2,000).

What is the gross adjustment, and is it within acceptable parameters?

Property #4:

A comparable sold for $95,000. It had positive adjustments for a basement (+$2,500) and bedroom (+$2,000) and negative adjustment for a garage (-$3,000).

What is the gross adjustment, and is it within acceptable parameters?

Sequence of Adjustments

All adjustments made are based on an analysis of market data for the various elements of comparison. The sequence of adjustments is important to follow so all values are adjusted consistently. The sequence of adjustments, in order of priority, is:

1. Property rights conveyed
2. Financing terms
3. Conditions of sale
4. Market conditions (date of sale)
5. Location
6. Physical characteristics

Furthermore, some adjustments must be made first because they are adjusted as a *percentage of the comparable's sales price, rather than a set dollar amount.* The rationale is to make adjustments for features affecting the overall property before adjusting for individual features. With percentage adjustments, the appraiser extracts the difference in a dollar figure from market data and converts it to a percentage that is applied to the comparable sale. When applying percentage adjustments, property rights, financing, condition of sale, and market conditions are adjusted *individually and in sequence.* Then, all other adjustments may be combined. Of course, it is not necessary to make adjustments to every feature every time, since the objective is to find comparables that are already as close to the subject as possible.

Element of Comparison	Market Indicated Adjustment	Adjustment to Comparable
Sale Price	—	$136,000
Property Rights Conveyed	+5%	+ $6,800
Adjusted Price	—	$142,800
Financing Terms	-3%	- $4,284
Adjusted Price	—	$138,516
Market Conditions	+7%	+ $9,696
Adjusted Price	—	$148,212
Location	+11,000	+ 11,000
Physical Characteristics	-$7,500	- $7,500
Value Indication		$151,712

FIGURE 12.3: Elements of Comparable Adjustment.

Property Rights Conveyed

Most residential transactions involve **fee simple interest**, meaning that *all property rights typically transferred with real property in the market are being conveyed*. A rare exception might be when the property interest is subject to a **leasehold interest**, such as when the improvements are constructed on lands subject to ground rent. When a property is appraised subject to a leasehold interest, a detailed analysis is required. Comparable properties are preferred that reflect similar leasehold scenarios. However, if necessary, comparable properties sold in fee simple could be utilized with appropriate percentage adjustments.

Financing Terms

According to Fannie Mae guidelines, financing concessions include:

- Interest rate buydowns
- Below market rate financing
- Loan discount points
- Fees or closing costs paid by the seller (if customarily paid by the buyer)
- Refunds or credits for borrower's expenses
- The inclusion of non-realty items

Other items considered are assumptions and owner/seller financing. In fact, any type of sale concession the seller may have made to sell the home should be considered, such as paying for inspections or repairs. Any or all of these items might need to be adjusted by the appraiser if the concessions are not typical for the market and may have influenced the transaction.

After an adjustment is made for financing concessions, the result is what's referred to as the (sale price adjusted to) cash equivalency.

Percentage Adjustment. With financing terms, straight dollar amounts do not yield accurate adjustment figures. For example, if the seller carried a small second mortgage that resulted in a $10,000 increase in the sale price on a $100,000 home, this would not indicate a $10,000 adjustment in the price of any home where the seller carried a second mortgage. It would be inaccurate to apply this same dollar figure of appreciation to a $50,000 home. Instead, a 10% adjustment is reasonable for the $50,000 home (since $10,000 is 10% of the $100,000 home price), provided the appraiser determines that this reflects market conditions for the sales examined.

Fannie Mae Guidelines. When contemplating adjustments for financing terms, Fannie Mae has several points to consider. First, the actual dollar amount of sales or financing concessions paid by the seller must appear somewhere in an explanation on the form, whenever that information is available. The appraiser has a responsibility to obtain this information from reliable and verifiable sources, such as publicly recorded documents or a party to the transaction. Second, Fannie Mae does not want the final adjustment amount to simply repeat the cash equivalency of the seller concession. Instead, Fannie Mae expects the appraiser to enter an adjustment amount equal to the actual influence the amount had on the sale price.

And third, Fannie Mae states that positive adjustments for sale/financing concessions are not acceptable. In other words, if most sales in a neighborhood had the seller paying points, but one of the comparables sold without the seller paying points, Fannie Mae does not want to see any adjustment for this reflected in the appraisal. The actual sale price of the property should be used and treated as a cash equivalency price in that situation.

Market Conditions (Date of Sale)

The date that a sale took place is always a consideration. The appraiser should select comparables that sold as recently as possible to avoid making adjustments for date of sale. Since market conditions are always changing, an older sale may have fluctuated due to market conditions related to supply, demand, economic trends, interest rates, etc. Some think of market conditions as a direct relationship to time, which might not necessarily be true. Looking back at a 12-month period, property may have appreciated 3% during the first six months of the year but then decreased 2% in the most recent six months when interest rates rose sharply. In actuality, this would represent a 1% upward adjustment to a one-year-old comparable. However, if a six-month-old comparable were being used, a 2% downward adjustment would be warranted. In most circumstances, though, without unusual volatility in the market, it could be concluded that using older transactions will most likely require adjustments. This is why the secondary market prefers comparables that are not older than six months. However, in some markets and market segments, it is necessary to use comparable sales that exceed this guideline. The appraiser must always survey the market to consider whether an adjustment is warranted.

Percentage Adjustment. Property values, whether increasing or decreasing, do so in percentages, not whole dollar amounts. If a $100,000 home went up $10,000 in the past year, then a similar adjustment of 10% is reasonable for other homes, provided this reflects market conditions in the area.

Here too, the percentage adjustment is made to the market rather than to the actual comparable. Thus, differences between the comparables and other properties on the market dictate the adjustment, and not the specific difference the comparable has versus the subject property. The objective is to normalize the values across a theoretical market that is devoid of time differences. Again, the matched pair analysis method is used, with the dollar figure converted to a percentage of the home's value.

Fannie Mae Guidelines. Fannie Mae requires **at least three comparables** that have actually closed be used for the sales comparison approach. The appraiser must comment on any comparables used that were sold *more than six months prior to the appraisal*, and provide a reasonable explanation for why this had to be done. Beyond the three required comparables, the appraiser may use older sales, pending sales, or even a prior sale of the subject property if it can be shown in the appraisal report why the information provides additional support to the conclusion of value.

Location

The location of the comparables relative to the subject is an important value factor and encompasses several aspects. The two primary aspects the appraiser considers are the market area where the comparable is located, and the exact position within a neighborhood. In most situations, the appraiser should try not to use comparables from different market areas. For established neighborhoods, the appraiser should use comparables from within the same subdivision (or PUD project) because they are the best indicator of value. Newer subdivisions may require the appraiser to use at least one comparable from a similar subdivision to support value if there are not enough sales without builder financing and subsidies. Rural properties can pose a challenge to appraisers because the only comparables available may be a significant distance from the subject. When no other comparables are available, the appraiser may use some from the nearest similar market area with an appropriate explanation and any necessary value adjustments. Underwriting requirements may vary as to whether such deviations in market area may disqualify the property for approval of a mortgage loan. Position differences within a neighborhood are usually handled as part of the adjustment process for physical differences. The appraiser checks to see if there is any discernible value difference for properties based on lot position in a particular market, and then determines an appropriate adjustment based on a matched pair analysis.

Dollar Value Adjustments. The matched pair analysis method produces a dollar value for location differences that is applied dollar-for-dollar to the home's value. The value applied to the comparables can be derived from other sales data, not necessarily from the comparables used in the appraisal. In fact, appraisers gather matched pair data on a regular basis, and store that information for future use. If a significant difference is noted between the comparables and the subject, the appraiser often refers to stored data to determine an appropriate value adjustment to apply.

Fannie Mae Guidelines. The description used for the location of the comparables relative to the subject should be very specific. On the Proximity to Subject line of the URAR form, Fannie Mae is looking for details, such as "1/2 mile south" or "two blocks east." The appraiser must include an explanation or comment if the distance would seem excessive to someone not familiar with the market area. On the Location line of the URAR form, Fannie Mae is looking for specific information that might distinguish the value of the comparables and the subject. Even if no value adjustment is needed for the relevant location features in a particular market, Fannie Mae still wants to see specifics, such as "corner lot" or "cul-de-sac." Furthermore, the appraiser may use this space to indicate any adjustment value for Proximity to Subject, if warranted, based on market data.

Physical Characteristics

The rest of the sales comparison grid on the URAR form focuses on various physical differences that may or may not warrant an adjustment. At the end of the features and amenities listed, there are additional blank spaces where more items can be inserted if other elements of comparison are responsible for value differences between a comparable and the subject. Ideally, only comparables that need as few adjustments as possible should be chosen. Those needing only adjustments for physical differences are preferable.

When entering descriptions for items that are not quantifiable, for example, quality of construction, appraisers rate them as excellent, good, average, fair, or poor.

Dollar Value Adjustments. The matched pair analysis produces a dollar value for physical differences that is applied dollar-for-dollar to the home's value. Deriving the adjustment value from actual sales is the best reflection of market value of a feature or amenity. Many items do not add market value equal to their cost to install. In colder climate areas, an in-ground swimming pool is a great example of this.

Fannie Mae Guidelines. One area of concern is over-improvement. An **over-improvement** is *a property or feature with a cost exceeding its market value.* Such a property may be rejected by a typical buyer and could create a problem for Fannie Mae in the event of foreclosure. If the value of the property is still within the neighborhood range, it is likely acceptable. Fannie Mae urges additional scrutiny when over-improvements are involved, asking the appraiser to ensure that only the actual contributory value of the feature is included. The appraiser must also make appropriate comments or explanation in the appraisal report.

Fannie Mae also reminds appraisers that below grade areas should be considered separately from the gross living area of the house. **Gross living area** (GLA) is *residential space that's finished, heated, and above grade.*

Garages, finished basements, and storage areas don't count in GLA. Even areas partially below grade should not count as part of the gross living area. Instead, finished areas below grade must be considered as separate items, and adjusted according to their presence or absence in the comparables and the subject. Also, room counts do not include bathrooms or foyers, and bedrooms must have a closet. Other considerations may be customary in the local market. Room count and square footage of the gross living area should be similar between the subject and the comparables. The market will dictate when to make adjustments and the amount of adjustment to be applied.

FEATURE	SUBJECT	COMPARABLE SALE # 1		COMPARABLE SALE # 2		COMPARABLE SALE # 3	
Address	22 OAKWOOD DRIVE WESTERVILLE, OH 43081	21 VALLEYVIEW COURT WESTERVILLE, OHIO		337 CHRIS COURT WESTERVILLE, OHIO		321 PEARSON DRIVE WESTERVILLE, OHIO	
Proximity to Subject		0.37 MILE NORTHEAST		0.33 MILE NORTH		0.62 MILE SOUTHEAST	
Sale Price	$ $178,000		$ 180,000		$ 185,000		$ 172,000
Sale Price/Gross Liv. Area	$ 91.19 sq.ft.	$ 89.82 sq.ft.		$ 97.16 sq.ft.		$ 99.48 sq.ft.	
Data Source(s)		FRANKLIN CO. AUDITOR		FRANKLIN CO. AUDITOR		FRANKLIN CO. AUDITOR	
Verification Source(s)		COLS. MLS, BROKER		COLS. MLS, BROKER		COLS. MLS, BROKER	
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment
Sales or Financing Concessions		CONV NONE		CONV SELLER PAID	-5,000	CONV NONE	
Date of Sale/Time		4/30/2005		3/5/2005		5/14/2005	
Location	INSIDE LOT	INSIDE LOT		INSIDE LOT		INSIDE LOT	
Leasehold/Fee Simple	FEE SIMPLE	FEE SIMPLE		FEE SIMPLE		FEE SIMPLE	
Site	16,500 SQ.FT.	17,200 SQ. FT.		15,740 SQ. FT		13,650 SQ. FT.	
View	RES/AVG	RES/AVG		PARK/GOOD	-2,500	RES/AVG	
Design (Style)	COLONIAL/2ST	COLONIAL/2ST		COLONIAL/2ST		COLONIAL/2ST	
Quality of Construction	AVERAGE	AVERAGE		AVERAGE		AVERAGE	
Actual Age	6 YEARS	5 YEARS		6 YEARS		8 YEARS	
Condition	GOOD	GOOD		GOOD		AVERAGE	+2,500
Above Grade	Total / Bdrms. / Baths	Total / Bdrms. / Baths		Total / Bdrms. / Baths		Total / Bdrms. / Baths	
Room Count	7 / 3 / 2.1	6 / 3 / 2.1		8 / 3 / 2.1		7 / 3 / 2	+500
Gross Living Area	1,952 sq.ft.	2,004 sq.ft.	-1,250	1,904 sq.ft.	+1,250	1,729 sq.ft.	+5,500
Basement & Finished Rooms Below Grade	642 Sq.Ft. 2 RMS, F BA	1,002 SQ. FT. UNFINISHED	-2,000 +3,000	700 SQ. FT. 1 RM. FIN	+2,000	600 SQ. FT. 2 RMS, F BA	
Functional Utility	AVERAGE	AVERAGE		AVERAGE		AVERAGE	
Heating/Cooling	GFA/CENTRAL	GFA/CENTRAL		GFA/CENTRAL		GFA/CENTRAL	
Energy Efficient Items	TYPICAL	TYPICAL		TYPICAL		TYPICAL	
Garage/Carport	2-C ATT GAR	2-C ATT GAR		2-C ATT GAR		2-C ATT GAR	
Porch/Patio/Deck	PORCH, PATIO	PORCH, DECK		PORCH, PATIO		PORCH,DECK	
	B-I SPA	NONE	+500	IN-GRD POOL	-500	B-I SPA	
	WD PRIV FNC	WD PRIV FNC		WD PRIV FNC		NONE	+500
	FIREPLACE	FIREPLACE		2 FIREPLACES	-1,000	FIREPLACE	
Net Adjustment (Total)		☒ + ☐ -	$ 250	☐ + ☒ -	$ -5,750	☒ + ☐ -	$ 9,000
Adjusted Sale Price of Comparables		Net Adj. 0.1% Gross Adj. 3.8%	$ 180,250	Net Adj. 3.1% Gross Adj. 6.6%	$ 179,250	Net Adj. 5.2% Gross Adj. 5.2%	$ 181,000

ALES COMPARISON APPROACH

FIGURE 12.4: Data Grid Portion of the Sales Comparison Approach section from a URAR Form.

Researching the Sale and Transfer of Properties

An important step to ensure the integrity of the appraisal process is research, verification, and analysis of the **transfer history** of the properties. This applies to the subject as well as the comparables. Analysis of the purchase contract normally only shows price and financing concessions. Determining the current owner of the property is important, as well as recent sales history. The appraiser is trying to ascertain whether the transactions represent *bona fide transfers at market value.* If not, the comparables should *not* be used to support value. If there are questions about the subject, the appraiser has an obligation to alert the lender or client to any potential irregularities and their effect on value.

Transfer History of the Subject

USPAP requires the appraiser to analyze the purchase contract, current listing, and recent prior sales for the *past three years.* As well, the URAR form asks for research of the subject's transfers from three years prior to the effective date of the appraisal. The source of the data must be entered on the form, as well as the effective date of the data sources (essentially, how recent the information is and/or when the source was last updated).

This is designed to give the lender or client a complete picture of the subject property value. It may also lead the appraiser or lender to seek more information or data on the subject property. For example, if the subject property was transferred just two months ago for half of the current contract price, the appraiser would need to research this to determine if the current sale price represents true market value. The property could have been sold in a distressed situation, there may have been legitimate repairs done that can be documented with receipts, or the property could be part of a property-flipping scheme.

Property Flipping

Property flipping is defined by Fannie Mae as *the process of purchasing existing properties with the intention of immediately reselling them for a profit*. While property flipping is not automatically illegal, it has gained a bad reputation because of the amount of fraud associated with it. The fraud occurs when a property's value is inflated and the final purchaser pays more than the property is worth. Appraisers can get caught in the scheme wittingly or unwittingly. Researching the transfer history of the property is one way for the unsuspecting appraiser to become aware of any possible fraud and alert others. Frequent transfers with escalating values in a short period of time are one red flag that merits further investigation. Even distressed properties can be subject to fraud if repairs were done poorly or not performed at all. The appraiser is ***not*** a home inspector, but the lender or client is relying on the appraiser as a collector and conveyor of information. The appraisal report must be carefully and thoroughly prepared to avoid misleading the lender or client with an inflated property value.

Again, property flipping is not illegal by definition, but if the seller has held the property for an unusually short period of time—or has not even taken title to the property—then there must be some justification and documentation for the increase in value. The appraiser and the lender/client must be satisfied that the current contract is legitimate and that the current price represents the true market value of the property.

Fannie Mae Guidelines

Fannie Mae expects the appraisal report to include an analysis of the sales contract, property listing, and the sales history of the subject when the information is "reasonably available." This presumably means the appraiser must thoroughly search public records. If the appraiser does not have the data resources or expertise in the market area as expected by Fannie Mae, then Fannie Mae expects the appraiser to reject those appraisal assignments.

One of Fannie Mae's goals is to reduce and eliminate instances of fraud where predatory transactions cause an uninformed buyer to pay more for a property than it is worth. Fannie Mae's position is that the likelihood of fraud and misrepresentation increases when the seller is not the owner of record for a property. Furthermore, reviewing and analyzing the prior sales of the subject property as compared to the sale price trends in the area can help confirm the current value for the subject property is reasonable and representative of true market value.

Transfer History of the Comparables

The URAR form asks for information on comparable transfer activity for one year prior to the comparable's sale date. The goal for researching them is the same as for researching the subject property—to determine if the transfer price is an accurate reflection of market value. If the property has been transferred several times in a short period of time with escalating values, then the comparable should be investigated further or discarded. There are other things you can learn from the transfer history of a property that may influence its choice as a comparable sale. For example, if a lender is shown as the prior owner, this might indicate that the comparable is a distressed property with a transfer value that did not reflect market value.

Fannie Mae Guidelines

Just as with the transfer history of the subject, Fannie Mae also expects appraisers to analyze the transfer history of the comparables when the information is "reasonably available."

In an effort to reduce fraud, Fannie Mae recommends rejecting comparables if the prior transfer involved "back-to-back," "simultaneous," or "double" transaction closings where the price increased from one transaction to the next. Such comparables are problematic and should be discarded early in the data collection process.

I ☒ did ☐ did not research the sale or transfer history of the subject property and comparable sales. If not, explain

My research ☐ did ☒ did not reveal any prior sales or transfers of the subject property for the three years prior to the effective date of this appraisal.
Data Source(s) FRANKLIN COUNTY AUDITOR
My research ☒ did ☐ did not reveal any prior sales or transfers of the comparable sales for the year prior to the date of sale of the comparable sale.
Data Source(s) FRANKLIN COUNTY AUDITOR
Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).

ITEM	SUBJECT	COMPARABLE SALE #1	COMPARABLE SALE #2	COMPARABLE SALE #3
Date of Prior Sale/Transfer	NONE IN 36 MONTHS	9/23/2004	NONE IN 12 MONTHS	NONE IN 12 MONTHS
Price of Prior Sale/Transfer		$155,000		
Data Source(s)		FRANKLIN CO AUDITOR		
Effective Date of Data Source(s)		6/3/2005		

Analysis of prior sale or transfer history of the subject property and comparable sales RESEARCH REVEALED THAT SALE #1 TRANSFERRED ON 9/23/2004 FOR $155,000. FURTHER INQUIRY WITH THE SELLER IN THE MOST RECENT TRANSACTION REVEALED THAT THE PURCHASE WAS VIA SHERRIFF'S AUCTION. COSMETIC RENOVATIONS WERE PERFORMED PRIOR TO THE PROPERTY BEING RE-MARKETED.

FIGURE 12.5: Transfer history part of the Sales Comparison Approach section from URAR Form.

Reconciliation and Indicated Value

Reconciliation is *the appraisal process of analyzing the values derived from the different appraisal approaches to arrive at a final value opinion.* Fannie Mae guidelines point out that reconciliation is actually an ongoing process the appraiser should consider throughout the entire appraisal.

Sales Comparison Opinion of Value

The final step in the sales comparison approach is to reconcile the values of the comparables to reflect an opinion of value for the subject. This is important because it is rare for the adjusted values of all comparables to be equal. An appraiser considers each comparable and gives the most weight to the one that is most similar to the subject property as indicated by the fewest adjustments. The final values are **never averaged** in this step.

Fannie Mae Guidelines. The appraiser must present a brief narrative that accurately describes the thought process that went into the final indicated value. This includes any special notes about the subject or comparables, any relevant items in the prior transfer history of the properties, and an explanation of the reconciliation process, including which comparables were given the most weight and why.

Determining a Value Range

The appraiser develops an indicated value range for the appraisal as a result of the data analysis performed. Determining the acceptable value range for a property is one of the appraiser's most challenging tasks. Since all aspects of the marketplace are constantly subject to change, the appraiser must perform a thorough analysis of all market factors and verify all available data. During this process, the appraiser gives the most consideration to comparables most similar to the subject, taking into account the condition of the properties, circumstances of the sales, and other factors. Under normal market conditions, the appraiser would likely choose the highest value-adjusted comparable as the upper end of the value range, and the lowest value-adjusted one as the lower end of the value range.

In markets experiencing growth or decline, however, the appraiser might also consider pending offers or competitive listings to examine trends and confirm the market's direction. The lender or client is also interested in these properties because they tend to represent the upper limit of value in the marketplace as of the appraisal date. This is why data on the price range of current offerings and comparable sales over the past 12 months are included on the appraisal form. Although the data are superficial and incomplete, they can reveal trends and help determine value limits in the marketplace.

Summary of Sales Comparison Approach THE SALES REFLECT A REASONABLE VALUE RANGE. ALL SALES ARE FROM THE IMMEDIATE
MARKET AREA. CORRELATION IS TOWARD THE UPPER PART OF THE VALUE RANGE, WITH TWO OF THE THREE SALES
INDICATING THAT DIRECTION. THESE SALES ARE THE MOST RECENT AND REQUIRE THE FEWEST NET ADJUSTMENTS.
Indicated Value by Sales Comparison Approach $ 178,000

FIGURE 12.6: Summary portion of the Sales Comparison Approach section from the URAR Form.

Real Success

It is against USPAP rules for the appraiser to steer a value to a target price. The appraiser must see the purchase contract for the subject property because any special terms or conditions may affect the appraisal, but the appraiser cannot ethically appraise the property to the target contract price. Only if the contract price falls within the appraiser's developed value range, and the transaction of the subject is concluded to be an arm's length transaction, is it then acceptable for the final value to equal the contract sales price.

Final Reconciliation on the URAR Form

Estimates of value derived from the various appraisal approaches (sales comparison, cost, income) must be reconciled to arrive at a final opinion of value for the subject property. This is the appraiser's opportunity to bring together all the data collected, verified, and analyzed during the appraisal process.

After the appraiser decides which appraisal approach should be given the most consideration, he must explain the reasoning that went into reaching the final opinion of value in the appraisal report. Although the appraiser's final reconciliation statement is broken down into only a few sentences, this belies the amount of thought and experience that goes into these statements.

The Reconciliation section of the URAR form is brief but powerful. In it, the appraiser sums up the entire appraisal process and provides a final opinion of value for the lender or client. The Reconciliation section that appears in Figure 12.6 was developed from various analyses performed by the appraiser.

RECONCILIATION	
	Indicated Value by: Sales Comparison Approach $ 178,000 **Cost Approach (if developed) $** 182,822 **Income Approach (if developed) $** N/A
	THE COST APPROACH LENDS SUPPORT AS THE UPPER RANGE OF VALUE. THE SALES COMPARISON APPROACH HAS BEEN
	GIVEN THE MOST WEIGHT AS IT REFLECTS THE ACTIONS OF BUYERS AND SELLERS IN THE MARKETPLACE. THE SALES
	COMPARISON APPROACH IS TYPICALLY CONSIDERED TO BE THE MOST RELIABLE IN ASSIGNMENTS OF SINGLE-FAMILY DWELLINGS
	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 (our) opinion of the market value, as defined, of the real property that is the subject of this report is $ 178,000 **, as of** JUNE 3, 2005 **, which is the date of inspection and the effective date of this appraisal.**

FIGURE 12.7: Sample Reconciliation section from the URAR Form.

When appraising residential homes using the URAR report, the sales comparison approach is usually given the most weight. If this is not the case, then there must be an appropriate explanation. For example, if the subject is a newly built home in an area with insufficient sales or market activity, it might be reasonable to give the cost approach the most weight in developing a final opinion of value. The explanation is important

here so the lender or client understands the process and reasoning involved. Fannie Mae, however, will not accept any appraisals where the cost approach is used as the only indicator of value because cost alone is not deemed to be a reflection of true market value.

Market Value

Fannie Mae guidelines state that the final value entered on the URAR report should represent the appraiser's opinion of market value, as defined in the appraisal report itself: *"Market value is the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus."*

Fannie Mae wants the final indicated value to represent true market value as much as possible, and thus the comprehensive explanation of market value in the URAR form is designed to ensure uniform treatment of adjustments across all properties. Special attention is paid to sales and financing concessions because they have the greatest potential to alter the price paid for property. Fannie Mae is interested in the appraiser using his or her best judgment in determining the market's reaction to these concessions.

Indicated Value Range

Analysis of the adjusted sales data results in an indicated value range. Depending on the scope of work, the entire range could be used as a value conclusion or the opinion could reflect a relationship to a benchmark, such as the mid-point of the range. However, the URAR form and other forms require the value opinion to be stated as a single number. It is unethical for the appraiser to simply value a property at the target value the client requests or that is stated in the purchase contract. But if the appraiser can justify that number based on the data, and that value falls within the appraiser's indicated value range, then it may be acceptable to place that number on the final report.

"As Is"

An important part of the Reconciliation section is the indication of whether the appraisal was performed "as is," or subject to other hypothetical conditions or extraordinary assumptions. A typical appraisal is done "as is," meaning the property value was determined based on a complete and thorough examination of the subject property as it currently sits and in its present condition.

Updating or Recertifying an Appraisal

Sometimes it may be necessary to **readdress** an appraisal, such as when a new lender evaluates an application. While it may seem to be a simple request from a lender's perspective, an appraiser is obligated to abide by the standards set forth in USPAP, which considers a request to readdress—or update—an appraisal as a *new assignment*. This makes sense when you recall that an appraiser's opinion of value is technically valid only as of the date of the appraisal, so if the lender is looking for a more current value, a new appraisal is required.

A **recertification of value** (recert) may be necessary to confirm whether or not certain conditions in the original appraisal have been met, such as when the property was "subject to" some repair or renovation or when the appraisal was performed on a property under construction. A recert, also called a **completion report**, does *not* change the effective date of the valuation. It simply verifies that the "subject to" conditions of the original appraisal have been met and that the original opinion of value is valid.

If a lot of time has passed between an original appraisal that was "subject to" some condition and the actual completion of the improvements, it may be necessary to have *both* a recertification to remove the condition and an update to get a more current date for the value.

Automated Valuation Models (AVMs)

Automated underwriting can reduce the time and costs necessary to close a loan, providing a streamlined process of document submission, underwriting, and loan approval. With automated underwriting, the value of the property is initially determined using an **automated valuation model** (AVM). AVMs are able to *provide a probable value range for properties by performing a statistical analysis of available data.* This is far from a perfect system. AVMs tend to put values in the middle of the range as they often do not factor in trends. Thus, it can be difficult to approve values at the high end of the range. Still, AVMs are popular because they provide an inexpensive, fast, and predictable means for valuing properties.

AVMs are not true appraisals because they do not provide an opinion of value. The numbers that AVMs produce are a raw interpretation of data. There is no mechanism for considering subjective circumstances, obtaining better data that may be outside the program's parameters, or assessing quality and condition of properties. AVMs work for typical homes, but they are not useful in all situations. For example, homes in less-than-average condition may get higher AVM valuations than they would from a traditional appraisal, whereas nicer-than-average homes might receive lower AVM values. Also, distressed sales and sales with financing concessions are factored in with the same weight as traditional sales. In short, AVMs are a tool, not a replacement. In actual practice, appraisers still have a role in many AVM scenarios.

The AVM component of Fannie Mae's automated underwriting system—**Desktop Underwriter®** (DU®)—uses public information, such as tax records, to determine the reasonableness of the sale price, and whether the property is adequate collateral for the loan. If everything appears within normal parameters, DU® recommends the use of Form 2075.

Form 2075

Form 2075 is Desktop Underwriter's® Property Inspection Report. The 2075 is a "drive-by" form used by appraisers, but it technically is not an appraisal because there is no value reported on the form. In this case, the value is being established through an AVM. When DU® recommends the 2075, the lender must get an exterior-only inspection of the subject property from the street by a state-licensed or state-certified appraiser. No estimate of market value for the property is included in the report, but the appraiser must still attach the required exhibits of a street map showing the location and a photograph showing the front of the subject property. The general market analysis portion of the report may include a similar amount of effort and work by the appraiser as when actually performing an appraisal. The amount of work and data required for the appraiser's report, as well as the type and format for the reporting form, are based on the scope of work determined by the appraiser with input from the client at the time of accepting the assignment, not the minimum form chosen to report the conclusions by the Desktop Underwriter®.

The appraiser has the sole responsibility to determine whether the scope of work and the reporting form are appropriate and/or adequate based on the relevant property characteristics. If the property conforms to the neighborhood, no physical deficiencies are noted, and no adverse conditions exist, then DU® relies on the value produced by the AVM and no property appraisal is required for the transaction. If problems or conditions are noted on the 2075, or in instances where AVMs produce numbers that do not fit within the framework that the lender (or other client) expects, then the lender is required to upgrade to a complete appraisal.

Appraiser Independence

The **Home Valuation Code of Conduct (HVCC)** went into effect in 2009 with the intention of setting standards on solicitation, selection, compensation, conflicts of interest, and appraiser independence with a primary goal of ensuring that real estate appraisers are not coerced *in any way* into establishing a predetermined or desired valuation on a property. As originally written, HVCC prohibited mortgage broker or staff from having any role in selecting, retaining, or compensating an appraiser, even if from an **authorized appraisal management company** (AMC). While HVCC was not a federal law, it applied to every mortgage on **one- to four-family homes** from any lender in the country who intends to sell the loan on the secondary market to Fannie Mae or Freddie Mac. HVCC did not apply to FHA, VA, or USDA loans as originally implemented. Under HVCC, only a lender or any third-party specifically authorized by the lender (including,

but not limited to, appraisal management companies and correspondent lenders) was allowed to select, retain, and compensate an appraiser. Under HVCC, mortgage brokers could initiate the appraisal process on the lender's behalf if directed to submit a loan application to a specifically authorized AMC previously arranged by the lender.

Rules on Valuation Independence

The goals of the Home Valuation Code of Conduct may have been commendable, but HVCC came under considerable criticism within the industry. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Pub.L. 111-201, H.R. 4173) includes provisions in Subtitle F of Title XIV, designated as the Mortgage Reform and Anti-Predatory Lending Act, related to upgrading the federal oversight of appraisal activities. The Act required an evaluation of the Home Valuation Code of Conduct to determine whether or not to replace it with new rules on valuation accuracy and independence. In response, a final rule on Valuation Independence amending Regulation Z (12 C.F.R. § 1026.42) was released and became effective April, 2011.

The rule prohibits **coercion** in connection with a covered transaction in any way (including extortion, inducement, bribery, intimidation of, compensation of, or instruction to) of a person who prepares valuations or performs valuation management functions. Examples include:

- Seeking to influence a person who prepares a valuation to report a minimum or maximum value for the consumer's principal dwelling.
- Withholding or threatening to withhold timely payment to a person who prepares a valuation or performs valuation management functions because the person does not value the consumer's principal dwelling at or above a certain amount.
- Implying to a person who prepares valuations that current or future retention of the person depends on the amount at which the person estimates the value of the consumer's principal dwelling.
- Excluding a person who prepares a valuation from consideration for future engagement because the person reports a value for the consumer's principal dwelling that does not meet or exceed a predetermined threshold.
- Conditioning the compensation paid to a person who prepares a valuation on consummation of the covered transaction.

However, it is permissible to ask a person preparing a valuation to:

- Consider additional, appropriate property information.
- Provide additional details or explanation about his or her conclusions.
- Correct errors in a valuation.

It is also acceptable to obtain multiple valuations and select the most reliable, or to withhold compensation due to breach of contract or substandard performance of services. In addition, the interim final rule:

- Prohibits **materially misrepresenting** the value of the consumer's principal dwelling.
- Prohibits someone performing a valuation from having a direct or indirect **conflict of interest**, financial or otherwise, in the property.
- Prohibits creditors from **extending credit** when the creditor knows, at or before consummation, that of a violation of this rule occurred.
- Requires the payment of **reasonable and customary compensation** to appraisers who are not employees of the creditors or of the appraisal management companies hired by the creditors.
- Requires any covered person who reasonably believes an appraiser has not complied with the Uniform Standards of Professional Appraisal Practice or ethical or professional requirements for appraisers under applicable state or federal statutes or regulations to **report** the matter to the appropriate state agency if the failure to comply is material.

C. Patrick McAllister Associates, Inc.

Uniform Residential Appraisal Report

File # 815 18988

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.

SUBJECT

Property Address 22 OAKWOOD DRIVE | City WESTERVILLE | State OH | Zip Code 43081
Borrower CHRISTOPHER S. JONES | Owner of Public Record JAMES R. & MARIA S. HOLDER | County FRANKLIN
Legal Description LOT #27, PHASE II, LAKE RIDGE SUBDIVISION
Assessor's Parcel # 62-42316000 | Tax Year 2004 | R.E. Taxes $ 4,397.00
Neighborhood Name LAKE RIDGE SUBDIVISION | Map Reference 45 P40 | Census Tract 0071.93
Occupant ☒ Owner ☐ Tenant ☐ Vacant | Special Assessments $ NONE | ☐ PUD HOA $ N/A ☐ per year ☐ per month
Property Rights Appraised ☒ Fee Simple ☐ Leasehold ☐ Other (describe)
Assignment Type ☒ Purchase Transaction ☐ Refinance Transaction ☐ Other (describe)
Lender/Client SECOND FEDERAL MORTGAGE | Address 2723 NORTH MAIN STREET, HILLIARD, OHIO
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? ☒ Yes ☐ No
Report data source(s) used, offering price(s), and date(s). THE SUBJECT HAS BEEN LISTED THROUGH THE COLUMBUS MULTIPLE LISTING SERVICE FOR $179,900. THE PROPERTY HAS BEEN LISTED APPROXIMATELY 35 +/- DAYS.

CONTRACT

I ☒ did ☐ 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. THE CURRENT AGREEMENT TO PURCHASE INCLUDES THE FOLLOWING PERSONALTIES: RANGE, REFRIGERATOR AND MISCELLANEOUS WINDOW COVERINGS. NONE ARE CONSIDERED TO CONTRIBUTE SIGNIFICANT VALUE TO THE TRANSACTION.
Contract Price $ $178,000 | Date of Contract 6/1/2005 | Is the property seller the owner of public record? ☒ Yes ☐ No | Data Source(s) FRANKLIN CO. REC.
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? ☒ Yes ☐ No
If Yes, report the total dollar amount and describe the items to be paid. $3,000.00 THE SELLER IS PAYING UP TO $3,000 TOWARD THE PURCHASER'S POINTS AND/OR CLOSING COSTS.

NEIGHBORHOOD

Note: Race and the racial composition of the neighborhood are not appraisal factors.

Neighborhood Characteristics	One-Unit Housing Trends	One-Unit Housing			Present Land Use %	
Location ☐ Urban ☒ Suburban ☐ Rural	Property Values ☒ Increasing ☐ Stable ☐ Declining	PRICE $ (000)		AGE (yrs)	One-Unit	90 %
Built-Up ☐ Over 75% ☒ 25-75% ☐ Under 25%	Demand/Supply ☐ Shortage ☒ In Balance ☐ Over Supply	155	Low	2	2-4 Unit	0 %
Growth ☒ Rapid ☐ Stable ☐ Slow	Marketing Time ☒ Under 3 mths ☐ 3-6 mths ☐ Over 6 mths	279	High	9	Multi-Family	0 %
Neighborhood Boundaries SPRINGHILL DRIVE TO THE NORTH, STONERIDGE DRIVE TO THE EAST, FLOWER AVENUE TO THE SOUTH, CUSTER DRIVE TO THE WEST.		180	Pred.	5	Commercial	0 %
					Other	10 %

Neighborhood Description THE IMMEDIATE MARKET AREA IS PREDOMINATELY SINGLE-FAMILY HOUSING OF VARIOUS STYLES WITH SCATTERED UPPER-MID RANGE CUSTOM CONSTRUCTION. PROXIMITY TO SERVICES, EMPLOYMENT, AND RECREATION IS CONSIDERED AVERAGE. OTHER LAND USE IS THE INFLUENCE OF A PUBLIC PARK WITHIN THE DEFINED NEIGHBORHOOD.
Market Conditions (including support for the above conclusions) INTEREST RATES APPEAR TO BE STABLE AND REMAIN FAVORABLE, WITH MANY FINANCING AVENUES AVAILABLE. ONGOING NEW CONSTRUCTION SUPPORTS STEADY TO RAPID GROWTH PATTERN OF THE OVERALL MARKET. EXISTING HOUSING RESALES COUPLED WITH NEW CONSTRUCTION MAINTAIN SUPPLY/DEMAND IN BALANCE.

SITE

Dimensions 110' X 150' | Area 16,500 SQ.FT. | Shape RECTANGULAR | View RESID. HOUSING
Specific Zoning Classification R-4 | Zoning Description LOW DENSITY RESIDENTIAL DISTRICT
Zoning Compliance ☒ Legal ☐ Legal Nonconforming (Grandfathered Use) ☐ No Zoning ☐ Illegal (describe)
Is the highest and best use of subject property as improved (or as proposed per plans and specifications) the present use? ☒ Yes ☐ No If No, describe

Utilities	Public	Other (describe)		Public	Other (describe)	Off-site Improvements - Type	Public	Private
Electricity	☒	☐	Water	☒	☐	Street ASPHALT	☒	☐
Gas	☒	☐	Sanitary Sewer	☒	☐	Alley NONE	☐	☐

FEMA Special Flood Hazard Area ☐ Yes ☒ No | FEMA Flood Zone X | FEMA Map # 39049C0069H | FEMA Map Date 4/21/1999
Are the utilities and off-site improvements typical for the market area? ☒ Yes ☐ No If No, describe
Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? ☐ Yes ☒ No If Yes, describe
NO ADVERSE SITE CONDITIONS OR ENCROACHMENTS HAVE BEEN NOTED. FLOOD INFORMATION IS PER FLOODSOURCE FLOOD MAPPING SERVICE, AND IS NOT TO BE RELIED UPON FOR FLOOD INSURANCE DETERMINATION. THE CLIENT SHOULD RELY UPON THEIR FLOOD CERTIFICATION SOURCE FOR FINAL DETERMINATION.

IMPROVEMENTS

General Description	Foundation	Exterior Description materials/condition	Interior materials/condition
Units ☒ One ☐ One with Accessory Unit	☐ Concrete Slab ☒ Crawl Space	Foundation Walls POURED CONC.	Floors WOOD/CRPT/CER
# of Stories 2	☐ Full Basement ☒ Partial Basement	Exterior Walls VINYL/BRICK	Walls DRYWALL
Type ☒ Det. ☐ Att. ☐ S-Det./End Unit	Basement Area 642 sq.ft.	Roof Surface DIM. SHINGLE	Trim/Finish STND. OAK
☒ Existing ☐ Proposed ☐ Under Const.	Basement Finish 75 %	Gutters & Downspouts ALUMINUM	Bath Floor CERAMIC
Design (Style) COLONIAL/2ST	☐ Outside Entry/Exit ☒ Sump Pump	Window Type DOUBLE HUNG	Bath Wainscot CERAMIC
Year Built 1999	Evidence of ☐ Infestation	Storm Sash/Insulated INSULATED	Car Storage ☐ None
Effective Age (Yrs) 3 YEARS	☐ Dampness ☐ Settlement	Screens YES	☒ Driveway # of Cars 2
Attic ☐ None	Heating ☒ FWA ☐ HWBB ☐ Radiant	Amenities ☐ Woodstove(s) #	Driveway Surface CONCRETE
☐ Drop Stair ☐ Stairs	☐ Other Fuel NAT. GAS	☒ Fireplace(s) # 1 ☒ Fence WD. PRIV.	☒ Garage # of Cars 2
☐ Floor ☒ Scuttle	Cooling ☒ Central Air Conditioning	☒ Patio/Deck REAR ☒ Porch FRONT	☐ Carport # of Cars
☐ Finished ☐ Heated	☐ Individual ☐ Other	☐ Pool ☒ Other B-I SPA	☒ Att. ☐ Det. ☐ Built-in

Appliances ☒ Refrigerator ☒ Range/Oven ☒ Dishwasher ☒ Disposal ☒ Microwave ☐ Washer/Dryer ☒ Other (describe) TRASH COMPACTOR
Finished area **above** grade contains: 7 Rooms 3 Bedrooms 2.1 Bath(s) 1,952 Square Feet of Gross Living Area Above Grade
Additional features (special energy efficient items, etc.). MONITORED SECURITY AND FIRE ALARM SYSTEM. GARAGE HAS FINISHED INTERIOR, 2 ELECTRIC DOOR OPENERS AND BUILT-IN STORAGE AREA.
Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.). THE SUBJECT WAS FOUND TO BE IN OVERALL ABOVE AVERAGE CONDITION AND REASONABLY MAINTAINED. THE EFFECTIVE AGE IS SLIGHTLY LESS THAN ACTUAL DUE TO OVERALL CONDITION.

Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? ☐ Yes ☒ No If Yes, describe

Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? ☒ Yes ☐ No If No, describe

Freddie Mac Form 70 March 2005 | Fannie Mae Form 1004 March 2005

Uniform Residential Appraisal Report

815
File # 18988

There are 7 comparable properties currently offered for sale in the subject neighborhood ranging in price from $ 174,900 to $ 192,500 .

There are 12 comparable sales in the subject neighborhood within the past twelve months ranging in sale price from $ 168,500 to $ 191,000 .

SALES COMPARISON APPROACH

FEATURE	SUBJECT	COMPARABLE SALE # 1		COMPARABLE SALE # 2		COMPARABLE SALE # 3	
Address	22 OAKWOOD DRIVE WESTERVILLE, OH 43081	21 VALLEYVIEW COURT WESTERVILLE, OHIO		337 CHRIS COURT WESTERVILLE, OHIO		321 PEARSON DRIVE WESTERVILLE, OHIO	
Proximity to Subject		0.37 MILE NORTHEAST		0.33 MILE NORTH		0.62 MILE SOUTHEAST	
Sale Price	$ $178,000		$ 180,000		$ 185,000		$ 172,000
Sale Price/Gross Liv. Area	$ 91.19 sq.ft.	$ 89.82 sq.ft.		$ 97.16 sq.ft.		$ 99.48 sq.ft.	
Data Source(s)		FRANKLIN CO. AUDITOR		FRANKLIN CO. AUDITOR		FRANKLIN CO. AUDITOR	
Verification Source(s)		COLS. MLS, BROKER		COLS. MLS, BROKER		COLS. MLS, BROKER	
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment
Sales or Financing Concessions		CONV NONE		CONV SELLER PAID	-5,000	CONV NONE	
Date of Sale/Time		4/30/2005		3/5/2005		5/14/2005	
Location	INSIDE LOT	INSIDE LOT		INSIDE LOT		INSIDE LOT	
Leasehold/Fee Simple	FEE SIMPLE	FEE SIMPLE		FEE SIMPLE		FEE SIMPLE	
Site	16,500 SQ.FT.	17,200 SQ. FT.		15,740 SQ. FT		13,650 SQ. FT.	
View	RES/AVG	RES/AVG		PARK/GOOD	-2,500	RES/AVG	
Design (Style)	COLONIAL/2ST	COLONIAL/2ST		COLONIAL/2ST		COLONIAL/2ST	
Quality of Construction	AVERAGE	AVERAGE		AVERAGE		AVERAGE	
Actual Age	6 YEARS	5 YEARS		6 YEARS		8 YEARS	
Condition	GOOD	GOOD		GOOD		AVERAGE	+2,500
Above Grade Room Count (Total / Bdrms. / Baths)	7 / 3 / 2.1	6 / 3 / 2.1		8 / 3 / 2.1		7 / 3 / 2	+500
Gross Living Area	1,952 sq.ft.	2,004 sq.ft.	-1,250	1,904 sq.ft.	+1,250	1,729 sq.ft.	+5,500
Basement & Finished Rooms Below Grade	642 Sq.Ft. 2 RMS, F BA	1,002 SQ. FT. UNFINISHED	-2,000 +3,000	700 SQ. FT. 1 RM. FIN	+2,000	600 SQ. FT. 2 RMS, F BA	
Functional Utility	AVERAGE	AVERAGE		AVERAGE		AVERAGE	
Heating/Cooling	GFA/CENTRAL	GFA/CENTRAL		GFA/CENTRAL		GFA/CENTRAL	
Energy Efficient Items	TYPICAL	TYPICAL		TYPICAL		TYPICAL	
Garage/Carport	2-C ATT GAR	2-C ATT GAR		2-C ATT GAR		2-C ATT GAR	
Porch/Patio/Deck	PORCH, PATIO	PORCH, DECK		PORCH, PATIO		PORCH,DECK	
	B-I SPA	NONE	+500	IN-GRD POOL	-500	B-I SPA	
	WD PRIV FNC	WD PRIV FNC		WD PRIV FNC		NONE	+500
	FIREPLACE	FIREPLACE		2 FIREPLACES	-1,000	FIREPLACE	
Net Adjustment (Total)		☒ + ☐ -	$ 250	☐ + ☒ -	$ -5,750	☒ + ☐ -	$ 9,000
Adjusted Sale Price of Comparables		Net Adj. 0.1% Gross Adj. 3.8%	$ 180,250	Net Adj. 3.1% Gross Adj. 6.6%	$ 179,250	Net Adj. 5.2% Gross Adj. 5.2%	$ 181,000

I ☒ did ☐ did not research the sale or transfer history of the subject property and comparable sales. If not, explain

My research ☐ did ☒ did not reveal any prior sales or transfers of the subject property for the three years prior to the effective date of this appraisal.

Data Source(s) FRANKLIN COUNTY AUDITOR

My research ☒ did ☐ did not reveal any prior sales or transfers of the comparable sales for the year prior to the date of sale of the comparable sale.

Data Source(s) FRANKLIN COUNTY AUDITOR

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).

ITEM	SUBJECT	COMPARABLE SALE #1	COMPARABLE SALE #2	COMPARABLE SALE #3
Date of Prior Sale/Transfer	NONE IN 36 MONTHS	9/23/2004	NONE IN 12 MONTHS	NONE IN 12 MONTHS
Price of Prior Sale/Transfer		$155,000		
Data Source(s)		FRANKLIN CO AUDITOR		
Effective Date of Data Source(s)		6/3/2005		

Analysis of prior sale or transfer history of the subject property and comparable sales RESEARCH REVEALED THAT SALE #1 TRANSFERRED ON 9/23/2004 FOR $155,000. FURTHER INQUIRY WITH THE SELLER IN THE MOST RECENT TRANSACTION REVEALED THAT THE PURCHASE WAS VIA SHERRIFF'S AUCTION. COSMETIC RENOVATIONS WERE PERFORMED PRIOR TO THE PROPERTY BEING RE-MARKETED.

Summary of Sales Comparison Approach THE SALES REFLECT A REASONABLE VALUE RANGE. ALL SALES ARE FROM THE IMMEDIATE MARKET AREA. CORRELATION IS TOWARD THE UPPER PART OF THE VALUE RANGE, WITH TWO OF THE THREE SALES INDICATING THAT DIRECTION. THESE SALES ARE THE MOST RECENT AND REQUIRE THE FEWEST NET ADJUSTMENTS.

Indicated Value by Sales Comparison Approach $ 178,000

RECONCILIATION

Indicated Value by: Sales Comparison Approach $ 178,000 **Cost Approach (if developed) $** 182,822 **Income Approach (if developed) $** N/A

THE COST APPROACH LENDS SUPPORT AS THE UPPER RANGE OF VALUE. THE SALES COMPARISON APPROACH HAS BEEN GIVEN THE MOST WEIGHT AS IT REFLECTS THE ACTIONS OF BUYERS AND SELLERS IN THE MARKETPLACE. THE SALES COMPARISON APPROACH IS TYPICALLY CONSIDERED TO BE THE MOST RELIABLE IN ASSIGNMENTS OF SINGLE-FAMILY DWELLINGS.

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 (our) opinion of the market value, as defined, of the real property that is the subject of this report is $ 178,000 **, as of** JUNE 3, 2005 **, which is the date of inspection and the effective date of this appraisal.**

Freddie Mac Form 70 March 2005 Fannie Mae Form 1004 March 2005

Uniform Residential Appraisal Report - Page 2 of 3

Uniform Residential Appraisal Report

File # 815 18988

ADDITIONAL COMMENTS

COST APPROACH

COST APPROACH TO VALUE (not required by Fannie Mae)

Provide adequate information for the lender/client to replicate the below cost figures and calculations.

Support for the opinion of site value (summary of comparable land sales or other methods for estimating site value) ESTIMATED SITE VALUE IS DERIVED FROM A SALES COMPARISON ANALYSIS OF LOT SALES WITHIN THE SUBJECT'S SUBDIVISION. THIS ANALYSIS IS CONTAINED IN THE APPRAISER'S WORKFILE.

ESTIMATED ☐ REPRODUCTION OR ☒ REPLACEMENT COST NEW	OPINION OF SITE VALUE				=$	35,000
Source of cost data MARSHALL SWIFT COSTING SERVICE	DWELLING	1,952	Sq.Ft. @ $	67.40	=$	131,565
Quality rating from cost service AVG Effective date of cost data 3/1/2005	FOUNDATION	642	Sq.Ft. @ $	12.00	=$	7,704
Comments on Cost Approach (gross living area calculations, depreciation, etc.)					=$	
GROSS LIVING AREA HAS BEEN DETERMINED FROM EXTERIOR	Garage/Carport	528	Sq.Ft. @ $	18.00	=$	9,504
DIMENSIONS. LOCAL COST DATA CONTAINED IN THE	Total Estimate of Cost-New				=$	148,773
APPRAISER'S FILES HAS ALSO BEEN RESEARCHED.	Less Physical		Functional	External		
DEPRECIATION HAS BEEN CALCULATED USING THE AGE/LIFE	Depreciation	5,951			=$(	5,951)
METHOD.	Depreciated Cost of Improvements				=$	142,822
	"As-is" Value of Site Improvements				=$	5,000
Estimated Remaining Economic Life (HUD and VA only) 72 Years	**INDICATED VALUE BY COST APPROACH**				=$	182,822

INCOME

INCOME APPROACH TO VALUE (not required by Fannie Mae)

Estimated Monthly Market Rent $ N/A X Gross Rent Multiplier N/A = $ N/A Indicated Value by Income Approach

Summary of Income Approach (including support for market rent and GRM) THE INCOME APPROACH HAS NOT BEEN PROCESSED DUE TO A LACK OF COMPARABLE MARKET DATA. THE MARKET IS PRIMARILY OWNER-OCCUPIED.

PUD INFORMATION

PROJECT INFORMATION FOR PUDs (if applicable)

Is the developer/builder in control of the Homeowners' Association (HOA)? ☐ Yes ☐ No Unit type(s) ☐ Detached ☐ Attached

Provide the following information for PUDs ONLY if the developer/builder is in control of the HOA and the subject property is an attached dwelling unit.

Legal Name of Project

Total number of phases Total number of units Total number of units sold

Total number of units rented Total number of units for sale Data source(s)

Was the project created by the conversion of existing building(s) into a PUD? ☐ Yes ☐ No If Yes, date of conversion.

Does the project contain any multi-dwelling units? ☐ Yes ☐ No Data Source

Are the units, common elements, and recreation facilities complete? ☐ Yes ☐ No If No, describe the status of completion.

Are the common elements leased to or by the Homeowners' Association? ☐ Yes ☐ No If Yes, describe the rental terms and options.

Describe common elements and recreational facilities.

Freddie Mac Form 70 March 2005 Fannie Mae Form 1004 March 2005

Chapter 12 Summary

1. An **appraisal** is an opinion of value of property, as of a specified date, supportable by objective data. Appraisers follow a well-defined process to value properties using three different methods: Sales comparison approach, cost approach, and income approach. **Uniform Standards of Professional Appraisal Practice** (USPAP) rules and guidelines must be followed so work is seen as complete, accurate, and unbiased. The result of an appraisal is an appraisal report, which communicates the opinion of value and the supporting data. The **Uniform Residential Appraisal Report (URAR)** is the primary form used by lenders for residential property appraisal.
2. The **sales comparison approach** estimates property value by comparing the subject property with other recently sold comparable properties in the same market area. Fannie Mae requires that no less than three comparables be analyzed in the process, but additional comparables may be used for added support. Only past sales are used since they are objective evidence. Fannie Mae's definition of **market value** is the most probable price a property should bring in a competitive and open market. Typical buyers, acting in their own best interest, won't pay more for a home or feature than a comparable substitute.
3. **Comparables** must be similar to the subject, recent sales, and in the same market area. **Adjustments** are made to comparables for differences; the subject never changes. If a comparable lacks something the subject has, add value to it to make it like the subject; if a comparable has something extra, subtract value from it. Adjustments are only made for features present or absent as of the day a comparable was sold; adjustments are only made for significant features.
4. Elements of comparison are any aspects of property that cause a difference in value. The **sequence** of adjustments is: (1) property rights conveyed, (2) financing terms, (3) conditions of sale, (4) market conditions (date of sale), (5) location, and (6) physical characteristics. Adjusting for financing terms is a percentage adjustment. Fannie Mae wants to see actual dollar amounts, but only wants the adjustment to equal the concession's actual effect on sale price. No positive adjustments are permitted. Date of sale adjustment is also a percentage. Adjustments for location and physical features are done as dollar amounts. Total adjustments made to comparables are limited by the secondary market. Accepted adjustment guidelines are that line adjustments should not exceed 10% of the comparable sales price; the total **net** adjustments should not exceed **15%** of comparable's price; and total **gross** adjustments should not exceed **25%** of comparable's price.
5. The URAR form asks for the subject's **transfer history** for the past three years to check for inflated prices. Property flipping is buying property and quickly reselling it for a profit. While not illegal, fraud can occur if the property value is inflated. Frequent transfers with escalating values in a short time period are warning signs. The URAR form also asks for comparable transfer history for the year prior to the date of transfer to determine if the transfer price actually reflects market value. If a comparable was transferred many times with escalating values, or was involved in "back-to-back," "simultaneous," or "double" transaction closings, it should be discarded.
6. **Reconciliation** is the process of analyzing values derived from different appraisal approaches to arrive at a final opinion of value. Values of the different approaches are never averaged to reach a final value. The reconciliation section also indicates if the appraisal was performed "as is" or is subject to other conditions or assumptions, which require additional explanation.
7. With automated underwriting, the value of the property is initially determined using an **automated valuation model** (AVM). AVMs are able to provide a probable value range for properties by performing a statistical analysis of available data.
8. If an appraisal must be updated or readdressed, as when a lender evaluates an application, it must be considered a new assignment by the appraiser. A **recertification of value** (recert) may be necessary to confirm whether or not certain conditions in the original appraisal have been met without changing the effective date of the valuation.
9. Rules on Valuation Independence (12 C.F.R. § 1026.42) sets standards on compensation, conflicts of interest, and appraiser independence with a goal of ensuring that real estate appraisers are not coerced in any way into establishing a pre-determined or desired valuation on a property.

Chapter 12 Quiz

1. ***Which form is used most frequently for residential appraisals?***
   A. FNMA
   B. HVCC
   C. URAR
   D. USPAP

2. ***Jack has been contracted to determine the value of a large apartment building for a potential investor. Which appraisal method is probably the most useful for this situation?***
   A. competitive market analysis
   B. cost approach
   C. income approach
   D. sales comparison approach

3. ***Which of the following is a correct adjustment?***
   A. The comparable has an extra bathroom, so $3,000 is added to the subject price.
   B. The comparable has an extra bathroom, so $3,000 is subtracted from the subject price.
   C. The subject has an extra bathroom, so $3,000 is added to the comparable price.
   D. The subject has an extra bathroom, so $3,000 is subtracted from the comparable price.

4. ***Two homes are similar in every respect except one has air conditioning and the other has a heat pump. Both sold for $125,000. What can we conclude?***
   A. Air conditioning is more desirable than a heat pump.
   B. A heat pump is more desirable than air conditioning.
   C. Neither a heat pump nor air conditioning is a significant feature.
   D. There must be some information missing from the question because air conditioning is always worth more.

5. ***Which is considered first in the sequence of adjustments?***
   A. date of sale
   B. location
   C. physical differences
   D. property rights conveyed

6. ***When a percentage adjustment is made for a sale concession, what is the result?***
   A. The comparable price is now the cash equivalency.
   B. The comparable price is now the time-adjusted normal sale price.
   C. The subject is adjusted to the market.
   D. Nothing, because sales concessions are never percentage adjustments.

7. ***Why are there guidelines on adjustment limits?***
   A. because lenders wanted to limit the number of loans being made
   B. so appraisers do not adjust the subject too much
   C. to gauge how close a comparable approximates the subject
   D. to test which appraisers are more adept at math skills

8. ***On the URAR form, the transfer history for the subject must be reported for***
   A. any suspicious transfers in the public record.
   B. the past three years.
   C. the past year.
   D. The past six months.

9. ***A recert does NOT***
   A. address issues in a "subject to" appraisal.
   B. change the effective date of the valuation.
   C. confirm the validity of the original opinion of value.
   D. verify that conditions stated in the original appraisal have been met.

10. ***Under the provisions of the interim final rule on valuation independence, which would NOT be prohibited?***
    A. asking an appraiser to report a specific property value
    B. conditioning compensation to an appraiser based on consummation of the transaction
    C. obtaining multiple valuations and selecting the most reliable
    D. refusing to use an appraiser who provided a lower than expected valuation on a previous engagement