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Review Appraisal Handbook

PHILOSOPHY

A review is more than just another appraisal product. It is a SERVICE, more akin to a consulting assignment. The client is in essence asking for a “second opinion” as to whether the appraisal in question is adequate in support for, and in determination of, the value estimated. The reviewer’s job is to provide an expert opinion that will assist clients in making an informed lending decision.

Success in the review business stems from one’s ability to resolve potential problems rather than create them. As outlined in the procedures that follow, it is incumbent on every reviewer to attempt to provide additional information where the initial appraisal is found lacking or assess the importance of inadequacies of the appraisal to enable a value determination with no further action required by the lender. However, if the appraisal is grossly inadequate or contains inconsistencies or omissions that fundamentally denigrate the reliability of the appraisal and support for the value conclusion, then corrections must be required of the appraiser.

One of the reasons we try to resolve inadequacies within an appraisal is the time and effort involved in getting a correction from the appraiser:

1. Reviewer submits review to lender
2. Lender contacts Broker with condition
3. Broker contacts appraiser for correction
4. Appraiser supplies correction to Broker
5. Broker supplies correction to Lender
6. Lender supplies correction to Reviewer
7. Reviewer responds to correction to Lender

If the reviewer was not specific enough in the request for additional information from the appraiser or the appraiser has not responded adequately to the request, the whole process repeats itself. This process can easily take several days and delay the loan funding.

It must also be noted that review appraisers are given a position of authority. As a review appraiser, it is important to always remember how difficult it is to complete many appraisal assignments. Abuse of this authority has been, and continues to be, a shortcoming of many reviewers. Always refer to inadequacies in the appraisal and do not make any comments regarding the appraiser. Comments must be objective, factually based and not condescending or opinionated.

Reviewing can be a very rewarding and experience enhancing position once an appraiser has developed the skills to efficiently determine the adequacy of the value conclusion and report in a positive, problem solving manner, any inadequacies found in the appraisal.

THE REVIEW PROCESS

There are three steps in completing a review that must be completed in order and on all reviews.

First, DETERMINE IF THE VALUE IS REASONABLE.

Before the first word is typed in a review the reviewer must make the determination whether the value indicated in the appraisal is within an acceptable range. Many lenders define an acceptable range as within 5%.

If the value is not considered reasonable, then the errors and lack of support must be pointed out and supporting documentation for a lower value must be provided.

The review should indicate what the specific requirements are to enable concurrence with the value estimated and give the client the option to fund the loan at the lowered value in lieu of additional information provided by the appraiser. (i.e. "In lieu of any additional support provided by the original appraiser, based upon the data noted above, there appears to be Sufficient support for a value of at least \$_____ for subject property.")

If the value is considered reasonable, then:

Second, DETERMINE IF THE VALUE IS ADEQUATELY SUPPORTED.

If there is a significant lack of description, analysis, or verifiable support for the value conclusion, the reviewer must decide whether it is warranted to require a correction.

Always attempt to resolve any discrepancies with the appraisal by providing research documentation rather than requiring a correction from the appraiser.

If the inadequacy is complex and/or there is no way to reasonably correct, be very specific in describing the requirement for additional support. (i.e. "Appraiser to provide one additional comparable of subject size, within a 6 block radius that has closed in the past six months that supports the value estimated.")

If the value is adequately supported, then:

Third, DETERMINE IF THERE ARE MINOR DISCREPANCIES.

Numerous minor discrepancies may reduce the confidence level in that information within the report that is not verifiable, adding to the concern that the value is not adequately supported, thus requiring correction from the appraiser and in extreme cases requirement that the appraisal be completed by another appraiser.

In the vast majority of cases, however, minor discrepancies should be pointed out and corrected by the reviewer, if possible. If correction is not possible it is often appropriate to indicate the discrepancy does not have an affect on the value estimated and correction is left to the discretion of the client.

One-Unit Residential Appraisal Field Review Report

File No. _____

The purpose of this appraisal review is to verify the accuracy of the factual data and conclusions and to determine the reasonableness of the value opinion contained in the appraisal report under review. When the value is determined to be unreasonable, the review appraiser is required to develop and report his or her own opinion of value. The intended use of this report is for quality assurance for the lender/client and may be used as part of a state licensing or regulatory board referral.

Property Address	A - 1	City	A - 1	State	A - 1	Zip Code	A - 1
Legal Description	A - 2			County	A - 2		
Assessor's Parcel No.	A - 2	Map Reference	A - 2	Census Tract	A - 2		
Borrower	A - 3		Current Owner	A - 4			
Property Rights Appraised	<input type="checkbox"/> Fee Simple	<input type="checkbox"/> Leasehold	Project Type	<input type="checkbox"/> Condo	<input type="checkbox"/> PUD	<input type="checkbox"/> Cooperative	
Loan No.	A - 7	Effective Date of Original Appraisal	A - 8	Manufactured Housing	<input type="checkbox"/> YES	<input type="checkbox"/> NO	

SCOPE OF WORK: In order to make a determination as to the reasonableness of the opinion of value, the review appraiser has, at a minimum, read the entire appraisal report under review, inspected the subject property and comparable sales described in the appraisal report from the street, inspected the neighborhood in which the subject is located, researched all appropriate data, verified the data in the appraisal report using all reliable sources, and assumed the property condition reported in the original appraisal is accurate unless there is evidence to the contrary.

If the review appraiser determines the opinion of value is unreasonable, he or she is required to provide an opinion of value. The review appraiser is not required to replicate the steps completed by the original appraiser. Those items in the original appraisal report that the review appraiser believes to be credible and in compliance with the applicable development standards of the Uniform Standards of Professional Appraisal Practice (USPAP) and are extended to this report by the use of an extraordinary assumption, which is identified in Section III, Question 2. If the review appraiser determines the opinion of value is unreasonable, he or she must present additional data that has been researched and analyzed to produce a credible opinion of value in accordance with the applicable section of Standard 1 of the USPAP.

Section I - Complete for all assignments

1. Provide a sale/transfer and listing history for the subject property for a minimum of three years prior to the effective date of the original appraisal (if the information is available to the review appraiser in the normal course of business from a reliable source).

Sale/Recording Date	Sales Price	List/Asking Price	Grantor/Grantee	Data Source
B - 1	B - 2	B - 3	B - 4	B - 5

Analyze sale/transfer history for the subject property and report its impact, if any, on the value opinion in the appraisal report under review:

B - 6

Did the appraisal report contain the appropriate prior sale(s) and/or prior listing(s) of the subject property and comparable sales?

YES NO-explain.

B - 7

2. Is the data in the appraisal report factual and accurate? YES-provide a brief summary. NO-explain and complete Section II.

B - 8

3. Is the final opinion of market value for the subject property reasonable as of the effective date of the appraisal under review?

YES-provide a brief summary. NO-explain and complete Sections II and III.

B - 9

Section II - Complete only if review appraiser answers "NO" to Section I, Questions 2 or 3

1. Is the analysis of the neighborhood complete and accurate? YES-provide a brief summary. NO-explain.

C - 1

2. Is the analysis of the site, including any apparent adverse site conditions and the highest and best use, complete and accurate?

YES-provide a brief summary. NO-explain.

C - 2

3. Are the zoning classification, description, and compliance accurate? YES-provide a brief summary. NO-explain.

C - 3

4. Is the data in the improvements section complete and accurate? YES-provide a brief summary. NO-explain.

C - 4

One-Unit Residential Appraisal Field Review Report

File No. _____

5. Is the data presented in the approaches to value appropriate, accurate and correctly applied, including the individual adjustments in the sales comparison approach? YES-provide a brief summary. NO-provide a detailed explanation of the problem areas.

C - 5

6. Are the comparable sales selected truly relevant to the subject property and the most reflective of the subject market area? YES-provide a brief summary. NO-provide a detailed explanation as to why they are not the best comparables.

C - 6

Section III - Complete only if review appraiser answers "NO" to Section I, Question 3

1. Provide detailed reasoning for disagreement with the opinion of value in the original appraisal report.

D - 1

2. State all extraordinary assumptions used (i.e. gross living area, room count, interior condition, etc.).

D - 2

3. Provide a new opinion of value as of the effective date of the original appraisal report using the sales grid below. (NOTE: This may or may not include the use of the same comparable sales in the original appraisal report.)

FEATURE	SUBJECT			SALE 1			SALE 2			SALE 3					
Address	D - 3														
Proximity to Subject															
Sales Price	\$			\$			\$			\$					
Price/Gross Liv. Area	\$			\$			\$			\$					
Data & Verification Sources															
VALUE ADJUSTMENTS	Description			Description			+(-) \$ Adjust			Description			+(-) \$ Adjust		
Sales or Financing Concessions															
Date of Sale/Time															
Location															
Site															
View															
Design (Style)															
Actual Age (Yrs.)															
Condition															
Above Grade Room Count	Total	Bdrms	Baths												
Gross Living Area	Sq.Ft.			Sq.Ft.			Sq.Ft.			Sq.Ft.					
Basement & Finished Rooms Below Grade															
Garage/Carport															
Net Adj. (total)	<input type="checkbox"/> + <input type="checkbox"/> -			<input type="checkbox"/> + <input type="checkbox"/> -			<input type="checkbox"/> + <input type="checkbox"/> -			<input type="checkbox"/> + <input type="checkbox"/> -					
Adjusted Sales Price of Comparables	Gross: Net: \$														

Provide a sale/transfer history for the above comparable sales for a minimum of three years prior to the effective date of the original appraisal (if the information is available in the normal course of business from a reliable source).

D - 4

Summary of Value Conclusion (including detailed support for the opinion of value and reasons why the new comparables are better than the sales used in the original appraisal report).

D - 5

REVIEW APPRAISER'S OPINION OF MARKET VALUE (Required only if reviewer answered "NO" to Section I, Question 3)

My opinion of market value of the real property that is the subject of this report is \$ _____ D - 6 as of _____ D - 6, the effective date of the original appraisal report.

REVIEW GUIDELINES

** Please refer to the review form above for the corresponding identification numbers indicated for each section of the guidelines.

SUBJECT SECTION

- A-1 The subject property address is to include the street number and name (provide any unit number/letter, if appropriate), city name, state abbreviation, and the zip code.

This information is obtained from the “subject section” on Page #1 of the Appraisal Report. The information should be verified through available data sources. Any discrepancies should be noted in an addendum. Reviewer’s have detected that an appraisal was inadvertently completed on the wrong house with a similar address.

- A-2 Provide the legal description from assessor record source or from the preliminary title report if supplied by the client. Space limitations may necessitate the use of an addendum.

Verify the legal description, assessors parcel number, map reference, and census tract on the appraisal are the same as reported in data sources.

- A-3 Enter the name of the borrower.

This information is obtained from the “subject section on Page #1 of the Appraisal Report. The information should be verified through available data sources and with the review order form. If the borrower indicated on the Appraisal Report differs from the borrower indicated on the review order form, please comment.

- A-4 Enter the name of the current owner.

Verify current owner with assessor records. Inconsistent current owner may be due to inaccurate data source or a recent transfer that has not been published in the data source. Reviewer should keep in mind that undocumented owners or recent sales and re-sales of the property could be indications of fraud and “flipping”.

- A-5 Indicate the property rights being appraised (i.e. Fee Simple, Leasehold, etc.). If Leasehold, a complete analysis of the underlying lease and property rights owned should be detailed within the appraisal.

- A-6 Mark the Condo, PUD, or Cooperative box if appropriate. Research subject to determine if there are mandatory homeowner's dues the appraiser may have missed. Determine if the appraiser has correctly classified subject as a Condo or PUD as misclassification is a common mistake.
- A-7 Normally the client's loan number is entered here. If not provided, enter "N/A" on the review form. A-5
- A-8 Mark Yes or No regarding manufactured housing. If yes, insure the proper manufactured form or addenda was provided.

SECTION I

Property transfers and refinancing should be reflected for the subject property over the prior three (3) year period. If there is more than one (1) entry to be displayed, reflect the most current item first with the remaining items in chronological sequence. The information should be obtained through available sources.

- B-1 Enter the date (month / day / year) of the transfer.

- B-2 Enter the sales price or transfer amount.

- B-3 Enter the original listing price for sales transactions.

- B-4 Enter the name(s) of the Grantor(s), (Seller(s), and the Grantee(s) Buyer.

- B-5 Indicate the data source(s) utilized to obtain the information reflected in items B-1 through B-4.

If the subject property has not experienced any sales or refinancing over the prior three (3) year period, or portions of the information are not provided through the available data sources, enter "N/A" in the appropriate areas.

- B-6 Analyze the sales history of subject based upon your local market knowledge, data sources available, and the information contained within the appraisal.

Determine if a significant value change from the previous sales price is due to normal price appreciation/depreciation, significant improvements or deficiencies to the property that have occurred since the prior sale, or if the prior sale was a non-market transaction. Research prior sales of subject in the local Multiple Listing Service to determine the condition of the property at the time of that sale or if there were any extenuating circumstances that might have affected that prior transaction.

- B-7 Compare sales history provided within the appraisal with your independent research and note any discrepancies. This is an area where the reviewer can correct omissions or inaccurate factual data within the appraisal without involvement of the original appraiser.
- B-8 Verify all data regarding the subject and comparables provided within the appraisal based upon available data sources and that attainable via exterior inspection of subject. Indicate any verifiable discrepancies found and discuss the effect on value, if any, these discrepancies pose.
- B-9 As noted in the “Review Process” above, make a determination as to the reasonableness of the value estimate based upon the verifiable data and analysis provided.

While the reviewer is only asked to provide comments if he / she disagrees with the information provided in the original Appraisal Report, the reviewer should always provide comments in response to each question even if they agree completely with the information or analysis provided. If there are minor discrepancies in the data or analysis that do not have an affect on value, these should be noted in the comment areas of B-8 and B-9 and the YES box should be checked. If the reviewer concurs with the estimate of market value, he/she should restate the value such as “the final value estimate of \$200,000 appears adequately supported by the information and market data provided”. At this point the review is considered complete.

If the data or the analysis within the appraisal do not support the value estimated, then the NO box for this question should be marked and Sections II and/or III must be completed.

SECTION II

- C-1 Any discrepancies, omissions, or inconsistencies regarding the neighborhood information, data, or analysis should be fully discussed. (Do not limit comments to the space available on the form. If additional space is needed, utilize a Supplemental Addendum). Discuss any additional pertinent neighborhood information that may have been omitted on the Appraisal Report.

This section is typically straightforward with minor discrepancies not typically having an effect on value. However, an accurate neighborhood boundary description is of major importance. The leading cause of inaccurate value conclusions is the utilization of comparables from outside subject immediate neighborhood. Proper neighborhood boundary description is the first step in analysis of the appropriateness of the comparables used.

Comment regarding the subject's compatibility and conformity to its neighborhood area. Does the subject represent an over or under-improvement for the neighborhood? If so, what is the affect on value and marketability?

Comment regarding any unique design characteristics or the quality of materials if they are not consistent with other homes in the general neighborhood area.

Verify that subject and the comparables fall within the neighborhood price and age ranges. Ascertain whether subject is towards the higher end of the neighborhood price range which may be an indication of an over-improvement or excessive valuation.

- C-2 Discuss any discrepancies, omissions, or inconsistencies regarding the site information or analysis. Verify the site size with assessor records. If errors are noted, provide the correct information and the data source from which it was obtained.

Comment regarding any apparent easements or encroachments noted during the subject property inspection. Review the plat map or preliminary title report, if available, of any easements of record. Confirm (with comments) any indicated view amenity. Take photos of any significant discrepancies in the appraisal from what is

observed. Comment regarding any external influences affecting the subject's site that may have been omitted from the appraisal report

For Condo, PUD or Cooperative units, the reviewer should verify the project information. The indicated common elements should be verified and the reviewer should note any discrepancies. If the reviewer identifies special assessment or litigation issues, these should be analyzed as to their possible affect relative to the subject's marketability or valuation.

- C-3 It is very important to verify the zoning for subject. Anything other than Single Family Residential can have a significant affect on value and requires a full explanation from the appraiser, or a comment by the reviewer that this zoning has no apparent affect on the value.

If the zoning and the highest and best use are other than residential the reviewer should conclude in the review that the residential appraisal provided is inappropriate and the reviewer is unable to conclude a value based upon the information presented.

If the subject's zoning compliance is legal non-conforming, the reviewer should check the site comments to see if the appraiser indicated if the subject could be rebuilt if destroyed. If this was not included, the reviewer should require the appraiser to provide this information if the reviewer is doubtful the present improvements could be rebuilt, or leave it to the discretion of the lender as to whether to require this information from the appraiser.

- C-4 Discuss any discrepancies, omissions, or inconsistencies regarding the subject's improvements. If errors are noted, provide the correct information and the data source from which it was obtained. It is not necessary to nit pick any minor discrepancies; however, they can be noted or pointed out without making correction a condition of the review.

Verify with assessor records that the gross living area is approximately correct. If there is a discrepancy, and your source is generally accurate, point out this discrepancy within the report. If the difference in size would have a significant affect on the value estimate, require the appraiser to comment on the discrepancy and/or re-measure the property. During the inspection, review the appraisal floor plan sketch to ensure the drawing matches up with the improvements as observed.

The appraisal should fully describe and analyze all items of inadequate condition, substandard quality, repairs needed, etc. If external observation or inadequate condition description within the appraisal lead the reviewer to believe the improvements condition has not been adequately described than the reviewer needs to make the review analysis conditioned upon a more complete explanation by the original appraiser. The appraisal should also provide full descriptions of any remodeling and updating especially when significant adjustments are made for these items in the value analysis.

Always comment regarding such items as; garage conversions, additions, renovations, functional obsolescence, etc. indicating if they have been analyzed appropriately. If permits are required and not discussed in the appraisal, leave it to the discretion of the lender to require, unless you have concerns it was not completed in a workman like manner.

This section is also the appropriate area to address any issues relating to the Cost Approach to Value. Comment regarding the presence of or proximity to any environmental hazards if not appropriately addressed within the Appraisal Report. Determine if the effective age estimated in the appraisal is consistent with the condition described in the report.

- C-5 Verify the data within the approaches to value is accurate based upon available data sources and exterior inspection. During the field inspection portion of the review process, the reviewer should verify the accuracy of information relative to such items as location, view, site utility, design/appeal, quality of construction, exterior condition, garage count, etc., for each comparable displayed. The reviewer should verify the accuracy of such items as site size, age, room count, gross living area, etc., through his / her available data sources. Any errors or inconsistencies should be noted and the data source identified, if applicable. Detail any inconsistencies, correct any minor errors, and indicate whether the deficiencies have an affect on the value estimated. Analyze the adjustments to make certain they were applied correctly and when necessary.

Specific Adjustments

- Proximity to subject is one of the most critical factors in comparable relevancy. Comparables located outside of subject neighborhood boundaries should be accompanied by an explanation and scrutinized by the reviewer.
- Data sources used in the appraisal should be verified if available and two separate sources should be provided.

- Sales prices of comparables should bracket the value opinion indicated for subject. Those comparables with significant sales price differences from the value estimated might be considered less relevant.
- Sales Concessions should be researched for all comparables and adjustments made as appropriate.
- Time adjustments should be supported with some factual data such as matched paired analysis and supported by current listings and pending sales.
- Location adjustments for minor external influences should be explained in the appraisal. Location adjustments made for differing neighborhood locations question the relevancy of the comparable.
- Site adjustments for size and or utility should be applied consistently to all affected comparables.
- View adjustments should be supported and documented by photos.
- Design and appeal adjustments are generally subjective by nature and require adequate support and explanation.
- Quality of Construction adjustments can also be subjective and their use can bring into question the relevancy of the comparable
- Age and/or effective age adjustments should be applied consistently to all comparables. Comparables that differ significantly in age from subject might be an indication of an inappropriate comparable or a comparable from a differing neighborhood.
- Condition adjustments should be fully explained with references to the source data. Interior condition adjustments based upon the appraiser's exterior inspection are generally not acceptably supported. Specific cost to cure items affecting subject can be adjusted for in this section.
- Room count adjustments should be based upon the relative differences in utility from subject. Subject properties with two or one bedrooms or one bath should be well supported with comparables of similar room count.
- Gross living area adjustments should be verified as consistent to all comparables. The subject gross living area should be bracketed by the comparables displayed to avoid across the board adjustments in this critical category.

- Remaining feature adjustments of any significant dollar amount should be supported by at least one comparable with the same or similar amenity.

If the subject property is a 2 to 4-unit small residential income property, the reviewer should verify the reasonableness and accuracy of the rental and expense data. The rent comparables displayed on Page #3 (Comparable Rental Data) of the Small Residential Income Property Appraisal Report should be reviewed with the same level of scrutiny as sales comparables. Comment regarding the reasonableness of the estimated rents indicated based on the comparable rental data provided. Comparing the subject's estimated rents to those of the comparables on a rent per square foot basis is sometimes helpful.

The reviewer should ensure the reasonableness of the Gross Rent Multiplier utilized within the Income Approach to Value. The Gross Rent Multiplier should fall within the range of Gross Rent Multipliers displayed for the sales comparables displayed on Page #4 of the Appraisal Report.

The reviewer should carefully analyze the expense items displayed on the Operating Income Statement (Fannie Mae Form 216), for accuracy and consistency with the local market. Rent information should be reconciled to the comparable rental data on the Appraisal Report. Any discrepancies or errors discovered should be noted.

If the subject property is a single-family investment property, the reviewer will analyze the Single-Family Comparable Rent Schedule (Fannie Mae Form 1007). This form provides a grided format for developing adjusted rents for the rental comparables displayed. Adjustments assigned should be reviewed for appropriateness, reasonableness, and consistency.

The Operating Income Statement may be required for single-family investment properties.

- C-6 Comment regarding the relevance of the comparables provided within the Appraisal Report. If the comparables provided within the appraisal are reasonable, mark the YES box and indicate why they are relevant. If better comparables are available, the reviewer should mark the NO box and fully explain why the additional comparables are deemed more relevant indicators of the subject's value than those provided within the appraisal.

Additional comparables provided by the reviewer must have transaction dates that are prior to the effective date of the Appraisal Report. Photographs of any additional comparables should always be provided.

SECTION II

- D-1 The reviewer should analyze the Sales Comparison Analysis grid page(s) to verify the appropriateness and reasonableness of all adjustments assigned to the comparables displayed. If the reviewer does not concur with some of the specific adjustments assigned, he / she should comment on the questionable adjustments and provide an analysis in support of adjustments that are more reasonable. If the questionable adjustments are minor, indicate that they do not have an affect on the final value conclusion. If the discrepancies are major it may necessitate the regriding of the appraisal's original comparables to prove the inaccurate value conclusion.

The reviewer should pay special attention to across-the-board adjustments, inconsistency amongst the adjustments and the lack of market or narrative support for adjustments that exceed guidelines (15% net, 25% gross, 10% line item).

If the comparables within the original appraisal were deemed not relevant in Section C-6 above, the relevant comparables found must be displayed in the grid to serve as a basis for disagreement with the opinion of value in this section.

- D-2 Due to the fact a field review typically does not include an interior inspection of the property, the review analysis is in part based upon assumptions derived from the appraisal or other research that the reviewer cannot directly verify. The reviewer should indicate that the analysis is based upon data provided in the appraisal and if this appraisal data is ever found to be inaccurate, the review analysis would change accordingly. If the reviewer finds certain data within the appraisal to be questionable (EX. Gross living area) and has source data that differs, the reviewer may elect to make the extraordinary assumption that the other source data is more reliable than the appraisal and base the review analysis on that information instead.

- D-3 When comparables within the appraisal are not deemed relevant, display the more appropriate comparable data within this grid. In cases where the appraisal comparables are relevant, but the data is not accurate or the adjustments are not reasonable, re-grid the appraisal comparables with the correct data and adjustments. Combinations of appraisal comparables and additional comparables can be used in this grid to support a differing value than that estimated in the appraisal.
- D-4 Provide the sales/transfer history for the past 3 years of the comparables in the grid analyzing any prior sales that are inconsistent with the trend to the current transaction.
- D-5 Reconcile the comparables grided in this section to a specific value conclusion. Analyze the adjustments made and indicate why these comparables are more appropriate than those within the appraisal.

This section is also the appropriate place for the reviewer to request additional information or market data from the original appraiser. The reviewer may choose to assign “no value” pending the receipt of additional information/data.

- D-6 Provide an opinion of market value and input the effective date of the original appraisal.



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Review

Sample Comments

Subject and Neighborhood

It is noted that the subject address is not consistent with the legal description/parcel number noted within assessor records. Our data sources indicate subject legal description/parcel number should read _____. It is suggested that the preliminary title report be reviewed for clarification and the appraiser be requested to correct if appropriate.

It is noted that the appraisal indicates subject is tenant occupied, however our copy of the report did not include a rental survey or operating income statement. (Always call client to inform them of this prior to finishing review.)

The neighborhood data appears complete and the comments provide a reasonable description of subject market area.

The neighborhood single family housing price range stated in the appraisal does not encompass the numerous homes at the lower end between \$_____ and \$_____. The indicated range appears to be skewed upwards around subject's value, however, this is considered a minor discrepancy and does not have an affect on the value estimated.

Subject is valued above the predominant single family housing price indicated in the neighborhood section and no explanation was provided. Subject appears to be (a larger home)(of superior quality)(affords a premium view), therefore is towards the higher end of the neighborhood price range. As there are other homes in this price range within the neighborhood, this is not considered to have an adverse affect on marketability or the value estimated.

The subject is similar to and consistent with other homes within the subject market area.

Although subject is slightly larger and younger than most homes within the neighborhood, subject is not considered dissimilar, as there are a wide variety of residences in this market area, including other homes similar to subject's characteristics.

The majority of homes in subject's neighborhood range between 1,000 and 2,000 square feet in size. The subject's 3,000 square foot size is unusual for this market area and may constitute an over improvement.

Site

The site information appears accurate and consistent with that observed during our drive-by inspection of subject.

The appraisal indicates the zoning for subject to be “residential”, which is not a specific zoning classification. Per our data sources, the subject’s zoning classification is _____, which allows for subject’s residential usage. The subject appears to be in compliance with the zoning classification.

The agricultural zoning classification indicated for subject allows for residential usage, is typical for the area, and has no adverse affect on subject’s marketability.

The subject’s zoning allows for a variety of uses including commercial and industrial, which has not been analyzed within the appraisal. Many of the properties within the immediate neighborhood are being utilized commercially including properties adjacent and across the street from subject. Therefore, it is considered that subject’s highest and best use may very well be as a commercial property rather than residential as reflected within this appraisal. The comparables utilized within this appraisal are from substantially residential neighborhoods and not considered to be affected by the same commercial influences as subject location. Based upon the information displayed, we were not able to concur with the analysis presented or the final value conclusion and would require a commercial appraisal be completed fully addressing subject’s true highest and best use.

The subject is described as being a legal non-conforming use of the site. The lender may desire verification from the appraiser or the city Planning Department as to whether the subject could be rebuilt to current specifications if destroyed.

Per drive-by inspection of subject, it is apparent that the property suffers external depreciation due to its location on a _____. This location has not been described within the appraisal, however, is considered to have a moderate negative impact on value. Based upon our research and familiarity with the neighborhood, we would consider the negative impact to be approximately \$_____, which has been addressed in the valuation section of this review.

It is noted that the subject is indicated as being serviced by private septic system and well water, which is typical for this market area.

The appraisal indicates the subject affords a _____ view, which has been confirmed by our drive-by inspection of subject and is considered to have a positive market appeal.

It is noted that the appraisal indicates that subject is located in a Zone A flood hazard area which typically requires flood insurance.

Improvements

The exterior improvement data appears consistent with that observable during our drive-by inspection of subject property.

The improvement data appears complete with the depreciation comments indicating subject affords updating throughout and thus considered in good overall condition.

It is noted that subject is currently under construction with the appraisal made subject to completion per plans and specifications thus requiring a 442 Notice of Completion to validate the appraised value.

The subject is indicated as being a manufactured home on pier foundation. The lender may desire further information from the appraiser regarding permanence of the foundation.

It is noted that the gross living area indicated in the appraisal is inconsistent with the _____ square feet noted within the assessor's records. Based upon the floor plan provided within the appraisal, there appears to be a _____ (room addition)(garage conversion)(basement conversion) that has been included in the gross living area that may not be legally improved with permits. It is suggested that the appraiser be asked to verify the legality of this improvement and describe the workmanship and functional access to this area. (In Section III - 2 indicate "based upon the information analysis presented within the appraisal, there appears to be sufficient evidence for concurrence with the final value estimated of \$_____. However, should the addition be determined inappropriate to include in the gross living area, there would only be sufficient support for a value of \$_____ for subject property. ")

The additional features and depreciation comments are extremely brief and do not provide a thorough description of the subject's condition. Therefore, the condition rating and effective age estimated cannot be confirmed.

The appraisal describes subject as suffering deferred maintenance in the form of _____, which appears to be relatively minor and cosmetic in nature and adequately analyzed within the report.

The cost approach has been reasonably derived.

No external depreciation has been assigned for subject's location on a neighborhood access street. However, the adjustments made within the sales comparison approach would suggest a \$_____ penalty should be assigned in the cost approach; however, this inconsistency has no affect on the final value estimated.

It is noted that the cost approach indicates the land to value ratio for subject is relatively high, however, this is typical for subject's market area.

Comparable Selection

The comparables displayed are relatively similar homes within subject's immediate market area and are considered reasonable indicators of value for subject property.

All comparables displayed lack subject's pool amenity. Although inclusion of a comparable with a pool would have been appropriate, the adjustments made for this amenity are considered conservative and supportable within this market area.

It is noted that comparables 1 and 2 are over six months in close date, and comparable 3 is located some distance from subject. A brief comparable search for recent sales within a six block radius of the subject revealed _____ sales similar in overall property characteristics (provide comparable information in grid).

All comparables displayed are younger homes than subject and after our drive-by inspection appear to be of superior overall quality construction, thus not considered appropriate indicators of value for subject property. A comparable search within subject's neighborhood has revealed the following sales that are considered more appropriate for comparison with subject:

A comparable search revealed a relatively similar home as subject located across the street that sold for \$30,000 less than the value estimated for subject. _____ is a _____ bedroom, _____ bath, _____ square foot home similar to subject in age and condition sold for _____. Also found were the following two sales that would further suggest the value indicated for subject is somewhat excessive (provide comparables in grid).

Conformation of Sales Data

The sales prices and dates of sales of all comparables have been confirmed through our data sources.

Our data sources indicate the closing date of comparable 2 to be _____ rather than _____ as indicated within the appraisal. The remainder of the sale information appears correct and this minor inconsistency does not appear to have an affect on the value estimate for the subject.

Our data sources indicate the sales price of comparable _____ to be _____ and not _____ as indicated within the appraisal. It is suggested that the appraiser be asked to provide verification of the correct sales information for this comparable.

It is noted that the assessor's records indicate that comparable # _____ was a corporation relocation and, therefore, may have been transacted at a non-market price. Therefore, less weight is given this comparable in our analysis of subject market value.

Confirmation of Closing

The comparables displayed were closed sales as of the effective date of the original appraisal.

We were not able to provide confirmation of closing for comparables # _____ and # _____. As these comparables provide the greatest support for the value estimated, we would require that the appraiser provide verification of closing for these comparables.

Comparable Data

Per our review, the specific data appears to be accurate.

As noted in Section II of this review, per our field inspection of the comparables, sales # _____ and # _____ appeared to be of superior quality than subject rendering them inferior indicators of value.

A review of the location map provided would suggest that comparables # _____ and # _____ are located two miles or more from subject rather than the _____ blocks indicated within the appraisal. Comparables # _____ and # _____ are located on the opposite side of Interstate _____ and considered to be within a neighborhood of superior market appeal; therefore, these comparables are not strong indicators of value and would, at the least, require appropriate location adjustments.

Comparable # _____ affords a panoramic valley view (see photo attached), however, was not reflected as such within the appraisal. This would account for the higher sales price of this sale which should have been adjusted accordingly.

Effective ages were estimated for all comparables, however, no actual ages were provided. Research reveals that the ages of comparables 1, 2, and 3 are _____, _____, and _____ respectively.

Comparable # _____ is reflected within the appraisal as being of average condition. However, a review of Multiple Listing Service information indicates that this home has, in fact, been completely remodeled and updated throughout. Since no upgrading has been described for subject, a significant downward condition adjustment would be warranted.

Comparable # _____ is indicated within the appraisal as having a two-car garage, however, per our visual inspection, this comparable has a three-car garage.

The Multiple Listing Service indicates that comparable # _____ affords an inground pool and spa, however, this was not reflected or adjusted for within the appraisal.

Individual Adjustments

Adjustments made to all comparables appear reasonable and appropriate for subject market area.

Adjustments appear to be adequately supported as each of subject's amenities is supported by at least one comparable with a similar amenity.

Significant upward adjustments were made to all comparables for _____ with no supporting evidence proving these adjustments are reasonable. As these adjustments appear excessive for subject market area and tend to inflate the final value estimated, we would require at least one comparable similar to subject in _____ that supports the value estimated.

Comparable # _____ was adjusted upwards by well over 10% for its _____ amenity with no support provided. Reducing this adjustment to a more conservative amount of _____ would still enable the indicated value of this comparable to be supportive of the final value estimated for subject.

Adjustments made for differences in comparable gross living areas are inconsistent as comparable #1 was adjusted at \$25 per square foot, and comparable #3 at \$40 per square foot. Applying the more reasonable \$25 per square foot adjustment to comparable #3 would indicate a value of \$ _____ for subject by this comparable.

The basement adjustment of comparable # _____ was indicated at +\$10,000, however, should have been reflected as -\$10,000, which would reduce the indicated value of this comparable by \$20,000 to \$ _____.

Income Properties

The listing comparables displayed provide sufficient additional support for the final value estimated.

The listing comparables displayed are all four-unit buildings and thus not reflective of value for subject's two-unit configuration.

The listing comparables displayed would suggest support for a lower value than that estimated for subject property.

The estimated rents for each of subject's individual units are supported by at least one comparable with one unit similar to subject's individual units.

The individual units of all the rental comparables provided are significantly smaller than subject's largest unit, therefore, there is not considered to be adequate support for the rents estimated for this unit of subject.

The rent per square foot of subject's estimated rents is within the rent per square foot range of the comparables provided.

Based upon the rental information provided and that researched by this reviewer, we are not able to concur with the estimated rents of subject property within the appraisal. We are only able to find support for a gross rent monthly rental amount of _____ for subject property.

The GRM selected for subject is adequately supported by the comparables provided.

No GRMs have been indicated for the comparables displayed, thus rendering the income approach to value unsupported.

The indicated rents of all comparable sales are estimated and not actual rents, therefore, reducing the confidence level in the GRMs derived.

The GRM selected for subject is at the high end of the indicated range and, when applied to the excessive estimated rents generates an unsupported value via income approach. Applying a more conservative estimated rent of _____ to a more conservative GRM of _____ yields a value of _____ via the income approach, which is considered more reasonable for subject property.

Condominium/PUD

The project data appears complete and adequately described.

Per our research, the subject appears to have homeowner's dues of _____ for _____ common amenities and, therefore, would be considered a PUD. This has not been reflected within the appraisal, and it is suggested that the lender require correction from the appraiser.

The appraisal indicates the subject is a PUD, and the report has been completed on the URAR Appraisal Form; however, our research indicates the subject is, in fact a condominium, which should be completed on the Condominium Appraisal Form. It is suggested that the appraiser be asked to correct the appraisal accordingly.

It is noted that over 40% of the units within subject project are rented.

Estimate of Value

Based upon the information displayed, there appears to be sufficient support for the final value estimated at _____ for subject property.

Based upon the information displayed and comparable data as noted in the grid above, there appears to be sufficient support for the final value estimated at _____ for subject property.

As noted in Section II - 5 above, adjustments made for _____ on comparables # _____ and # _____ are not adequately supported. Nevertheless, there appears to be sufficient evidence to enable concurrence with the _____ value indicated for subject within an acceptable range.

The final value estimated for subject of _____ is considered to be at the high end of the range, however, is deemed acceptable.

It is noted that the appraisal indicates that subject has not been listed or transferred in the past three years. Our data sources indicate subject transferred on _____ for \$_____. In order to concur with the final value estimated, we would require the appraiser to comment on this transfer and provide an explanation for the \$_____ increase in value between the previous transfer and the current value estimated for subject.

As noted in Section II - 6 of this review, the comparables within the appraisal are not considered acceptable as more proximate and similar comparables were available at the time of appraisal. Based upon the comparables researched, we are only able to find support for value of \$_____ for subject property.

As noted in Section _____ above, the appraisal lacks _____. In order to concur with the final value estimated, we would require _____. In lieu of any additional information from the appraiser, there appears to be sufficient support for a value of at least \$_____ for subject property.