



Appraisal Review Techniques

For Rural Residential Properties

5

Module

Appraisal Review Techniques

For Rural Residential Properties

Module 5

Appraisal Review Techniques for

Rural Residential Properties

is fifth in a series of real estate training modules.

The modules are as follows:

Module 1 Single-Family Residences
(PMI 254-1)

Module 2 Individual Condominium and
Cooperative Unit Properties
(PMI 254-2)

Module 3 Small Residential Income-Producing Properties
(PMI 254-3)

Module 4 Manufactured Housing
(PMI 254-4)

Module 5 Rural Residential Properties
(PMI 254-5)

Table of Contents

INTRODUCTION TO APPRAISAL REVIEW FOR RURAL RESIDENTIAL PROPERTIES	1
CHAPTER ONE	
Uniform Residential Appraisal Report (URAR)	5
1. Subject	5
2. Contract	9
3. Neighborhood	9
4. Site	13
5. Improvements	17
6. Sales Comparison Approach	21
7. Reconciliation	27
8. Additional Comments	31
9. Cost Approach	31
10. Income	35
11. PUD Information	35
12. URAR Pages 4, 5, 6 and Appraisal Addenda	36
CHAPTER TWO	
Form Exhibit	41
Uniform Residential Appraisal Report (Freddie Mac Form 70/Fannie Mae Form 1004)	42
CHAPTER THREE	
Appraisal Glossary	49

Introduction to appraisal review for Rural Residential Properties

PMI will provide mortgage insurance on rural properties if the property is primarily residential in nature and not intended for income-producing uses, such as farms, ranches, orchards, etc. Insurable rural residential properties generally fall into the following categories:

- **Remote, low-density, residential home sites** – Homes that are usually some distance from urban centers, have limited amenities, generally range from 5 to 15 acres, and are often served by minimal community services. The homes are generally in unplatted areas and often require lengthy legal descriptions using a metes and bounds system. Some agricultural usage still exists in the area and the properties generally appeal to urbanites seeking remoteness and lack of development. Market areas for these properties are more expansive than those of urban and suburban properties and may extend as much as 10 to 25 miles from the subject property.
- **Agricultural properties in transition to residential usage** – Homes on land that was formerly used for agricultural purposes, but is now changing to residential usage (generally a 3- to 10-acre lot development). The property is usually located on the periphery of a community, but outside of developed areas. Often the properties have physical characteristics and enough available services to place them in a direction of “future growth.” Due to the property’s physical proximity to a community, their rural nature is usually shorter term than that of remote properties. Market areas are moderately larger than those of urban or suburban properties.
- **Remote, high-density, residential home sites in recreational developments** – Homes located away from urban development but near significant recreational facilities, such as lakes, rivers, seashores, mountains, etc. The properties generally have some community services and are often conveniently located near highways and airports. The degree of development varies from a simple plot plan to extensive planned developments with full services and recreational amenities.

Market areas are generally within the development itself or extended to competing developments.

Appraisal Review Techniques for Rural Residential Properties is intended for use in conjunction with PMI's training module *Appraisal Review Techniques for Single-Family Residences – Module 1*, which provides basic appraisal theory and procedures for reviewing residential appraisals. The module's focus is on the Uniform Residential Appraisal Report (URAR), Freddie Mac Form 70/Fannie Mae Form 1004, a.k.a. the Single-Family Property Appraisal Report. The form, which was introduced by the GSEs (Freddie Mac and Fannie Mae) in the mid-1980's, has since been the dominant appraisal form for communicating collateral value to mortgage lenders. *Appraisal Review Techniques, Module 1* provides a detailed description of how to review each section of the URAR report and how to analyze the supporting data for the final estimate of value.

For mortgage lending purposes, appraisals of single-family residences that are rural in nature are generally prepared on the URAR form. However, characteristics of homes in rural locations dictate that some appraisal guidelines must be adjusted to accommodate for differences in market behavior. The purpose of this module is to help guide reviewers through the process of recognizing the appraiser's deviation from standard guidelines and analyzing the validity of his or her treatment of alternative procedures. Since the module is designed for use as a supplement to Module 1, *Appraisal Review Techniques for Single-Family Residences*, this module will address only those areas where the unique nature of rural properties demands a departure from the general guidelines. These departures will be specifically addressed on a section-by-section basis. A reproduction of the URAR form is provided at the end of this manual as a working reference for appraisal review.

IMPORTANT NOTE: Will call attention to concerns and common issues that may surface during the review of an appraisal report on a rural residence.

Q & A ...

Summary questions are included at the end of each section that are intended to reinforce important concepts covered in the section. These questions were designed to initiate feedback and stimulate discussion in a group setting.

Chapter One

Uniform Residential Appraisal Report (URAR)

(Freddie Mac Form 70/Fannie Mae Form 1004)

SECTION 1 – SUBJECT

This section may differ from that of urban or suburban properties in the following manner:

Property Address – For many rural properties may be listed as a simple postal route and box number, i.e., Rural Route 1, Box 465, rather than by street address. This places more emphasis on an accurate, complete, and exact Legal Description.

Legal Description – A legal description is required by most investors if there is only a rural route or box number for the subject. Because many rural properties are in unplatted areas, it is common to find the property legally described using a metes and bounds system. Metes and bounds identify the boundaries in terms of direction and distance from a fixed starting point. For example: “Starting at the old oak tree known as Grand Dad’s Oak, south 63° 35 min. for a distance of 185’; north 1° for 39...” The reviewer should ensure that this legal description, which is generally in the form of an attachment due to its longer length, is provided and conforms to the Purchase Agreement and Preliminary Title Report for the property.

Neighborhood Name – In most instances, except for close-in and recreational developments, there will not be a Neighborhood Name listed in this section. The reviewer must rely most heavily on the appraiser’s commentary to ensure that comparable sales are from an area that competes with the subject.

Occupant – While Tenant occupancy is rare in rural residential properties and, if shown, the reviewer should verify the residential nature of the properties. Tenant occupancy in rural communities is often tied to agricultural uses.

MODULE FIVE
Rural Residential Properties

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 the appraisal? – This may be an indicator of the upper range of value for the subject and an important value consideration, given the potential lack of nearby comparable sales for rural markets.

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.			
Property Address		City	State Zip Code
Borrower		Owner of Public Record County	
Legal Description			
Assessor's Parcel #		Tax Year	R.E. Taxes \$
Neighborhood Name		Map Reference	Census Tract
Occupant <input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant		Special Assessments \$	<input type="checkbox"/> PUD HOA \$ <input type="checkbox"/> per year <input type="checkbox"/> per month
Property Rights Appraised <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)			
Assignment Type <input type="checkbox"/> Purchase Transaction <input type="checkbox"/> Refinance Transaction <input type="checkbox"/> Other (describe)			
Lender/Client		Address	
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input type="checkbox"/> Yes <input type="checkbox"/> No			
Report data source(s) used, offering price(s), and date(s).			

URAR

Subject – Answers...

1. *The property may be identified by postal route rather than street address, intensifying the need for a complete and accurate legal description.*
2. *To include the complete and accurate legal description as an attachment to the appraisal.*

SECTION 2 – CONTRACT

The analysis of rural property in this section is similar to single-family residences as detailed in Module 1. If the Contract Price is different than the appraised value, this should be questioned and understood by the reviewer, especially if a purchase transaction.

SECTION 3 – NEIGHBORHOOD

Though rural neighborhoods differ in appearance than suburban or urban neighborhoods, the appraiser’s purpose for describing and analyzing them is the same as what is presented in Appraisal Review Techniques for Single-Family Residences. However, rural neighborhoods or market areas generally have far larger geographic boundaries and may include a town, city, or an entire community, based on characteristics of the local economy and employment base. Typical buyers of these properties are not generally confined to as many restrictive characteristics as urban or suburban purchasers and are willing to go greater distances in their search for a property that suits their needs.

IMPORTANT NOTE: The reviewer should accept that the appraiser is justified in expanding the definition of the marketing area as far as necessary to capture all significant influences affecting the value of the subject property. The defined neighborhood should include the area, based on common characteristics or trends that are subject to the same influences as the property being appraised.

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 %		
N E I G H B O R H O O D	Location	<input type="checkbox"/> Urban	<input type="checkbox"/> Suburban	<input type="checkbox"/> Rural	Property Values	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining	PRICE	AGE	One-Unit	%
	Built-Up	<input type="checkbox"/> Over 75%	<input type="checkbox"/> 25-75%	<input type="checkbox"/> Under 25%	Demand/Supply	<input type="checkbox"/> Shortage	<input type="checkbox"/> In Balance	<input type="checkbox"/> Over Supply	\$ (000)	(yrs)	2-4 Unit	%
	Growth	<input type="checkbox"/> Rapid	<input type="checkbox"/> Stable	<input type="checkbox"/> Slow	Marketing Time	<input type="checkbox"/> Under 3 mths	<input type="checkbox"/> 3-6 mths	<input type="checkbox"/> Over 6 mths	Low		Multi-Family	%
	Neighborhood Boundaries								High		Commercial	%
									Pred.		Other	%
	Neighborhood Description											
	Market Conditions (including support for the above conclusions)											

The following characteristics, most of which are generally considered detrimental in urban neighborhoods, are often common in rural settings or rural neighborhoods. The following is a description of the characteristics and the manner in which reviewers can analyze the differences:

Neighborhood Characteristics

- **Location** – The reviewer should expect to see the Rural box marked which will alert the reviewer for some of the following items and other sections.
- **Built-Up** – Is often shown to be Under 25%. The reviewer should focus on the appraiser’s comments addressing the degree of development to determine if the property is truly rural in nature. If commentary is not provided, it should be requested.
- **Growth Rate** – Growth Rate is reported as Slow. This is generally acceptable and the reviewer should expect comparable sales, preferably from the same marketing area, to be experiencing a similar growth rate.

One-Unit Housing Trends – A series of check boxes represent One-Unit Housing Trends which play an important part in the valuation process of rural properties as follows:

- **Property Values** – Though often shown as Stable, rural properties reflect less propensity for significant increases in value than urban or suburban properties. In general, demand for rural residences is not as great as that for urban or suburban properties, making them more sensitive to economic downturns or value declines.
- **Demand/Supply** – Will most generally show “In Balance” due to the less volatile nature of rural locations. If Oversupply is shown, the reviewer should expect a statement of the impact on property values.
- **Marketing Time** – Is often shown as “Over 6 Months.” This requires an explanation from the appraiser; reviewers should focus on the reason for the extended marketing times to determine if property values are affected.

One-Unit Housing – This category displays the ranges of Price and Age including predominate (Pred.) value for each. For rural properties, the ranges or differentials will typically be greater than suburban and urban markets. The reviewer should focus

on the similarity of comparable sales chosen, or support for adjustments, if dissimilar properties are used in the Sales Comparison Approach.

Present Land Use % – An indication of vacant land is important for all markets, and especially so for rural properties. Rural areas often have a large percentage of vacant land represented as “Other” on the URAR. The reviewer should expect the appraiser to describe the vacant land to help establish the true rural residential nature of the neighborhood. Additionally, a large percentage of commercial uses may represent an area that is still predominately agriculture in nature.

Neighborhood Boundaries – The reviewer should expect the appraiser to clearly identify the area from which comparable sales may be selected according to the Neighborhood Boundaries. The geographic boundaries for rural properties may be much larger than those associated with urban and suburban locations.

Neighborhood Description and Market Conditions – The remaining commentary provides a description of the neighborhood and market conditions for the neighborhood. The reviewer must rely on both observations to assess the reliability of the sales used in the Sales Comparison Approach and to be assured that the sales used are from within the market area described. If the commentary is not provided or is inadequate, the reviewer must request a sufficient explanation from the appraiser. It is the reviewer’s responsibility to determine from the above information that the property is truly both rural and residential in nature and exhibits market characteristics that are typical for the area.

Neighborhood Q & A...

1. How does the appraiser’s purpose in analyzing rural residential neighborhoods differ from the purpose in analyzing urban or suburban neighborhoods?

2. Name five prominent ways that rural neighborhoods differ from urban or suburban neighborhoods.

Neighborhood – Answers...

1. *It doesn't. Though the neighborhoods differ in appearance and performance, the appraiser's purpose for analyzing and describing them is the same.*

2.
 - 1) *Rural neighborhoods generally have larger geographic boundaries.*
 - 2) *It is common for rural neighborhoods to be less than 25% built-up.*
 - 3) *It is not unusual for rural neighborhoods to have slower growth rates than urban properties.*
 - 4) *It is often acceptable for rural neighborhoods to have marketing times exceeding 6 months.*
 - 5) *It is common for mixed uses (especially agricultural) to be present in rural neighborhoods.*

SECTION 4 – SITE

The criteria for analysis of the Site section that appears in PMI’s *Appraisal Review Techniques for Single-Family Residences – Module 1* provides a guide for review of rural residential properties. However, some departures from guidelines are acceptable and explained below.

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

In reviewing the site analysis, the appraiser should address certain characteristics that are unique to rural residences. The reviewer should focus on the following areas that may depart from traditional analysis.

Dimensions/Area – Rural residential sites are generally larger than typical urban or suburban sites and the reviewer should expect proper documentation from the appraiser to verify site sizes that are typically acceptable in the area. Comparable sales should reasonably conform to these levels. If the site constitutes an inordinate amount of the overall value, i.e., over 50%; comparable land sales should be included in the appraisal and the reviewer must carefully examine the data to be assured that the property is truly residential in nature.

Zoning Compliance – It is common for rural residences to have no zoning or to be zoned agricultural. The appraiser is required to comment on the effect of this characteristic on the subject property. These properties are generally acceptable for mortgage insurance by PMI if the property is predominantly residential in nature. The use must be permissible under the zoning, represent the highest and best use, and be typical for the subject’s marketing area. Rural properties require the underwriter to focus on all factors, such as zoning, land size, excessive improvements, mixed uses, etc., to be assured that a rural property is definitely residential in nature and not utilized for other purposes, such as a farm or ranch.

Highest and Best Use – If No is checked, the appraisal should provide verification that the property is suitable security for a residential loan.

Utilities – It is common for rural sites to have fewer public amenities than urban or suburban properties; however, utilities, roads, and site improvements that are competitive with other properties within the marketing area must be available. If private wells or septic systems are used, they should be located on the subject parcel.

FEMA Special Flood Hazard Area –The larger size of rural residential sites often allows much of the land to be within a flood plain with no detriment to value. If so, the reviewer should expect the appraiser to fully clarify this situation.

Off-Site Improvements–Type – All rural properties should be readily accessible by all weather roads that meet local standards and market demand. If a road is marked Private, which is common in rural areas, property access should be deeded to the owner and an adequate, legally enforceable agreement for maintenance should be available. The reviewer must rely on the appraiser to determine if the utilities and off-site improvements are typical for the market area and comment on any adverse or external site factors.

Adverse Site Conditions or External Factors – The reviewer should carefully consider this last field, which addresses adverse or external site factors specific to the subject site that could affect its marketability. Rural sites are subject to characteristics that could alter value, more than urban and suburban properties are. The properties are often large and inconsistent in size, are not zoned, or are zoned agricultural, and are more prone to easements (especially ingress/egress). Adverse conditions can also include proximity to toxic substances or unpleasant agricultural uses.

IMPORTANT NOTE: The reviewer should expect the appraiser to comment on any characteristic of the site that affects market value and that these characteristics are properly addressed and adjusted for in the Sales Comparison Approach and Cost Approach, if provided.

Site Q & A ...

1. What should the reviewer expect from the appraiser if the subject site is extraordinarily large?
2. Are rural homes with private wells and septic systems acceptable collateral?
3. Are rural residences with agriculture zoning acceptable collateral for residential 1-4 family lending?

Site – Answers ...

1. *Commentary from the appraiser on the subject site's conformity with the marketing area and comparable sales with sites of similar size. If the site is significantly larger than that of other rural residences in the area, or represents a significant portion of the total property value, the appraisal should contain land sales for justification of site value in the approaches to value.*
2. *Yes, if the wells and septic systems are located on the subject parcel and typical for the market.*
3. *Yes, if their use is legal, represent highest and best use, and is primarily residential in nature.*

SECTION 5 – IMPROVEMENTS

Though it is preferred that the improvements generally conform to the neighborhood in terms of design, age, materials, etc.; the reviewer should be aware that most rural neighborhoods have been developed over an extended period of time with homes of various types and ages. Their marketability is not as greatly affected by different physical characteristics as urban and suburban residences are. The reviewer should expect the appraiser to comment on whether or not the subject improvements are acceptable to the market and explain how marketability is affected by the uniqueness of the improvements, even though a large degree of heterogeneity often exists in rural neighborhoods.

IMPROVEMENTS	General Description		Foundation		Exterior Description		materials/condition		Interior		materials/condition		
	Units	<input type="checkbox"/> One	<input type="checkbox"/> One with Accessory Unit	<input type="checkbox"/> Concrete Slab	<input type="checkbox"/> Crawl Space	Foundation Walls				Floors			
# of Stories			<input type="checkbox"/> Full Basement	<input type="checkbox"/> Partial Basement	Exterior Walls				Walls				
Type	<input type="checkbox"/> Det.	<input type="checkbox"/> Att.	<input type="checkbox"/> S-Det./End Unit	Basement Area sq. ft.		Roof Surface				Trim/Finish			
	<input type="checkbox"/> Existing <input type="checkbox"/> Proposed <input type="checkbox"/> Under Const.		Basement Finish %		Gutters & Downspouts				Bath Floor				
Design (Style)			<input type="checkbox"/> Outside Entry/Exit	<input type="checkbox"/> Sump Pump	Window Type				Bath Wainscot				
Year Built			Evidence of <input type="checkbox"/> Infestation		Storm Sash/Insulated				Car Storage <input type="checkbox"/> None				
Effective Age (Yrs)			<input type="checkbox"/> Dampness	<input type="checkbox"/> Settlement	Screens				<input type="checkbox"/> Driveway # of Cars				
Attic	<input type="checkbox"/> None		Heating <input type="checkbox"/> FWA	<input type="checkbox"/> HWBB	<input type="checkbox"/> Radiant	Amenities <input type="checkbox"/> Woodstove(s) #			Driveway Surface				
	<input type="checkbox"/> Drop Stair	<input type="checkbox"/> Stairs	<input type="checkbox"/> Other	Fuel		<input type="checkbox"/> Fireplace(s) #	<input type="checkbox"/> Fence			<input type="checkbox"/> Garage # of Cars			
	<input type="checkbox"/> Floor	<input type="checkbox"/> Scuttle	Cooling <input type="checkbox"/> Central Air Conditioning			<input type="checkbox"/> Patio/Deck	<input type="checkbox"/> Porch			<input type="checkbox"/> Carport # of Cars			
	<input type="checkbox"/> Finished	<input type="checkbox"/> Heated	<input type="checkbox"/> Individual	<input type="checkbox"/> Other		<input type="checkbox"/> Pool	<input type="checkbox"/> Other			<input type="checkbox"/> Att. <input type="checkbox"/> Det. <input type="checkbox"/> Built-in			
Appliances	<input type="checkbox"/> Refrigerator <input type="checkbox"/> Range/Oven		<input type="checkbox"/> Dishwasher	<input type="checkbox"/> Disposal	<input type="checkbox"/> Microwave	<input type="checkbox"/> Washer/Dryer	<input type="checkbox"/> Other (describe)						
Finished area above grade contains:	Rooms		Bedrooms		Bath(s)		Square Feet of Gross Living Area Above Grade						
Additional features (special energy efficient items, etc.)													
Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.)													
Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property?	<input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe												
Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)?	<input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe												

General Description – The reviewer should carefully note the appraiser’s indication of the property’s Type, Design (Style), and Age within this section.

More important than the rural home’s individual physical characteristics (materials and floor plans) is its ability to offer utility that competes with other dwellings in the marketplace. Considering the heterogeneous nature of rural residences, it is unlikely that improvements of other properties will conform to physical characteristics of the subject, forcing the reviewer to focus more on the property’s general appeal as a suitable rural dwelling. However, based on all these measures, physical features and appeal, the reviewer should then establish a clear overall picture of the subject

residence. This image will be an aid in assessing support for adjustments in the Sales Comparison Approach and their validity of the Cost Approach, if provided.

IMPORTANT NOTE: The reviewer should be aware that in many residential properties there are often outbuildings. Outbuildings may include residual buildings left over from previous agricultural uses that may currently serve other purposes. Properties may have additional buildings for special uses suited to rural settings, such as those used for equestrian activities. Outbuildings may offer no contribution to the value of the rural residence; however, if these buildings are included in the approaches to value, the reviewer should require a full explanation of their market acceptance and justification for their consideration in the valuation process.

The URAR does provide limited space for a description of outbuildings and other supplementary improvements common to rural properties in the Improvements section. However, expanded commentary can be included in the Additional Comments section on page 3 of this form or on a separate attached addendum, if these buildings contribute significantly to the overall value.

Improvements Q & A...

1. How do rural residential properties differ from urban and suburban properties?
2. What should the reviewer focus on when analyzing rural dwellings?
3. How does the heterogeneity of a rural neighborhood affect the marketability of the residences?

Improvements – Answers...

1. *It is common for rural residential properties to be heterogeneous in nature with no negative effect on market value. The properties may vary in age, land use, architectural style, number of outbuildings, etc.*
2. *Most rural neighborhoods have been developed over a longer timeframe than urban and suburban properties and contain an assortment of homes of various types, construction, and ages. The reviewer should focus on utility of the property and its general market acceptance.*
3. *The marketability of the dwellings is not as greatly affected by differences in physical characteristics.*

SECTION 6 – SALES COMPARISON APPROACH

The general principles of the Sales Comparison Approach, as described in Module 1, apply to appraisals of rural residential properties. The following data provides additional review techniques for rural properties.

FEATURE	SUBJECT	COMPARABLE SALE # 1			COMPARABLE SALE # 2			COMPARABLE SALE # 3		
Address										
Proximity to Subject										
Sale Price	\$	\$			\$			\$		
Sale Price/Gross Liv. Area	\$ sq. ft.	\$ sq. ft.	\$ sq. ft.	\$ sq. ft.	\$ sq. ft.	\$ sq. ft.	\$ sq. ft.	\$ sq. ft.	\$ sq. ft.	
Data Source(s)										
Verification Source(s)										
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	
SALES COMPARISONS	Sale or Financing Concessions									
	Date of Sale/Time									
	Location									
	Leasehold/Fee Simple									
	Site									
	View									
	Design (Style)									
	Quality of Construction									
	Actual Age									
	Condition									
	Above Grade	Total Bdrms. Baths	Total Bdrms. Baths		Total Bdrms. Baths		Total Bdrms. Baths			
	Room Count									
	Gross Living Area	sq. ft.	sq. ft.		sq. ft.		sq. ft.			
	Basement & Finished Rooms Below Grade									
	Functional Utility									
Heating/Cooling										
Energy Efficient Items										
Garage/Carport										
Porch/Patio/Deck										
Net Adjustment (Total)		<input type="checkbox"/> + <input type="checkbox"/> -	\$	<input type="checkbox"/> + <input type="checkbox"/> -	\$	<input type="checkbox"/> + <input type="checkbox"/> -	\$			
Adjusted Sale Price of Comparables		Net Adj. % Gross Adj. %	\$	Net Adj. % Gross Adj. %	\$	Net Adj. % Gross Adj. %	\$			

The reviewer should be aware that rural residential properties rarely reflect the degree of property conformity that urban or suburban properties do. Generally, the appraiser seeks to find at least three comparable sales in the same neighborhood or market area that is as similar as possible to the subject property. When no sales exist in the subject market area, sales from comparable neighborhoods or market areas are acceptable. This assumes that potential buyers would react to this alternative market area in the same way as they would to the subject's neighborhood or market area.

Since rural properties often have large sites, are in relatively undeveloped areas, and may feature an unusual mix of improvements, it is often necessary for the appraiser to extend the sales search a considerable distance from the subject property. The reviewer must be assured that the appraiser has used his or her knowledge of the area to make a logical selection and has applied realistic adjustments. The appraiser must provide adequate commentary to assure the reviewer that the comparable sales

selected represent the best available indicators of value and that the market supports the adjustments. The reviewer should focus special attention to the manner in which the appraiser has treated large differences in land size and unusual assortments of outbuildings and site improvements.

Occasionally, due to the uniqueness of rural properties, there are no true comparable sales available and the appraiser must use his or her experience and market knowledge to select alternative or outdated sales that provide adequate indicators of value. The reviewer should then expect the appraiser to make adjustments that can be justified and reflect the action of typical buyers. The appraiser must provide the reviewer with commentary explaining the choice of sales and the logic behind the adjustments. Generally, in this scenario, the adjustments exceed the acceptable guidelines (10% line, 15% net, 25% gross) of urban or suburban properties, which is acceptable provided the exceptions are supported in the comments.

It is important when analyzing the Comparable Sales Approach for rural properties, to have adequate commentary from the appraiser to support both the sales selection and the adjustments. If the appraiser has not provided a sufficient and logical explanation, the reviewer should request additional information.

Reviewers of rural residential appraisals are advised to focus their attention on the following characteristics:

Proximity to Subject – In appraisals of many rural residences, particularly those in remote, low-density areas, it may be acceptable for the appraiser to go a great distance for comparable sales, i.e., 5 to 25 miles. However, a full and logical explanation for doing so must appear in the Summary of Sales Comparison Approach section.

Date of Sale/Time – Often the unique nature of rural residences forces the appraiser to use sales that exceed the time guidelines established for urban and suburban homes. This may often be acceptable, but sales that are over six months old require a logical explanation from the appraiser.

Site – Sites for rural residences are often large and sizes vary a great deal from property to property. The reviewer should remain aware of the per acre value reflected in the Cost Approach, if provided. If the sales are truly comparable, per acre value of the comparable sales should be reasonably consistent with the subject's per acre value. Rural sites, however, often demonstrate considerable differences in topography,

views, physical characteristics, etc., that affect per acre values. Any characteristics indicating an adjustment for site should be logical and completely explained in the Summary of Sales Comparison Approach.

Design (Style), Quality of Construction, Actual Age, Condition, Functional Utility – Rural dwellings, due to the nature of their development, are often quite dissimilar in physical characteristics; making accurate adjustments for these characteristics is difficult. It is common for rural residences to exhibit very little homogeneity, reducing the possibility for paired sales analysis. The appraiser may have no choice but to accept similar utility as the measure of comparability and rely on past market experience, listings, older sales, or other devices to make logical adjustments. The reviewer should expect an explanation of the appraiser’s reasoning in the Summary of Sales Comparison Approach to confirm that the adjustments are logical and the sales are truly competing properties.

Porch/Patio/Deck – Rural properties also demonstrate a greater degree of variance in these characteristics than do urban and suburban properties, placing more reliance on the appraiser’s expertise and judgment in the absence of available market data. If applicable, explanations for these adjustments should be furnished.

Net Adjustment (Total) – Generally net adjustments should not exceed 15% of the sales price of the comparable sale. In addition, gross adjustments should not generally exceed 25% of the sale price. Due to the heterogeneity of rural residences, it is common for appraisals on these properties to exceed these guidelines. This is an acceptable appraisal practice, but the reviewer should expect the appraiser to satisfactorily justify and comment on his or her actions.

IMPORTANT NOTE: Due to often longer marketing times, large variances in sites, dwellings, supplementary improvements, and locations, it is common for rural residences to have many differences and a large percentage of net adjustments. The reviewer should expect the appraiser to provide explanations for all deviations from general appraisal guidelines. The Additional Comments section on page 3 of the URAR or an additional addendum may be required to accommodate these demands.

Sales Comparison Approach – Answers

1. *Physical and site characteristics including outbuildings and additional site improvements.*
2. *To expand the search to competing neighborhoods or market areas or to use sales older than six months from the subject marketing area.*
3. *To provide sufficient and logical commentary justifying these actions.*
4. *Rural dwellings often require adjustments that exceed the 25% and 15% general guidelines.*

SECTION 7 – RECONCILIATION

All of the principals of the Reconciliation process described in PMT’s *Appraisal Review Techniques for Single-Family Residences* apply to rural residential properties.

R E C O N C I L I A T I O N	Indicated Value by: Sales Comparison Approach \$	Cost Approach (if developed) \$	Income Approach (if developed) \$
	This appraisal is made <input type="checkbox"/> "as is", <input type="checkbox"/> subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, <input type="checkbox"/> subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or <input type="checkbox"/> 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 \$ _____, as of _____, which is the date of inspection and the effective date of this appraisal.			

As with urban and suburban residences, the appraiser must reconcile the validity of all available data and the reasonableness and reliability of the Sales Comparison Approach, and the now optional Income and Cost Approaches to value. He or she must then select the approach or approaches that will be given the most weight when determining the final estimate of value. The reviewer should always keep in mind that, due to large land sizes, varying land uses, and often dissimilar and older improvements in rural markets, it is difficult to accurately estimate accrued depreciation and land value; therefore, the Cost Approach provides minimal support for a value conclusion. Rural dwellings are rarely rented for residential purposes and the Income Approach is usually unacceptable for use in estimating value. The Sales Comparison Approach is generally given the most weight and will typically be the only approach provided and used in determining the final estimate of value.

As is detailed in Module 1, the appraiser must indicate that the appraisal was 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 repairs and alterations (that are described in lines below) on the basis of a hypothetical condition that the repairs or alterations have been completed; or
- subject to the final inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair.

MODULE FIVE
Rural Residential Properties

After analysis of the Reconciliation section, the reviewer should feel comfortable that the appraiser has presented a logical and comprehensive analysis of all aspects of the property, has presented adequate data for value support, and has properly communicated a viable value conclusion as of the date indicated.

URAR

Reconciliation – Answers...

1. *Due to generally large sites and numerous supplementary buildings, the Cost Approach rarely provides valid support for a value estimate in rural markets and older dwellings, although it must still be considered.*
2. *Through the Sales Comparison Approach.*

SECTION 8 – ADDITIONAL COMMENTS

This section consists of nearly a half page of blank spaces that may be used for additional information or overflow comments that do not fit within the spaces provided on the prior pages of the URAR. For rural properties the reviewer may expect to see comments regarding outbuildings, building sketches, excessive physical depreciation, and agricultural influences.

SECTION 9 – COST APPROACH

The Cost Approach is not required on the URAR, but does need to be considered. For rural properties, especially with older structures, this approach will generally not be valid. However, when utilized, the general principles of the Cost Approach that is described in *Module 1 – Appraisal Review Techniques for Single-Family Residences* apply to rural residential properties. The reviewer is advised to utilize the Cost Approach as described in Module 1 together with the information in this section when reviewing appraisals of rural residences.

This approach to value, as in urban and suburban properties, is based on the cost of production and requires accurate estimates of the Site Value, Reproduction or Replacement Cost-New of the Improvements, and Accrued Depreciation (loss of value from any cause).

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)				
C O S T A P P R O A C H	ESTIMATED <input type="checkbox"/> REPRODUCTION OR <input type="checkbox"/> REPLACEMENT COST NEW		OPINION OF SITE VALUE = \$	
	Source of cost data		Dwelling	Sq. Ft. @ \$ = \$
	Quality rating from cost service Effective date of cost data			Sq. Ft. @ \$ = \$
	Comments on Cost Approach (gross living area calculations, depreciation, etc.)			
			Garage/Carport	Sq. Ft. @ \$ = \$
	Total Estimate of Cost-New = \$			
			Less	Physical Functional External
			Depreciation = \$()
			Depreciated Cost of Improvements = \$	
			"As-is" Value of Site Improvements = \$	
Estimated Remaining Economic Life (HUD and VA only)		Years	Indicated Value By Cost Approach = \$	

URAR

Residential properties that are rural in nature generally exhibit a number of characteristics rarely seen in urban or suburban properties that require additional attention from the appraiser and reviewer.

The reviewer should focus on the following characteristics:

ESTIMATED REPRODUCTION OR REPLACEMENT COST NEW – The use of the replacement cost, as compared to the reproduction cost, is most frequently used for rural dwellings, especially given the typically older ages of the improvements.

OPINION OF SITE VALUE – In rural residential properties, the dollar amount and percentage of land value is generally much higher than that of urban or suburban properties. The reviewer must be assured that the appraiser has properly assessed the value of the land through comparison to similar land sales. The appraiser should explain this information either in the Comments on Cost Approach section or in an addendum. If the size of the lot is excessive, even by rural residential standards, then the reviewer should expect the appraiser to provide land sales for justification of value. The reviewer should make a mental note at this point to carefully examine the site adjustments in the Sales Comparison Approach for consistency.

Spaces provided below the primary Dwelling Sq. Ft. line item and associated dollar costs may include outbuildings and additional site improvements that may or may not contribute to market value. Garage/Carport costs, if applicable, follow similarly below these items within the section. The reviewer must be assured that the marketability of secondary improvements is properly addressed. If the market does not accept the full physically depreciated value of the improvements, then this indicates Functional Depreciation, which should be assessed and explained.

If a large number of buildings are included, the form may not provide enough space and an addendum should be attached or addressed in the Additional Comments section of the URAR. This is also approached and documented the same if complex estimates for depreciation are involved. The reviewer should remember to use this information in reviewing adjustments in the Sales Comparison Approach.

Appraisers may choose to record some minimally significant secondary improvements in the line, “As-is” Value of Site Improvements in the Cost Approach. For example, the current value of a septic system or corral fencing, in which case, the appraiser must explain his reasoning and include appropriate adjustments in all approaches to value.

Additional Comments and Cost Approach Q & A...

1. What type of information in the Additional Comments area might the reviewer expect to see for a rural property appraisal?
2. When are outbuildings like barns and stables included in the value estimate?
3. What two major characteristics in the Cost Approach of rural residences should the reviewer focus on?
4. If the property includes many outbuildings, how are these addressed in the Cost Approach?
5. When is functional depreciation indicated?

Additional Comments and Cost Approach – Answers...

1. *The appraiser may use this area to further describe any outbuildings, other structures, and or property sketches that may or may not add to the value.*
2. *When the market shows they are typical of competing properties.*
3. *In the Cost Approach the reviewer should focus on extraordinarily high percentage of land value and larger than normal additions for site improvements and outbuildings.*
4. *The appraiser must not only determine the physically depreciated value, but also determine the existence and dollar amount of any functional depreciation indicated by the market.*
5. *When the market does not accept the fully depreciated value of the improvements.*

SECTION 10 – INCOME

The Income Approach is rarely applicable in the valuation of single-family residential properties, and even less applicable in the appraisal of rural residences. The value derived from this approach assumes that the income stream that a property is capable of producing drives the market value. In urban and suburban single-family dwellings, the income stream is the rent received from a tenant who uses the property as a residence. This scenario is extremely rare in rural residences due to their remoteness, thus limiting comparable rental data. The Income Approach for rural properties is generally applied to properties rented for agricultural production and often associated with commercial uses.

INCOME	INCOME APPROACH TO VALUE (not required by Fannie Mae)		
	Estimated Monthly Market Rent \$	X Gross Rent Multiplier	= \$ Indicated Value by Income Approach
	Summary of Income Approach (including support for market rent and GRM)		

SECTION 11 – PUD INFORMATION

PUDs (Planned Unit Developments) are rare in rural properties, though they are sometimes utilized in low-acreage developments near suburban growth paths or high-density recreational developments in remote areas. Their analysis in rural properties does not differ from that of urban or suburban properties. If the subject is in a PUD and the developer is in control of the Homeowners' Association, the reviewer should expect the appraiser to address the impact of this situation on market value. In new or developing PUDs, the reviewer should analyze the number of units available and the number of units sold to determine the market appeal, sales activity, or inventory levels of the project. The reviewer should note the degree and quality of common elements and recreational facilities for comparison to those of the comparable sales used in the Sales Comparison Approach.

PUD INFORMATION	PROJECT INFORMATION FOR PUDs (if applicable)		
	Is the developer/builder in control of the Homeowners' Association (HOA)? <input type="checkbox"/> Yes <input type="checkbox"/> No Unit type(s) <input type="checkbox"/> Detached <input type="checkbox"/> 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 an existing building(s) into a PUD? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, date of conversion		
	Does the project contain any multi-dwelling units? <input type="checkbox"/> Yes <input type="checkbox"/> No Data source(s)		
	Are the units, common elements, and recreation facilities complete? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe the status of completion.		
	Are the common elements leased to or by the Homeowners' Association? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe the rental terms and options.		
	Describe common elements and recreational facilities		

IMPORTANT NOTE: If a rural residence is in a PUD, the appraiser's primary source of sales should be within the development or in a nearby similar development, as other rural properties are generally not in competition with these properties.

SECTION 12 – URAR PAGES 4, 5, AND 6 and APPRAISAL ADDENDA

For appraisals of rural properties the Scope of Work, Intended Use and User, Definition of Market Value, Statement of Assumptions and Limiting Conditions, Appraiser's Certification, and Signature pages are utilized and applicable as detailed in *Appraisal Review Techniques for Single-Family Residences*. As in all appraisals, the report is not considered valid unless it is signed and dated.

Supporting documentation for rural residences is generally the same as what is described in Module 1. However, many rural properties are on unplatted parcels, will have larger land sizes than urban or suburban properties, and require more adjustments to value due to the heterogeneity of sites and improvements. This generally requires a lengthy legal description and commentary to support adjustments, which should be included as attachments to the report. If the subject property contains outbuildings or unusual site improvements that are included in the value estimate, the appraiser should include photographs of these improvements in addition to the standard property photos and any other exhibits that support the opinion of value.

APPRAISAL ADDENDA Q & A...

1. How does the addenda of rural residential appraisals differ from that of urban and suburban residential appraisals?

APPRAISAL ADDENDA – ANSWERS...

1. *Generally appraisals of rural residences require lengthy legal descriptions, explanations of adjustments, and photos of supplemental buildings or site improvements.*

URAR

MODULE FIVE
Rural Residential Properties

Chapter Two Form Exhibit

- Uniform Residential Appraisal Report
(Freddie Mac 70/Fannie Mae 1004)

MODULE FIVE
Rural Residential Properties

■ **Uniform Residential Appraisal Report** (Freddie Mac 70/Fannie Mae 1004)

Uniform Residential Appraisal Report						File #
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.						
Property Address		City		State	Zip Code	
Borrower		Owner of Public Record		County		
Legal Description						
Assessor's Parcel #		Tax Year		R.E. Taxes \$		
Neighborhood Name		Map Reference		Census Tract		
Occupant <input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant <input type="checkbox"/> Special Assessments \$ <input type="checkbox"/> PUD HOA \$ <input type="checkbox"/> per year <input type="checkbox"/> per month						
Property Rights Appraised <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)						
Assignment Type <input type="checkbox"/> Purchase Transaction <input type="checkbox"/> Refinance Transaction <input type="checkbox"/> Other (describe)						
Lender/Client Address						
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input type="checkbox"/> Yes <input type="checkbox"/> No						
Report data source(s) used, offering price(s), and date(s).						
I <input type="checkbox"/> did <input type="checkbox"/> did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.						
Contract Price \$ _____ Date of Contract _____ Is the property seller the owner of public record? <input type="checkbox"/> Yes <input type="checkbox"/> No Data Source(s) _____						
Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? <input type="checkbox"/> Yes <input type="checkbox"/> No						
If Yes, report the total dollar amount and describe the items to be paid.						
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 <input type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural	Property Values <input type="checkbox"/> Increasing <input type="checkbox"/> Stable <input type="checkbox"/> Declining	PRICE	AGE	One-Unit	%	
Built-Up <input type="checkbox"/> Over 75% <input type="checkbox"/> 25-75% <input type="checkbox"/> Under 25%	Demand/Supply <input type="checkbox"/> Shortage <input type="checkbox"/> In Balance <input type="checkbox"/> Over Supply	\$ (000)	(yrs)	2-4 Unit	%	
Growth <input type="checkbox"/> Rapid <input type="checkbox"/> Stable <input type="checkbox"/> Slow	Marketing Time <input type="checkbox"/> Under 3 mths <input type="checkbox"/> 3-6 mths <input type="checkbox"/> Over 6 mths	Low		Multi-Family	%	
Neighborhood Boundaries				High	Commercial %	
				Pred.	Other %	
Neighborhood Description						
Market Conditions (including support for the above conclusions)						
Dimensions Area Shape View						
Specific Zoning Classification Zoning Description						
Zoning Compliance <input type="checkbox"/> Legal <input type="checkbox"/> Legal Nonconforming (Grandfathered Use) <input type="checkbox"/> No Zoning <input type="checkbox"/> Illegal (describe)						
Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe						
Utilities		Public		Other (describe)		Off-site Improvements—Type
Electricity <input type="checkbox"/>	Public <input type="checkbox"/>	Water <input type="checkbox"/>	Other (describe) <input type="checkbox"/>	Street	Public <input type="checkbox"/>	Private <input type="checkbox"/>
Gas <input type="checkbox"/>	Sanitary Sewer <input type="checkbox"/>	Other (describe) <input type="checkbox"/>		Alley	Public <input type="checkbox"/>	Private <input type="checkbox"/>
FEMA Special Flood Hazard Area <input type="checkbox"/> Yes <input type="checkbox"/> No FEMA Flood Zone _____ FEMA Map # _____ FEMA Map Date _____						
Are the utilities and off-site improvements typical for the market area? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe						
Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe						
General Description		Foundation		Exterior Description	materials/condition	Interior
Units <input type="checkbox"/> One <input type="checkbox"/> One with Accessory Unit	Concrete Slab <input type="checkbox"/> Crawl Space <input type="checkbox"/>	Foundation Walls	Floors			
# of Stories	Full Basement <input type="checkbox"/> Partial Basement <input type="checkbox"/>	Exterior Walls	Walls			
Type <input type="checkbox"/> Det. <input type="checkbox"/> Att. <input type="checkbox"/> S-Det./End Unit	Basement Area _____ sq. ft.	Roof Surface	Trim/Finish			
<input type="checkbox"/> Existing <input type="checkbox"/> Proposed <input type="checkbox"/> Under Const.	Basement Finish _____ %	Gutters & Downspouts	Bath Floor			
Design (Style)	Outside Entry/Exit <input type="checkbox"/> Sump Pump <input type="checkbox"/>	Window Type	Bath Wainscot			
Year Built	Evidence of <input type="checkbox"/> Infestation	Storm Sash/Insulated	Car Storage <input type="checkbox"/> None			
Effective Age (Yrs)	<input type="checkbox"/> Dampness <input type="checkbox"/> Settlement	Screens	<input type="checkbox"/> Driveway # of Cars			
Attic <input type="checkbox"/> None	Heating <input type="checkbox"/> FWA <input type="checkbox"/> HWBB <input type="checkbox"/> Radiant	Amenities	Driveway Surface			
<input type="checkbox"/> Drop Stair <input type="checkbox"/> Stairs	Other _____ Fuel _____	Fireplace(s) # _____	Garage # of Cars			
Floor <input type="checkbox"/> Scuttle	Cooling <input type="checkbox"/> Central Air Conditioning	Patio/Deck <input type="checkbox"/> Porch	Carport # of Cars			
Finished <input type="checkbox"/> Heated	Individual <input type="checkbox"/> Other	Pool <input type="checkbox"/> Other	Att. <input type="checkbox"/> Det. <input type="checkbox"/> Built-in			
Appliances <input type="checkbox"/> Refrigerator <input type="checkbox"/> Range/Oven <input type="checkbox"/> Dishwasher <input type="checkbox"/> Disposal <input type="checkbox"/> Microwave <input type="checkbox"/> Washer/Dryer <input type="checkbox"/> Other (describe)						
Finished area above grade contains: Rooms _____ Bedrooms _____ Bath(s) _____ Square Feet of Gross Living Area Above Grade _____						
Additional features (special energy efficient items, etc.)						
Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.).						
Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe						
Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe						

Form Exhibit

MODULE FIVE
Rural Residential Properties

Freddie Mac 70/Fannie Mae 1004 [page 2]

Uniform Residential Appraisal Report										File #
There are comparable properties currently offered for sale in the subject neighborhood ranging in price from \$										to \$
There are comparable sales in the subject neighborhood within the past twelve months ranging in sale price from \$										to \$
FEATURE	SUBJECT	COMPARABLE SALE # 1			COMPARABLE SALE # 2			COMPARABLE SALE # 3		
Address										
Proximity to Subject										
Sale Price										
Sale Price/Gross Liv. Area										
Data Source(s)										
Verification Source(s)										
VALUE ADJUSTMENTS		DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment
Sale or Financing Concessions										
Date of Sale/Time										
Location										
Leasehold/Fee Simple										
Site										
View										
Design (Style)										
Quality of Construction										
Actual Age										
Condition										
Above Grade										
Room Count										
Gross Living Area										
Basement & Finished Rooms Below Grade										
Functional Utility										
Heating/Cooling										
Energy Efficient Items										
Garage/Carport										
Porch/Patio/Deck										
Net Adjustment (Total)										
Adjusted Sale Price of Comparables										
<input type="checkbox"/> did <input type="checkbox"/> did not research the sale or transfer history of the subject property and comparable sales. If not, explain										
My research <input type="checkbox"/> did <input type="checkbox"/> 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)										
My research <input type="checkbox"/> did <input type="checkbox"/> 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)										
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										
Price of Prior Sale/Transfer										
Data Source(s)										
Effective Date of Data Source(s)										
Analysis of prior sale or transfer history of the subject property and comparable sales										
Summary of Sales Comparison Approach										
Indicated Value by Sales Comparison Approach \$										
Indicated Value by: Sales Comparison Approach \$										
Cost Approach (if developed) \$										
Income Approach (if developed) \$										
This appraisal is made <input type="checkbox"/> "as is", <input type="checkbox"/> subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, <input type="checkbox"/> subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or <input type="checkbox"/> 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 \$, as of , which is the date of inspection and the effective date of this appraisal.										

MODULE FIVE
Rural Residential Properties

Freddie Mac 70/Fannie Mae 1004 [page 3]

Uniform Residential Appraisal Report		File #
ADDITIONAL COMMENTS		
	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)		
COST APPROACH	ESTIMATED <input type="checkbox"/> REPRODUCTION OR <input type="checkbox"/> REPLACEMENT COST NEW	
	Source of cost data	OPINION OF SITE VALUE = \$
	Quality rating from cost service	Dwelling Sq. Ft. @ \$ = \$
	Effective date of cost data	Sq. Ft. @ \$ = \$
	Comments on Cost Approach (gross living area calculations, depreciation, etc.)	
		Garage/Carport Sq. Ft. @ \$ = \$
		Total Estimate of Cost-New = \$
		Less Physical Functional External)
		Depreciation = \$()
		Depreciated Cost of Improvements = \$
	"As-is" Value of Site Improvements = \$	
	Estimated Remaining Economic Life (HUD and VA only) Years	Indicated Value By Cost Approach = \$
INCOME APPROACH TO VALUE (not required by Fannie Mae)		
Estimated Monthly Market Rent \$ X Gross Rent Multiplier = \$ Indicated Value by Income Approach		
Summary of Income Approach (including support for market rent and GRM)		
PROJECT INFORMATION FOR PUDs (if applicable)		
Is the developer/builder in control of the Homeowners' Association (HOA)? <input type="checkbox"/> Yes <input type="checkbox"/> No Unit type(s) <input type="checkbox"/> Detached <input type="checkbox"/> 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 an existing building(s) into a PUD? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, date of conversion		
Does the project contain any multi-dwelling units? <input type="checkbox"/> Yes <input type="checkbox"/> No Data source(s)		
Are the units, common elements, and recreation facilities complete? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe the status of completion.		
Are the common elements leased to or by the Homeowners' Association? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe the rental terms and options.		
Describe common elements and recreational facilities		

Form Exhibit

MODULE FIVE
Rural Residential Properties

Freddie Mac 70/Fannie Mae 1004 [page 4]

Uniform Residential Appraisal Report		File #
<p>This report form is designed to report an appraisal of a one-unit property or a one-unit property with an accessory unit; including a unit in a planned unit development (PUD). This report form is not designed to report an appraisal of a manufactured home or a unit in a condominium or cooperative project.</p>		
<p>This appraisal report is subject to the following scope of work, intended use, intended user, definition of market value, statement of assumptions and limiting conditions, and certifications. Modifications, additions, or deletions to the intended use, intended user, definition of market value, or assumptions and limiting conditions are not permitted. The appraiser may expand the scope of work to include any additional research or analysis necessary based on the complexity of this appraisal assignment. Modifications or deletions to the certifications are also not permitted. However, additional certifications that do not constitute material alterations to this appraisal report, such as those required by law or those related to the appraiser's continuing education or membership in an appraisal organization, are permitted.</p>		
<p>SCOPE OF WORK: The scope of work for this appraisal is defined by the complexity of this appraisal assignment and the reporting requirements of this appraisal report form, including the following definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser must, at a minimum: (1) perform a complete visual inspection of the interior and exterior areas of the subject property, (2) inspect the neighborhood, (3) inspect each of the comparable sales from at least the street, (4) research, verify, and analyze data from reliable public and/or private sources, and (5) report his or her analysis, opinions, and conclusions in this appraisal report.</p>		
<p>INTENDED USE: The intended use of this appraisal report is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction.</p>		
<p>INTENDED USER: The intended user of this appraisal report is the lender/client.</p>		
<p>DEFINITION OF MARKET VALUE: 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. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.</p>		
<p>*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.</p>		
<p>STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS: The appraiser's certification in this report is subject to the following assumptions and limiting conditions:</p>		
<p>1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it, except for information that he or she became aware of during the research involved in performing this appraisal. The appraiser assumes that the title is good and marketable and will not render any opinions about the title.</p>		
<p>2. The appraiser has provided a sketch in this appraisal report to show the approximate dimensions of the improvements. The sketch is included only to assist the reader in visualizing the property and understanding the appraiser's determination of its size.</p>		
<p>3. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in this appraisal report whether any portion of the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.</p>		
<p>4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law.</p>		
<p>5. The appraiser has noted in this appraisal report any adverse conditions (such as needed repairs, deterioration, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the research involved in performing this appraisal. Unless otherwise stated in this appraisal report, the appraiser has no knowledge of any hidden or unapparent physical deficiencies or adverse conditions of the property (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, this appraisal report must not be considered as an environmental assessment of the property.</p>		
<p>6. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that the completion, repairs, or alterations of the subject property will be performed in a professional manner.</p>		
Freddie Mac Form 70 March 2005	Page 4 of 6	Fannie Mae Form 1004 March 2005

Form Exhibit

Freddie Mac 70/Fannie Mae 1004 [page 5]

Uniform Residential Appraisal Report

File #

APPRAISER'S CERTIFICATION: The Appraiser certifies and agrees that:

1. I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in this appraisal report.
2. I performed a complete visual inspection of the interior and exterior areas of the subject property. I reported the condition of the improvements in factual, specific terms. I identified and reported the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.
3. I performed this appraisal in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.
4. I developed my opinion of the market value of the real property that is the subject of this report based on the sales comparison approach to value. I have adequate comparable market data to develop a reliable sales comparison approach for this appraisal assignment. I further certify that I considered the cost and income approaches to value but did not develop them, unless otherwise indicated in this report.
5. I researched, verified, analyzed, and reported on any current agreement for sale for the subject property, any offering for sale of the subject property in the twelve months prior to the effective date of this appraisal, and the prior sales of the subject property for a minimum of three years prior to the effective date of this appraisal, unless otherwise indicated in this report.
6. I researched, verified, analyzed, and reported on the prior sales of the comparable sales for a minimum of one year prior to the date of sale of the comparable sale, unless otherwise indicated in this report.
7. I selected and used comparable sales that are locationally, physically, and functionally the most similar to the subject property.
8. I have not used comparable sales that were the result of combining a land sale with the contract purchase price of a home that has been built or will be built on the land.
9. I have reported adjustments to the comparable sales that reflect the market's reaction to the differences between the subject property and the comparable sales.
10. I verified, from a disinterested source, all information in this report that was provided by parties who have a financial interest in the sale or financing of the subject property.
11. I have knowledge and experience in appraising this type of property in this market area.
12. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located.
13. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable sources that I believe to be true and correct.
14. I have taken into consideration the factors that have an impact on value with respect to the subject neighborhood, subject property, and the proximity of the subject property to adverse influences in the development of my opinion of market value. I have noted in this appraisal report any adverse conditions (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing this appraisal. I have considered these adverse conditions in my analysis of the property value, and have reported on the effect of the conditions on the value and marketability of the subject property.
15. I have not knowingly withheld any significant information from this appraisal report and, to the best of my knowledge, all statements and information in this appraisal report are true and correct.
16. I stated in this appraisal report my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the assumptions and limiting conditions in this appraisal report.
17. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in this appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.
18. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not conditioned on any agreement or understanding, written or otherwise, that I would report (or present analysis supporting) a predetermined specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific subsequent event (such as approval of a pending mortgage loan application).
19. I personally prepared all conclusions and opinions about the real estate that were set forth in this appraisal report. If I relied on significant real property appraisal assistance from any individual or individuals in the performance of this appraisal or the preparation of this appraisal report, I have named such individual(s) and disclosed the specific tasks performed in this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in this appraisal report; therefore, any change made to this appraisal is unauthorized and I will take no responsibility for it.
20. I identified the lender/client in this appraisal report who is the individual, organization, or agent for the organization that ordered and will receive this appraisal report.

MODULE FIVE
Rural Residential Properties

Freddie Mac 70/Fannie Mae 1004 [page 6]

Uniform Residential Appraisal Report		File # _____
<p>21. The lender/client may disclose or distribute this appraisal report to: the borrower; another lender at the request of the borrower; the mortgagee or its successors and assigns; mortgage insurers; government sponsored enterprises; other secondary market participants; data collection or reporting services; professional appraisal organizations; any department, agency, or instrumentality of the United States; and any state, the District of Columbia, or other jurisdictions; without having to obtain the appraiser's or supervisory appraiser's (if applicable) consent. Such consent must be obtained before this appraisal report may be disclosed or distributed to any other party (including, but not limited to, the public through advertising, public relations, news, sales, or other media).</p> <p>22. I am aware that any disclosure or distribution of this appraisal report by me or the lender/client may be subject to certain laws and regulations. Further, I am also subject to the provisions of the Uniform Standards of Professional Appraisal Practice that pertain to disclosure or distribution by me.</p> <p>23. The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties.</p> <p>24. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.</p> <p>25. Any intentional or negligent misrepresentation(s) contained in this appraisal report may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq., or similar state laws.</p>		
<p>SUPERVISORY APPRAISER'S CERTIFICATION: The Supervisory Appraiser certifies and agrees that:</p> <ol style="list-style-type: none"> 1. I directly supervised the appraiser for this appraisal assignment, have read the appraisal report, and agree with the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification. 2. I accept full responsibility for the contents of this appraisal report including, but not limited to, the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification. 3. The appraiser identified in this appraisal report is either a sub-contractor or an employee of the supervisory appraiser (or the appraisal firm), is qualified to perform this appraisal, and is acceptable to perform this appraisal under the applicable state law. 4. This appraisal report complies with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared. 5. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature. 		
<p>APPRAISER</p> <p>Signature _____</p> <p>Name _____</p> <p>Company Name _____</p> <p>Company Address _____</p> <p>Telephone Number _____</p> <p>Email Address _____</p> <p>Date of Signature and Report _____</p> <p>Effective Date of Appraisal _____</p> <p>State Certification # _____</p> <p>or State License # _____</p> <p>or Other (describe) _____ State # _____</p> <p>State _____</p> <p>Expiration Date of Certification or License _____</p> <p>ADDRESS OF PROPERTY APPRAISED _____</p> <p>APPRAISED VALUE OF SUBJECT PROPERTY \$ _____</p> <p>LENDER/CLIENT</p> <p>Name _____</p> <p>Company Name _____</p> <p>Company Address _____</p> <p>Email Address _____</p>	<p>SUPERVISORY APPRAISER (ONLY IF REQUIRED)</p> <p>Signature _____</p> <p>Name _____</p> <p>Company Name _____</p> <p>Company Address _____</p> <p>Telephone Number _____</p> <p>Email Address _____</p> <p>Date of Signature _____</p> <p>State Certification # _____</p> <p>or State License # _____</p> <p>State _____</p> <p>Expiration Date of Certification or License _____</p> <p>SUBJECT PROPERTY</p> <p><input type="checkbox"/> Did not inspect subject property</p> <p><input type="checkbox"/> Did inspect exterior of subject property from street</p> <p style="padding-left: 20px;">Date of Inspection _____</p> <p><input type="checkbox"/> Did inspect interior and exterior of subject property</p> <p style="padding-left: 20px;">Date of Inspection _____</p> <p>COMPARABLE SALES</p> <p><input type="checkbox"/> Did not inspect exterior of comparable sales from street</p> <p><input type="checkbox"/> Did inspect exterior of comparable sales from street</p> <p style="padding-left: 20px;">Date of Inspection _____</p>	
<p style="font-size: small;">Freddie Mac Form 70 March 2005 Page 6 of 6 Fannie Mae Form 1004 March 2005</p>		

Form Exhibit

Chapter Three

Appraisal Glossary

Accrued Depreciation (Diminished Utility) – Total loss of value from all sources, measured as the difference between reproduction cost new of the improvements and the present worth of those improvements as of the date of the appraisal.

Actual Rent – The contract rent or actual rental income occurring to a property under the terms of a lease (a contract). It is the agreed rent between the landlord and tenant. Actual rent paid can be the same, higher or lower than market rent.

Analysis of Annual Income and Expenses – Operating Budget (Freddie Mac 465 Addendum B/Fannie Mae Form 1073A) – This form is used to summarize information regarding the operating budget and reserves for condominium and cooperative projects. It may also be used for conditional project acceptance and approval.

Appraisal – The act or process of estimating value or conducting an evaluation study. The resulting opinion or conclusion derived from the appraisal may be informal, transmitted orally; or it may be formal, presented in written form.

Appraisal Emulation or Hedonic AVM – One of several AVM types that essentially attempt to value a property as an appraiser would, except that it utilizes a property database, selects comparables from the database and makes adjustments for size, age, and lot.

Appraisal Update and/or Completion Report (Freddie Mac 442/Fannie Mae 1004D) – This form can be used for updating a previous appraisal and or certification of completion.

Appreciation – Increase in value due to increase in cost to reproduce, value over the cost, or value increase from some specified earlier point in time brought about by greater demand, improved economic conditions, increasing price levels, reversal of depreciating environmental trends, direction of community or area growth, or other salient factors.

AVM – Automated Valuation Model. The valuation of a property using automated models that rely on large databases for estimating a property's value.

Bylaws – Control rules to govern a condominium development. The Bylaws contain details that are necessary to clearly establish the rights and responsibilities of the owners as individuals and the individuals as co-owners.

CC&R's (Covenants, Conditions, and Restrictions) – Are recorded deed restrictions associated with the land; usually initiated by the developer or municipal planning body for a subdivision tract or project.

Common Areas – Land or improvements in a project or development that is not designated for sale or rental but held for the benefit of all tenants and property owners. Parking facilities, parks, playgrounds, and recreation facilities are generally common areas.

Compliance Certificate – See HUD Compliance Certificate.

Condition and Marketability Report (Freddie Mac Form 2070) – An abbreviated inspection-only form that does not provide an indication of value and is used in conjunction with Freddie Mac's Loan Prospector® automated underwriting when the embedded collateral assessment model is able to confirm value for the subject property.

Condominium – A form of ownership of real property. The purchaser receives title to a particular unit and a proportionate undivided interest in certain common areas. A condominium generally defines each unit as a separately owned space to the interior surfaces of the perimeter walls, floors, and ceilings. Title to the common areas is in terms of percentages and refers to the entire project less the separately owned units.

Condominium Conversions – Existing structures (residential, commercial, office, or industrial) previously utilized for various purposes but now converted to condominiums.

Condominium Declaration – The basic condominium document that must be recorded by the originating property owner prior to the conveyance of the first unit sold. This declaration describes the entire condominium entity, including each unit and all common areas, and specifies essential elements of ownership that permanently govern its operation. Land covenants, conditions, and restrictions (CC&R's) will be included in the condominium declaration.

Cooperative – A form of ownership whereby the value of each owner's stock in a cooperative apartment or housing corporation equates to ownership of an individual unit. Title to the unit is evidenced by a proprietary lease and each owner pays a proportionate share of the interest and real estate taxes paid by the corporation. This proportionate share is based on the proportion of the total stock owned. The interest can relate to any debt incurred by the corporation to acquire, construct, alter, rehabilitate, or maintain the building or land. The cooperative must be bona fide, i.e., stock ownership must give the stockholder the right to live in an apartment or house on the property owned or leased by the corporation, though the stockholder need not be required to live there.

Cost Approach – The approach to value in appraisal analysis that is based on the premise that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. The cost approach is most relevant when the subject property of the appraisal has relatively new improvements that represent the highest and best use of the land or when unique or specialized improvements are located on the site and there are no comparable properties on the market.

Curable Depreciation – Those items of physical deterioration and/or functional obsolescence whose cost to cure is equal to or less than the anticipated addition to the utility.

Declaration – The most important of all condominium documents. It describes the entire condominium entity, including each unit and all common areas, and specifies essential elements of ownership that permanently govern its operation. Changes in the Declaration normally require the consent of 100% of the owners.

Double-Wide – A manufactured home that is a multi-sectioned home built on a permanent frame (chassis) with a removable transportation system. Further, a double-wide manufactured home typically contains on average 1,750 square feet of living area and a minimum width of 22 feet.

Economic Life – The time period over which improvements are expected to contribute to the value of the property as a whole.

Economic Rent – The most probable rent a property can expect to generate in a competitive market.

Effective Age – The age in years indicated by the condition and utility of a structure.

Encroachment – Displacement (partial or gradual) of an existing use by another use; an improvement that illegally violates another's property.

Exterior-Only Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2095) – An appraisal report designed to estimate the market value of a cooperative housing unit and requires an exterior-only inspection. The value is technically based on an ownership interest in the cooperative corporation or shares and accompanying occupancy rights for the unit.

Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Freddie Mac Form 466/Fannie Mae Form 1075) – An appraisal report that provides an estimate of market value for a condominium unit in a project based on an exterior only inspection.

Exterior-Only Inspection Residential Appraisal Report (Fannie Mae/Freddie Mac Form 2055) – An appraisal report used for appraisals of single-family detached and single-family detached with an accessory unit; including a unit in a Planned Unit Development (PUD).

External Depreciation – Traditionally referred to as economic obsolescence, this is caused by factors not within the subject property. Proximity to a nuisance, such as a polluting factory would be an unchangeable factor that would not be curable by the owner of the subject property.

Fee Simple – An absolute ownership interest, unencumbered by any other interest; a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation.

Fee Simple Estate – Is the highest form of ownership rights or interest.

Functional Adequacy – A measure of the ability of a property or structure to be useful and to perform the function for which it is intended, as determined by the current market; the efficiency of a building in terms of style, design, layout, and size.

Functional Depreciation (Obsolescence) – Is the impairment of functional capacity, utility or efficiency; the inability of a structure to perform adequately the function for which it is currently employed. Functional obsolescence reflects the loss in value brought about by such factors as defects, deficiencies, or super adequacies that affect a specific property characteristic or its relation with other characteristics comprising a larger property.

Gross Rent Multiplier (GRM) – A ratio between the sales price of a property and its actual monthly rental income.

Highest And Best Use – The reasonable and probable use that supports the highest present value of a property.

Homeowners' Association (HOA) – An organization of the unit owners of a particular development with the purpose of providing and maintaining community facilities and services for the common enjoyment of the residents.

Housing Stock – Estimate of total inventory of all dwelling units, whether for sale or not for sale, as of a specific date. This includes owner-occupied, rented, and vacant units in both single-family and multi-family buildings.

HUD Certification Label – Provides a number or “Label No.” that can be used to identify each section of the manufactured housing unit. It is located on the exterior of each section of the structure, on the lower left corner as viewed from the rear. The label is often red in color.

HUD Data Plate/HUD Compliance Certificate – Is a certificate that is affixed to the inside of a manufactured home, often near the electrical panel or breaker box. It provides important information regarding the structure such as manufacture’s name, trade/model name, the year of manufacture, and the manufactured home’s serial number in addition to climatic and structural information. The HUD Data Plate is sometimes referred to as the HUD Compliance Certificate.

Hybrid AVM – An AVM model that uses a combination of index and hedonic AVM methods. It may also allow human intervention, such as comparable selection or physical inspections.

Incurable Depreciation – Those items of physical deterioration and/or functional obsolescence for which the cost to cure is greater than the anticipated addition to the utility.

Improvement Analysis – Analysis of the physical features of a property, their condition and character, and thus the market acceptability of the property.

Income Approach – Approach to value based on the present worth of the future rights to income. It assumes that the income derived from a property will, to a large extent, control the value of that property. The income approach is used primarily for valuation of income-producing properties such as apartment buildings, plex-units and income producing commercial real estate, etc.

Income Capitalization – The process of converting income into a capital value, often expressed as a Cap Rate.

Individual Condominium Unit Appraisal (Freddie Mac Form 465/Fannie Mae Form 1073) – The appraisal form used to estimate the market value of an individual condominium unit in a project, based on both an interior and exterior inspection.

Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2090) – An appraisal report designed to estimate the market value of a cooperative housing unit and requires an interior and exterior inspection. The value is technically based on an ownership interest in the cooperative corporation or shares and accompanying occupancy rights for the unit.

Leasehold – A property held under tenure of lease. It is the right to use and occupy a property by virtue of a formal lease agreement; and the right of a lessee to use and enjoy real estate for a stated term and upon certain conditions, such as the payment of rent.

Lien – A claim against a property when the property serves as security for payment of a debt.

Limited Common Area - Common area assigned to a specific owner for personal use.

Manufactured Home Appraisal Report (Freddie Mac Form 70B/Fannie Mae Form 1004C) – A stand alone appraisal report used for the valuation of manufactured homes or mobile homes.

Market Analysis – The process of determining the general market conditions affecting a property or region including analysis of historical and potential components of supply and demand.

Market Rent – Is the rental income that a property would most probably command in the open market as indicated by current rents being paid and asked for on comparable space as of the date of appraisal.

Market Value – The most probable price that 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 and knowledgeably, and assuming the price is not affected by undue stimulus.

Marketing Time – The average time it takes for a reasonably priced property to sell in the subject neighborhood.

Master Residential Appraisal Report (Fannie Mae Form 2045) – This is a summary appraisal report designed to be used on new or proposed one-family construction for mortgages to be delivered to Fannie Mae’s D.U.®. This report is designed to be used with Fannie Mae Form 2055 and is useful for projects with a large number of similar units or lots and can reduce the number of individual 2055 appraisal forms required.

Master Residential Appraisal Report Amendment (Fannie Mae Form 2045A) – This addendum is to be used with Fannie Mae Form 2045, and can be used to provide either an update and extend the expiration date by 120 days. Form 2045A can also be used to amend an existing 2045 with no change in the 180 day expiration period.

Master Residential Appraisal Report Worksheet (Fannie Mae Form 2045B) – Is used in conjunction with an existing 2045 Master Residential Appraisal Report to document the value of an individual property, by adding the Basic Model Value, the lot/unit value (if any) and the contributory value of options/upgrades.

Modular Home – A home constructed in a factory, but with conventional home floor joists. Fully constructed modules are transported to the permanent site on a trailer, lifted from the trailer, attached together, and anchored to the foundation. Modular homes can also be multi-stories.

MSA-Metropolitan Statistical Area – An area, generally represented by counties, that meets specific criteria regarding population size, etc. Generally, MSAs include a city with a population of at least 50,000 and a total area with a population of 100,000 or more.

N.A.D.A. Manufactured Housing Appraisal Guide® – Is produced by the National Automobile Dealer’s Association (N.A.D.A.), which is a trade association representing new car dealers nationally since 1917. There are various guides produced for the valuation of aircraft, automobiles, marine craft, motorcycles, recreational vehicles, and factory-built (HUD/state coded) manufactured housing.

Neighborhood Analysis – A study of the factors relating to growth, structure, and change and their effect on property values within a given neighborhood.

One-Unit Residential Appraisal Field Review Report (Freddie Mac Form 1032/Fannie Mae Form 2000) – This form is designed to check a prior appraised value or opinion of market value. If the original appraised value is not supported, then a new opinion of value is required on this form.

Operating Budget – A detailed projection of all income and expenses for a given time period.

Operating Expenses – Periodic expenditures and required replacement reserve funds necessary to maintain the property; generally regarded as all expenses of a property with the exception of real estate taxes, depreciation, interest, and amortization.

Paired Sales Analysis (Market Extractions) – A method of estimating the amount of adjustment for the presence or absence of any property feature, or for varying quantities of any feature, by comparing the sales price of otherwise identical properties with and without that feature in question.

Panelized Homes – Wall, ceiling, and floor panels are built in a factory, and then transported to and assembled at the site on a permanent foundation. Electrical, plumbing, and other components are usually added to the structure at the site.

Physical Depreciation – Is a loss in value that is ordinarily brought about by age or by the wear and tear that a property has been subjected to. It is usually evident by decay, structural disrepair, or a defect attributed to physical deterioration.

Planned Unit Development (PUD) – (1) a comprehensive development plan for a large land area. It can include residences (both single-family detached and condominium properties), roads, schools, recreational facilities, and service areas plus commercial, office, and industrial areas; (2) a subdivision having lots or areas owned in common and reserved for the use of some or all of the owners of the separately owned lots.

Pre-Cut Home – Lumber is cut to specific lengths at a factory and shipped to a site where workmen assemble the “pre-cut” pieces into a structure on a permanent foundation. Electrical, plumbing, and other components are usually added to the structure at the site.

Project Analysis (Freddie Mac Form 465A) – This is a condominium project or PUD addendum that is used to supplement the project information section on Form 465. It is used in cases where projects have not sold out or are conversions.

Property Inspection Alternative (PIA) – An appraisal system or method used with Loan Prospector® that requires a more comprehensive appraisal report or valuation depending on loan level risk. Collateral reports can range from “no inspection” to a full URAR.

Property Inspection Report (Fannie Mae Form 2075) – An abbreviated inspection-only form that does not provide an indication of value and is used in conjunction with Fannie Mae’s Desktop Underwriter® automated underwriting system when the embedded collateral assessment model is able to confirm value for the subject property.

Reconciliation – The validity and reliability of each approach to property valuation (Cost, Sale Comparison, Income) with regard to the subject property are weighed objectively to arrive at the single best and most supportable conclusion of value.

Remaining Economic Life – The number of years over which the improvements are expected to continue contributing to the total value of the property. This concept is related to Economic Life and Effective Age.

Repeat Sales Model – a.k.a. Repeat Sales – A statistical tool that measures appreciation or depreciation as indicated when a single property sells at two different points in time. The difference in these two sale prices, or repeat sale, is combined with other repeat sales, in a geographic area and provides for a time series and converted to an index. A property’s previous sale price and index is the basis for estimating a property’s current value.

Replacement Cost – The cost to construct, at current prices, an improvement having utility equivalent to the improvement being appraised but built with modern materials and according to current standards, design, and layout. Replacement cost presumably eliminates all functional obsolescence, and the only depreciation to be measured is physical deterioration and economic obsolescence.

Reproduction Cost – The cost to construct at current prices an exact duplicate or replica using the same materials, construction standards, design, layout, and quality of workmanship embodying all the deficiencies, super adequacies, and obsolescence of the subject.

Sales Comparison Approach – An estimate of value obtained by comparing the subject property (the property being appraised) with recently sold comparable properties (properties similar to the subject). It is generally regarded as the most reliable of the three approaches to value when appraising residential property, where the amenities (intangible benefits) are often difficult to measure.

Single-Family Comparable Rent Schedule (Freddie Mac Form 1000/Fannie Mae Form 1007) – This form is used for one-unit investment properties that are eligible for streamlined appraisals with exterior-only inspections reported on Form 2055. This schedule provides rental adjustment grids for comparables and a final reconciled rent estimate.

Single-Wide – A single sectioned manufactured home built on a permanent frame (chassis) with a removable transportation system. A single-wide manufactured home contains on average 1,090 square feet of living area and is typically 11 feet wide.

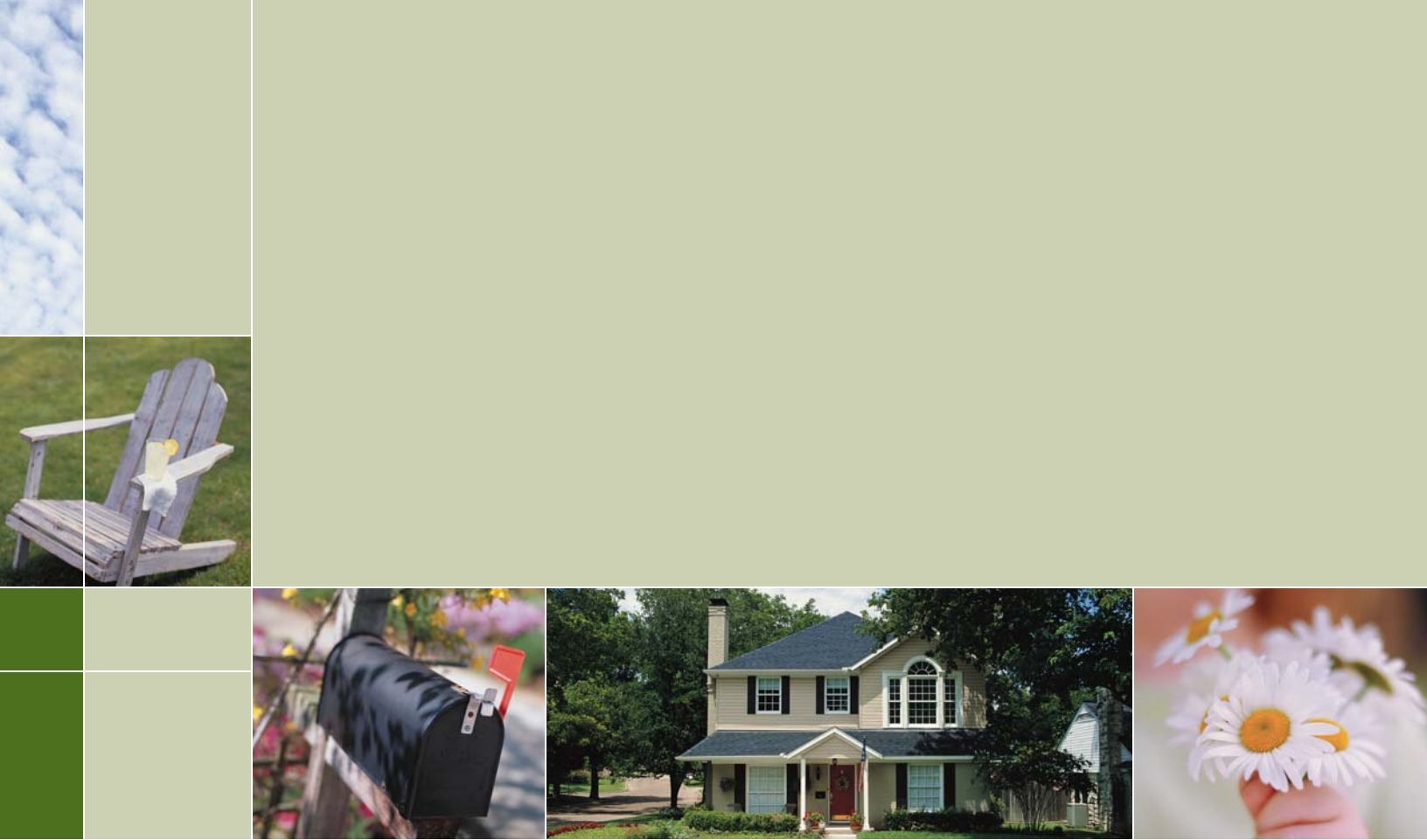
Site-Built Home – A structure that is completely built at the site on a permanent foundation, with the possible exception of roof and floor joists. If dimensional lumber is used, it may also be referred to as stick-built.

Small Residential Income Property Appraisal Report (Freddie Mac Form 72/Fannie Mae Form 1025) – The form used for appraisal of residential 2-4 unit income-producing properties.

Supply/Demand Cycles – All real estate markets go through a cycle that typically includes four phases: Development, Overbuilding, Adjustment, and Acquisition.

Uniform Residential Appraisal Report (URAR) (Freddie Mac Form 70/Fannie Mae Form 1004) – The form used for single-family detached property appraisals. This form requires an interior and exterior inspection.

Value – The present worth of future benefits arising from the ownership of real property. The market value of real estate is the most probable price which a property should bring in a competitive and open market, allowing a reasonable time to find a purchaser who buys the property with knowledge of all the uses to which it is adapted and for which it is capable of being used.



© Copyright 2006 PMI Mortgage Insurance Co. All rights reserved.



800.966.4PMI (4764)

www.pmigroup.com