



## Paramount Residential Mortgage Group Appraisal Guidelines

Each appraisal assignment is to include a complete and thorough effective analysis of the subject's market area to determine if property values have declined, and/or if properties in this market are in over supply, and/or if properties are experiencing extended marketing times (in excess of 6 months).

Pursuant to the Appraisal Independence Requirements (AIR), no one is to provide you with an estimated value, target value, and/or loan amount except as may have been provided in the purchase contract. In addition, you must report any attempt to influence the development, reporting, or result of this appraisal to the lender/client on this Appraisal Engagement.

**STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS** Appraisal Form 1004 Certification #15 states, "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 report are true and correct."

PRMG deems "*Significant information*" to be any information required to carry out the intended use of this appraisal assignment which is reasonably within the appraiser's scope of work (i.e. visual inspection.)

Appraisal assignments performed for Paramount Residential Mortgage Group are for lending purposes. The appraiser is required, by the scope of work, to perform a visual inspection of the interior and exterior areas of the subject property. At minimum, the subject property must meet all local and state laws, which may include but is not limited to, the water heater being properly strapped, installation of smoke detectors and CO devices, etc. If the subject property is not found to be in compliance with local and state laws, it is the appraiser's responsibility to note within the appraisal report any deficiency(s). The lack of any health and safety devices set forth by the state where the subject property is located in can adversely affect the borrower's ability to repay the loan and/or damage the property which is the collateral for the loan. If no deficiency(s) are noted within the report, PRMG will operate under the ordinary assumption that the property is in full compliance with all local and state laws that were readily identifiable by the appraiser's visual inspection. The intended use of the assignment is for mortgage purposes and the appraiser should comment on the existence, or lack thereof, any pertinent fact that may impact the lenders ability to loan that is reasonably within said appraiser's scope of work (i.e. visual inspection of interior and exterior of the subject property.)

## APPRAISAL ACCEPTANCE REQUIREMENTS

### Appraiser Service Requirements:

- Accept or decline the appraisal order within twelve (12) hours. It is the Appraiser's responsibility to input to and from dates of absence in the system when unable to accept orders for any period of time. Repeated refusal of appraisal orders, within stated coverage area, for reasons other than lack of competence or emergency, will affect performance scores and may result in deactivation from the approved panel.
- Appraiser must hold a valid license to appraise in the state in which the property being appraised is located.
- **ONLY the appraiser ASSIGNED to the order in the Appraisal Ordering System may inspect, complete, and sign the completed report for the order. No other appraiser can accept the order even if the other appraiser is within the same office or under the same Company Name. To have the order re-assigned to another appraiser within your office please contact us to re-assign it to that appraiser. No payment will be made on any report done by another appraiser.**
- **Contact the borrower within 24 hours of acceptance for appointment scheduling.**
- **Update the site with inspection date and expected delivery date once the appraisal is scheduled.**
- When making the call to the contact person, prior to scheduling the inspection appointment, **ask the contact person if the utilities are on for non-conventional products, and for all products if the water heater is double strapped, the carbon monoxide device(s) and smoke detectors are installed in their proper position(s), IF APPLICABLE TO YOUR STATE.** If the utilities are not on (for non-conventional products only) or the other required devices not installed (for all products), put the appraisal order on HOLD and update the site so the processing department is notified and can advise on how to proceed.
- Review the Purchase Contract on all purchases prior to delivering the Appraisal Report.
- Return completed appraisal report no later than seven (7) calendar days after order acceptance.
- Immediately update system and request an extension if the appraiser feels additional time is needed. For instance, rural, unique or complex properties may require additional time and research.
- Do not contact any person outside the Appraisal Department at PRMG in reference to the appraisal of this property. If you are contacted by anyone at PRMG outside the appraisal department, do not discuss the appraisal order or appraisal with them and refer them to the appraisal department. Messages through the site are an exception to this rule.
- Do not question the homeowner/access person about an anticipated, estimated, encouraged, or desired value or loan to value/loan amount for the appraised property.
- Make all necessary comments within the appraisal report that may impact the clients ability to lend or the borrower's ability to repay the loan
- Upload all invoices as a separate document from the appraisal report into the site.
- Update your profile immediately upon any changes, including but not limited to your contact information, address, name, license status, etc.
- All appraisal inspections performed for an FHA-insured mortgage must be prepared by a State Certified (certified residential or certified general) appraiser per HUD mortgagee letter 08-39 (cases assigned prior to 9/14/15 or Handbook 4000.1 for cases assigned on or after 9/14/15.)

- Property values (not transaction values) of \$1,000,000 or greater must be appraised by a Certified Residential Appraiser.
- With the exception of VA loans, all appraisals to include a copy of the appraiser's E&O Insurance – minimum coverage for Licensed Residential and Certified Residential levels is \$500,000 (per claim and aggregate) and \$1,000,000 (per claim and aggregate) for certified General appraisers and blanket policies for appraisal companies
- Complete the "Lender/ Client" Signature page of the appraisal as follows:
 

Lender/Client:	PRMG – Lender Executed Software - No AMC
Company Name:	Paramount Residential Mortgage Group
Company Address:	1265 Corona Pointe Ct, Corona, CA 92879
Email Address:	<a href="mailto:appraisals@prmg.net">appraisals@prmg.net</a>

## APPRAISAL REQUIREMENTS

**In addition to all normal USPAP Appraisal requirements, the required completion of the 1004MC form, and any additional requirements outlined in the Appraisal Scope of Work, for this order, the following requirements apply (some may be included as part of the 1004MC requirements).**

- Appraisals must meet all applicable Agency (FNMA, FHLMC, HUD, VA, USDA, etc.) requirements and address items as required by applicable Agency.
  - For FHA loans, in all situations, if a case number is cancelled (regardless of the reason) a new appraisal must be obtained. In no circumstance can an appraisal be dated prior to the case number, including appraisals that were initially done for a conventional or VA transaction. A new case number will always require a new appraisal that is dated after the case assignment date.
  - For FNMA and FHLMC loans, the 1004MC is not required
- Appraisals are subject to underwriter review, and additional comments on items or comps may be required after completion of review.

## File Format

- The client for this engagement requires the report to be delivered in XML & PDF file format, unless otherwise directed.
- Please do not use the PRMG loan number as the Appraisal Report File Number or include it anywhere else in the report

## Property and Neighborhood Description

- Property address: The address must reflect the physical address of the property **and must match the address in the Preliminary Title Report**. Any difference from the engagement letter address and/or postal address must be clearly noted and explained. **The appraiser will correct the address per underwriter instructions if needed.**
- Properties Located in Declining Markets: For all properties in declining or severely declining markets, or when the appraiser identified the market as declining on the appraisal report, the appraiser must comply with the following within the appraisal report.
  - Indicate in the neighborhood section of the appraisal report that the market is declining. It is possible that some submarkets may not be declining. If the appraiser contends that

the market is not declining, the burden lies with the appraiser to provide supporting empirical evidence that the neighborhood is stable or appreciating.

- Examples of supporting evidence include national recognized sources such as Data Quick, local MLS, or tax records.
- Comment on negative factors with respect to the subject neighborhood, the subject property, or proximity of the subject property to adverse influences. Provide photos of such factors (including busy streets, proximity to freeways/airports, commercial/industrial influence, etc.). Address said factors with comparable sales that bracket the adverse features and adjust for those that do not have similar adverse features as necessary. If the subject property is considered to be unique, it must be clearly stated within the report with an assessment of any potential impact on the subject's marketability.
- When the actual appraised value is significantly less than the predominant value the appraiser must include a comment to explain why.
- Personal property is not to be included in the subject property value. If personal property is included in the purchase contract a value must be assigned (determined from buyer and seller) and the appraiser must state what this value is (\$) or that "no value was given" in the appraised value.
- All acreage must be included (The actual size of the site and not a hypothetical portion of the site for the subject property must be used.), and a comment is required on the residential/agricultural nature of any properties over 5 acres, with any substantial outbuildings, or with any cultivated land. Use of any outbuildings must be described. (Conventional & FHA) FHA Exception: This applies unless there are more than one legally conforming platted lots under one legal description and would be considered Excess Land. (FHA Only – Please refer to the "Ineligible Property Types" section for additional requirements for Excess Land.)
- In situations when there is not sufficient data to provide a meaningful analysis for the defined neighborhood, the form must be completed based on the information available, and an explanation must be provided. All neighborhoods, in all areas, are acceptable, as long as the property is acceptable as security for the mortgage, based on its value and marketability.
- The appraiser must indicate the price range and predominant price of properties in the subject neighborhood. The price range must reflect high and low prevailing prices for one-unit properties, two- to four-unit properties, condo units, or co-op units depending on the property type being appraised and the appraisal form being used. Isolated high and low extremes should be excluded from the range, which means that the predominant price will be that which is the most common or most frequently found in the neighborhood. The appraiser may state the predominant price as a single figure or as a range, if more appropriate.

## Sales Approach

- Appraisal reports must
  - Provide a minimum of three (3) closed comparable sales (with at least two (2) being Multiple Listing Service (MLS) arms-length sales). Additional comparable sales may be reported to support the opinion of market value. The subject property can be used as a fourth comparable sale or as supporting data if it was previously closed. Contract offerings and current listing can be used as supporting data. (Note: All comparable sales reported must be verified from a reliable source that is not associated with the subject property or the subject development.)

- The appraiser may not create comparable sales by combining vacant land sales with the contract purchase price of a home (improvements only). While these transactions cannot be used to meet the required minimum three closed comparable sales, these transactions may be included as additional support.
- For non-VA loans, provide at least one (1) comparable MLS active listings or pending sale. Please see page six of this document as special requirements apply to appraisals that identify adverse market conditions for the subject property.

***Specific Requirements for Non-Agency Niche Conforming and Jumbo Products  
(Niche Jumbo, Alternative Access and Non-Prime Advantage)***

- The below loan amount limits should be used in determining the Comparable Sales Requirement and the Collateral Review Requirement, regardless of the county loan limit. Refer to the below Comparable Sales Requirement and the Collateral Review Requirement for details.

<b>Units</b>	<b>Loan Amounts Limits</b>
<b>1</b>	\$625,500
<b>2</b>	\$800,775
<b>3</b>	\$967,960
<b>4</b>	\$1,202,925

Comparable Sale Requirement:

- Loan Amounts  $\leq$  the above Loan Amount Limit Table: Appraiser must provide at least 3 closed comparable sales.
- Loan Amounts  $>$  the above Loan Amount Limit Table: Appraiser must provide at least 6 comparable sales. Preferably all comparable sales should be closed sales.
- If the appraiser is unable to provide 6 comparable closed sales, the appraiser may use comparable listings or pending sales, but at a minimum 4 of the comparable sales must be closed sales.

- **Value Development**

- Utilize the most recent and similar comparable sales, sales that have been selected based upon a similar location and or significant physical attributes and not based on price.
- Adjustments are to be based on permissible or supportable considerations.
- Disclose all sale and listing transaction(s) of the subject property, to comply with the reporting requirement of three years from the effective date of the appraisal.
- Do not utilize comparable sales outside of the subject’s immediate market area/ neighborhood when comparable sales within the neighborhood are available.
- Avoid selecting comparable sales that either have significant superior or inferior characteristics to the subject property.
- Do not rely on comparable sales “in settlement” and/or are not fully closed in the determination of market value.
- Appraisers should ensure their comparable search is representative of the neighborhood in which the subject competes, and does not focus on a price target or narrow value range.

- Appraisers are obligated to maintain a work file that contains complete and relevant documentation in case there is a need to reconstruct and/or defend their appraisal at some future time. The work file must include evidence of the due diligence performed in the verification of their data.
- Analyze subject (if applicable) and comparable sales, days on market and include the DOM details in the report.
- Analyze concessions or special financing on the subject (if applicable) and all comparable sales and include specific details in the report, per the definition of market value in all Fannie Mae appraisal forms. See second paragraph under “Market Value” in the certification of all Fannie Mae appraisal forms for further clarification.
- Map all comparable sales and listings used in the appraisal and explain the reason for use of any comparable sales that appear to cross major neighborhood boundaries.
- If the subject or any of the comparable sales are bank owned or a short sale, provide comments making such known.
- Comment explicitly on changes in the appraised value from previous sale prices of the subject, particularly changes that don’t match market trends
- The Market Conditions Addendum to the Appraisal Report (Form 1004MC) is required with all appraisals of one-to-four unit properties per the FannieMae announcement #08-30, released November 14, 2008.

### Proper Disclosure of Prior Services

USPAP requires the appraiser to disclose to the client and in the subsequent report certification any current or prospective interest in the property and whether the appraiser has or has not provided any services regarding the subject property within the prior three years as an appraiser or in any other capacity.

- Per USPAP guidelines, if the appraiser **has not** performed any services within the three-year period the following statement should be used in the report’s addendum:  
**Amendment to Appraiser’s Certification** *I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.*
- Per USPAP guidelines, if the appraiser **has** performed any services within the three-year period (e.g., he/she appraised the property twice before) the following statement should be used in the report’s addendum:  
**Amendment to Appraiser’s Certification** *I have performed two appraisals and no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.*

### Proper Disclosure of Exposure Time

Exposure Time must be reported in appraisal assignments based on the Definition of Market Value that is used. USPAP defines Exposure Time as “estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at

market value on the effective date of the appraisal.” We have provided a sample comment below that appraisers may use in their reports’ addenda.

*Based on the Opinion of Market Value, the appraiser’s opinion of reasonable exposure time is \_\_\_\_\_.* **Notes:** The words “*Based on the Opinion of Market Value*” are critical to the statement above. The exposure time can be expressed as a single number (e.g., 1 month) or as a range (e.g., 2-3 months).

## **Property, Required Comments, Improvements and Photos**

- All appraisal reports should reflect whether or not the subject property is in compliance with local and state laws per appraiser’s visual inspection, research and analysis of available data, and any other procedures taken which are reasonably within the appraiser’s scope of work. If property is found out of compliance, deficiencies must be clearly stated.
- Property must be habitable and all built-in appliances, plumbing, electrical, etc. must be functional and in good working condition. For conventional products, utilities do not have to be turned on. Free-standing appliances (i.e., refrigerator, non-built in stove) are not required to be verified to be in place and in good working order. The kitchen must be functional, meaning that there must be kitchen cabinets and a working sink. This applies to all real estate transfers, including, but not limited to, Conventional, FHA, VA, USDA and Jumbo products. Test the plumbing, electrical and kitchen appliances on all FHA transactions and certify to their condition and functionality; HUD requires that an appraisal prepared for FHA-insured mortgages reflect that the property meets minimum HUD standards (or will upon completion of required repairs), a head and shoulders inspection of the attic/scuttle must be confirmed, any chipping or peeling paint in or around the subject property must be scraped and re-painted, with evidence of paint chips and dust removed entirely from the premises. Refer to HUD guidelines for additional appraiser responsibilities. USDA transactions must meet minimum FHA requirements and have similar verbiage stated within report.
- All properties must have heat source that is permanently affixed, vented to the outside, and continuously fueled, which adequately heats the entire dwelling. Anything less must be documented as acceptable heat source per area standards. A property with no heating system, where the only source of heat are items such as a space heater, fireplace, wood-burning stove, solar panels, or windmill is not acceptable.
- Follow HUD handbooks for interior inspection on FHA/USDA loans.
- When there is more than one unit the appraiser must comment as to whether the utilities are separately metered or on the same meter
- Any health and safety items (i.e., filling an empty pool, requiring safety latches on windows with bars, properly strapping water heater, CO and smoke detectors installed and properly operating, etc.) must be addressed and are required to be corrected, if needed.
- Report gross living area according ANSI standards, regardless of how the local assessor describes the property, particularly for above and below grade calculations. Per ANSI – “The above-grade finished square footage of a house is the sum of finished areas on levels that are entirely above grade. The below-grade finished square footage of a house is the sum of finished areas on levels that are wholly or partly below grade.”
- Subject photos front and rear at opposite angles to show all sides of the dwelling. Street scene photo to include a portion of the subject site.
- The following interior photographs **MUST** be included in the appraisal report: kitchen, all bathrooms, main living area, examples of physical deterioration, if present, and examples of

recent updates, restoration, remodeling or renovation, if present. For FHA and USDA loans, must provide photos of all bedrooms. Provide photos of all unattached buildings. Further interior photos are not required but are encouraged. All photographs provided must be in color.

- One exterior street scene photo is required although two are acceptable.
- Comparable photos depicting the front view of each comparable sale utilized must be those taken by the appraiser. The photos taken by the appraiser are considered evidence of compliance with the Scope of Work of having inspected each comparable sale from the street. Use of MLS photos to exhibit comparable conditions at the time of sale is acceptable; however, the appraiser must include their photos as well to document compliance.
- If a comparable property is in a gated community and the appraiser is unable to gain access to take the property photo, please provide a photo of the gate along with the MLS photo and a comment stating “unable to gain access”.
- Appraisal Report photos must not show people in them.
- Do not submit an appraisal for a property in below average condition. If property is below average, require all repairs/remodeling necessary to attain average condition.

**Adverse Markets:** [i.e., declining values, over-supply, excessive marketing times, etc.]

### ***Non-FHA Loans***

The lender must ensure that appraiser comments regarding unfavorable conditions, such as the existence of an adverse environmental or economic factor, also discuss how the condition affects the value or marketability of the property being appraised and explain how the condition was taken into consideration in the valuation process. In such cases, the appraiser’s analysis must reflect and include comparable sales that are similarly affected whenever possible. The appraiser must address the impact these factors may have, if any, on the value and marketability of the subject property. (See B4-1.3-06, Property Condition and Quality of Construction of the Improvements (04/15/2014), for further information.).

### ***FHA Loans***

Special requirements apply to appraisals that identify adverse market conditions for the subject property (for example, declining values, an over-supply of properties, or marketing times in excess of six months). These appraisals need to be documented and reviewed carefully. Required documentation includes:

- At least two of the three comparable sales must be dated within 90 days of the appraisal date.
- A minimum of one listing or pending sale is required. Ideally, and when possible, at least two additional comparable listings or pending sales should be provided.
- The appraiser must address the impact on marketability and value of both favorable and unfavorable factors and avoid using subjective, racial, or stereotypical terms, phrases or comments within the appraisal report.
- Days on market must be reported for subject property and each comparable sale and must support the average marketing time listed on Page 1 of the appraisal.
- If the appraiser is unable to provide two comparable sales within 90 days and/or current listing(s), the appraiser must provide a detailed explanation and identify whether value adjustments resulted. The explanation from the appraiser must be consistent with other tools utilized to review the appraisal. When the appraiser is unable to provide this (or other)



information, second level reviews to determine the value is supported are required using all supporting documentation and additional valuation tools.

- Time adjustments, when deemed appropriate by the appraiser must reflect the difference in market conditions between the date of sale of the comparable and the effective date of appraisal for the subject property.

## Eligible Property Types

**\*\*\*This is a generic list and not all Product Profiles are the same\*\*\***

**Please reference the specific Product Profile for a complete list of eligible / ineligible property types.**

- Single Family Residence
- 1-4 Units
- Modular Homes
- Approved/Warrantable Condos
- Site Condos
- PUDs Attached and Detached
- Log Homes
- Manufactured Homes (specific products only, see Manufactured Homes addendum)

## Ineligible Property Types

**\*\*\*This is a generic list and not all Product Profiles are the same\*\*\***

**Please reference the specific Product Profile for a complete list of eligible / ineligible property types.**

- Non-Approved/Non-Warrantable Condos
- Mobile homes
- Condotel
- Hotel Condominiums
- Mixed-Use
- Co-ops
- Subject Property is illegal for zoning
- Timeshares
- Geodesic dome, Earth or Geothermal homes
- Working Farms and Ranches
- Property currently in litigation
- Hawaii properties in lava zones 1 and 2
- Hawaii Homeland Leasehold properties
- Properties in a flood zone that do not participate in the National Flood Insurance Program
- Properties with individual water purification systems (an individual water purification system is a system that is needed to make the water safe and meet code when the individual water supply is unsafe for human consumption unless the system is operating properly. This is not a system that is installed to improve the taste or softness of the water. Properties with individual water purification systems can be identified by reviewing the appraisal.)
- Indian land (leased or fee simple)
- Excess Land (FHA)

- If the subject of an appraisal contains two or more legally conforming platted lots "under one legal description and ownership", and the second vacant lot is capable of being divided and/or developed as a separate parcel where such a division will not result in a non-conformity in zoning regulations for the remaining improved lot, the second vacant lot is Excess Land. The value of the second lot must be excluded from the final value conclusion of the appraisal and the Appraiser must provide a value of only the principal site and improvements under a hypothetical condition.
- The Appraiser must include the highest and best use analysis in the appraisal report to support the Appraiser's conclusion of the existence of Excess Land.
- The Appraiser must include Surplus Land in the valuation.
- Properties rated in "less than average" condition (unless using the HUD Repair Escrow program, and then must comply with HUD requirements for property)
- Properties with Unexpired Redemption Rights
- Properties that exceed a Maximum of 40 acres in South Dakota, Montana and Idaho

The appraiser encounters any of these ineligible property types, immediately stop working on the assignment and contact the appraisal department at 951-547-7127 or [appraisals@prmg.net](mailto:appraisals@prmg.net) to obtain further instructions on how to proceed.

## **New Subdivisions – SFRs, Condos and PUDs**

At a minimum, at least two comparable sales must be outside the influence of the builder or developer of the subject property.

## **Log Homes**

The following are the general requirements for log homes; see the specific Product Profile for other requirements or limitations.

Log Homes are allowed with the following requirements:

- A minimum of two log home comparable sales must be provided.
- Comparable sales provided must be of similar quality, construction, and design and have similar market appeal and amenities.
- Appraiser to comment on: local demand, marketability of the property, supply of log homes and their appeal in the market. Appraiser must also comment on the sufficiency of the unit's living area, interior room size, storage, and adequacy of roof pitch, overhangs and exterior finish.
- Property type of "Log Home" must be entered in Loan Notes section of FastTrac and Secondary must be notified of property type if the loan is locked prior to approval
- Full appraisal required

## **Modular Homes**

The following are the general requirements for modular homes; see the specific Product Profile for other requirements or limitations.

- Factory-built housing must assume the characteristics of site-built housing and be legally classified as real property. The purchase, conveyance, and financing (or refinancing) of the

property, which must be evidenced by a valid and enforceable first lien mortgage or deed of trust that is recorded in the land records, must represent a single real estate transaction under applicable state law.

- Prefabricated, panelized, or sectional housing units must conform to all local building codes in the jurisdiction in which they are permanently located.
- Modular homes must be built to the state building code requirement of the state in which they are to be installed. There are several state agencies that have adopted a Uniform Building Code for modular homes.

## **Detached Condos (Site Condos)**

Detached (site) condos are described as:

- The mortgage is secured by a single detached unit in a condo project.
- The entire project only consists of single family totally detached condominiums. There can be no semi-detached or attached units or buildings in the project. This includes but is not limited to garages, breezeways, or connections to another property in any way.
- The project is encumbered by a form of condominium ownership or by a declaration of condominium covenants.
- The detached units must have (1) full ownership of the dwelling, the site that the dwelling sits upon and the air space surrounding it in similar respect to a Single Family Residence or (2) consists of the dwelling, the air space for the unit and the improvements and site are considered to be common areas or limited common areas.
- The cost of maintaining the property is the full responsibility of the dwelling owner.
- HOA dues are common assessments that are collected are for amenities or common areas that are outside of the dwelling and site footprint.
- Legal but non-conforming use of land must allow for rebuilding of the improvements to current density in the event of their full or partial destruction.
- The mortgage title insurance policy satisfies special title insurance requirements for units in condo projects.
- The property is either covered by (1) the type of hazard and flood insurance coverage required for single-family dwellings, if the condo unit consists of the entire structure as well as the site and air space; or (2) the project's master hazard and flood insurance policies, if the condo units consists only of the air space for the unit and the improvements and site are considered to be common areas or limited common areas.
- For FHA loans, site condos do not have to be HUD approved
- For VA loans, site condos must be VA approved
- For USDA loans, site condos must meet USDA requirements
- For Jumbo loans, see product profiles
- For Conventional loans:
  - May be appraised on form 1004 Uniform Residential Appraisal Report
  - Limited condo questionnaire not required if all information on project for review is included in file and/or on the appraisal
  - If there is no association, there must be evidence it never existed or was officially dissolved

### ***Additional Appraisal Requirements for Detached Condos (Site Condos) on Conventional Loans:***

- Appraisal needs to contain following information (if information for project approval is not available on the appraisal, then a questionnaire is required to perform a limited review and does not have to be on the appraisal):
  - Indicate that the subject property is a detached condominium
  - The name of the Homeowner's Association, property management group or builder (as applicable)
  - Name and phone number of the contact person used to verify project information and:
    - The PUD box is left blank
    - Indicates the monthly HOA fee and what it covers
    - Total number of units in the project
    - Total current number of units completed
    - Total number of units sold
    - Whether any single entity owns more than 10% of the units in the project;
    - A description of what the projects common areas are
    - If any of the common elements (as applicable) are leased to or by the HOA
    - Commentary regarding the adequacy of the projects overall maintenance
    - Commentary regarding the effect that buyer resistance to the condo form of ownership has on the market value of the individual unit
    - If the condo project is new and the condo unit is offered by builder other than the one that built the subject unit than at least two detached condo unit comps (which may be located either in a competing project or in the subject project) is required
    - Whether the HOA or developer is named as a party to pending litigation that relates to the safety, structural soundness, habitability or functional use of the project
    - Whether if in a new project, the seller is offering excessive or undisclosed sale/financing structures to the buyer.
    - If the condo project is new, the appraiser used as a comparable sale at least one detached condo unit, which may be located either in a competing project or in the subject property, if the condo unit is offered by a builder other than the one that built the subject unit.

## **SFR Properties that include a Manufactured Home**

SFRs that include a Manufactured Home as a guest house/storage unit on the property can be considered on the Agency Portfolio program if it can meet the following requirements:

- Property cannot be appraised as 2 unit
- May not be permanently affixed to the ground
- No value given to Manufactured Home / Guest House
- Manufactured home has no health or safety concerns
- Appraiser notes no impact to marketability.

It is not allowed on any other Agency product. For government loan products, an exception must be requested and approved and the loan will be subject to a pricing adjustment.

## **Sources of Pollution (Septic/Sewer/Wells)**

For FHA loans, the appraiser must provide comments regarding if sewer/septic/well appears to be operational or in working order. Additionally, the appraiser must also be familiar with the minimum distance requirements between private wells and sources of pollution and, if discernible, comment on them.

For FHA loans with new and proposed construction the following are the minimum horizontal distances:

- Property Line: 10 feet
- Septic Tank: 50 feet
- Absorption Field: 100 feet (see Note 1 below)
- Seepage Pit: 100 feet (see Note 1 below)
- Absorption Bed: 100 feet (see Note 1 below)
- Sewer Lines w/Permanent Watertight Joints: 10 feet
- Other Sewer Lines: 50 feet
- Chemically Poisoned Soil: 25 feet (see Note 3 below)
- Dry Well: 50 feet
- Other: variable (see Note 2 below)

If the local or state health authority requires greater distances, then the property must comply with the local or state requirements. There will be no waivers considered for new or proposed construction distances not meeting minimum requirements. The Homeownership Center (HOC) may increase the below distances based upon local conditions (see Notes)

Notes:

1. This distance may be increased or decreased depending upon soil and rock penetrated by the well and aquifer conditions. The distance may be increased in creviced limestone and permeable strata of gravel and sand. The distance may be reduced to 50 ft. only where the ground surface is effectively separated from the water bearing formation by extensive, continuous impervious strata of clay, hardpan, or rock. The well shall be constructed so as to prevent the entrance of surface water and contaminants. The State of Michigan requires only 50 feet between the well and septic drain field on existing properties. A general waiver issued by the Philadelphia HOC permits reduction in the distance from 100 feet to 50 feet for existing properties in Michigan. This waiver does not apply to new construction or newly constructed properties.
2. The recommendations or requirements of the local or State health authority shall apply.
3. This distance may be reduced to 15 feet only where the ground surface is effectively separated from the water bearing formation by extensive, continuous impervious strata of clay, hardpan, or rock.

## **Chinese Drywall**

For properties that have Chinese Drywall, treatment alone is not acceptable to satisfy the health/safety issues. The Chinese Drywall must be completely removed from the property, in order to be acceptable.

## Utilities (Including Hauled Water)

The utilities serving the subject property must meet community standards. In addition, the comparable sales should have utilities similar to the subject property. When differences in utilities exist between the subject property and the comparable sales, any adjustments or lack of adjustments made to the comparable sales for significant differences must be explained in the comments area or on an attached addendum. In addition, the appraisal must evaluate the effect these differences have on the subject property's value or marketability.

For FHA, the appraiser must note the deficiency of minimum property requirement/standards if the subject property contains a well located within the foundation walls of an existing dwelling and there is no evidence that the local jurisdiction recognizes and permits such a location, that it is common for the market area, and does not adversely affect marketability unless the well is located within the foundation walls of a New Construction dwelling in an arctic or sub-arctic region. The appraiser must report when water to a property is supplied by dug wells, cisterns or holding tanks used in conjunction with water purchased and hauled to the site. The appraiser must report whether such systems are readily accepted by local market participants and that the water supply system may violate minimum property requirement/standards.

## Multiple Parcels

The following are the general requirements for multiple parcels; see the specific Product Profile for other requirements or limitations.

- The lots/parcels must be adjoining
- The lots/parcels must be zoned residential
- Only one lot/parcel may have a dwelling unit
- Limited nonresidential improvements such as a garage are acceptable on the second lot
- Partial release for any lot/parcel is not allowed

## The following loan programs require a Full "AS-IS" Appraisal, if HUD will provide:

- Good Neighbor Next Door (GNND) Sales Program
- Repair Escrow – Not allowed in Texas
- \$100 Down HUD REO
- HUD REOs
- 203K

## 1004D Appraisal Update

- When an appraisal update is required, it must be reported on the Appraisal Update and/or Completion Report (Form 1004D).
- A front photograph of the subject must be taken when completing the Appraisal Update portion of the *Appraisal Update and/or Completion Report* (Form 1004D) to validate that the appraiser has inspected at least the exterior of the property when he or she performed the appraisal update.

## Cost Approach

- Except for FHA loans, the cost approach is only required on new construction or on any orders explicitly stated or required by Fannie Mae or if the appraiser considers its use necessary to obtain credible assignment results.
- For FHA loans, for cases assigned prior to 9/14/15, the cost approach is only required on new construction or on any orders explicitly stated or required by HUD or if the appraiser considers its use necessary to obtain credible assignment results. For cases assigned on or after 9/14/15, a cost approach is required when it is relevant.
- For USDA loans provide a land value (in the cost approach section) with one of the generally accepted methods of land valuation (sales comparison, allocation, or extraction), not assessed value. Comment on the conformity or nonconformity of the land to value ratio for the neighborhood and property type.
- For USDA loans that will be submitted for issuance of a conditional commitment as of December 1, 2014, the “Estimated Reproduction Cost-New of Improvements” will be completed when the dwelling is less than 1-year-old. The appraiser will identify the source of the cost estimates and will comment on the methodology used to estimate depreciation, effective age and remaining economic life.

## Deed Restricted Properties

The appraisal report must note the existence of the resale restrictions and comment on any impact the resale restrictions have on the property’s value and marketability. The appraisal must include at least three comparable sales with similar resale restrictions. [This is including but not limited to age-based restrictions (such as senior housing)].

## Properties Zoned Non-Conforming

The following is required for all properties zoned non-conforming, unless other requirements are called out in the product profile or expanded guidelines for the product:

### Conventional:

- The appraisal must indicate that the property is Legal Non-Conforming.
- For 1-4 unit properties: The appraiser must comment in the appraisal stating whether the property can be rebuilt in the event of full or partial destruction and comment on any adverse effect of any non-conforming use when estimating the market value and marketability of the property. (An Existing Use Permit (EU)/ Rebuild Letter is not required.)
- For Condominiums: An Existing Use Permit (EU)/Rebuild Letter is required stating that the structure can be rebuilt following the same general footprint and density, without meeting current standard development requirements in the event of full or partial destruction. This documentation must be included in the loan file unless otherwise permitted by state law.
- For properties where a rebuild letter is not required, if the appraiser indicates the property may not be rebuilt to 100%, the appraiser must address the effect not being able to be rebuilt would have on value and marketability. If the property is not able to be rebuilt to 100%, the loan is only eligible on all agency products. However, as always, all Fannie Mae/Freddie Mac requirements must be met, including any restrictions regarding land-use regulations.

**FHA:**

- The appraisal must indicate that the property is Legal Non-Conforming and provide a brief explanation.
- The Appraiser must analyze and report any adverse effect that the non-conforming use has on the Property's value and marketability, and state whether the Property may be legally rebuilt if destroyed.

**Unpermitted Additions/Conversions/Building Permits**

**\*\*\*Allowed – Do not make an appraisal subject to obtaining permits unless specifically required\*\*\*  
by the purchase agreement, sales contract, etc. or do not meet the guidelines below.**

Permits are not required if the loan meets the following un-permitted addition requirements:  
(FHA & Conventional)

- The appraiser comments and demonstrates the property's conformity to the neighborhood and marketability. (FHA and Conventional)
- The appraiser must also comment on any effect on value, marketability, zoning and safety. (Conventional only)
- The appraiser is to comment on quality of the work of the addition, improvement or conversion and to describe it in the appraisal and to be deemed acceptable ("workmanlike quality") (FHA and Conventional)
- The appraiser is to comment and consider the contributory value or obsolescence of the addition, improvement or conversion. In some cases, the addition, improvement or conversion may not be part of the gross living area (GLA) and may be assigned no value or a negative value. (FHA and Conventional)
- If the appraiser gives the unpermitted addition value, the appraiser must be able to demonstrate market acceptance by the use of comparable sales with similar additions and state the following in the appraisal:
  - Non-Permitted additions are typical for the market area and a typical buyer would consider the "unpermitted" additional square footage to be part of the overall square footage of the property. (FHA and Conventional)  
[Non-permitted additions that are NOT typical for the market area cannot be included in the Gross Living Area (GLA), basement or other living area. (Conventional only)]
  - The appraiser has no reason to believe the addition would not pass inspection for a permit. (Conventional only)

**Accessory Units**

An accessory dwelling unit is typically an additional living area independent of the primary dwelling unit, and includes a fully functioning kitchen and bathroom. IE: a living area over a garage; basement units. Whether a property is a one-unit property with an accessory unit or a two-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit, and analyze any effect it has on the value or marketability of the subject property.



- The Accessory Dwelling Unit (ADU) cannot be a manufactured home, unless using the additional criteria as described in “SFR Properties that include a Manufactured Home”
- No rental income will be counted from the accessory unit
- The appraiser must comment on the workmanship quality of the accessory apartment
- If the accessory apartment represents a **legal use** of the property under local zoning laws, the following criteria applies:
  - The zoning or legal status must be a residential single family or two-family property. If the zoning is “two-unit” or “two-family”, the property should be approached under two-to four-family guidelines
  - The property must conform to the subject neighborhood and the market
  - The property must be appraised as a single family or two-family property
  - Comparable sales must include at least one property that has use of an accessory unit (may be legal or illegal)
  - The value assigned by the appraiser must be based on contributory value of the accessory unit, considering the quality of above grade finish work. In some cases, no value may be assigned
- If the accessory apartment represents an **illegal use** of the property under local zoning law, the following criteria applies:
  - Appraiser to state if the illegal use conforms to the subject neighborhood and to the market
  - The property must be appraised based upon its current use
  - The appraisal must report that the subject property/accessory apartment represents an illegal use
  - The appraisal report must demonstrate that the subject property/accessory apartment, are typical for the market by providing at least three comparable sales that have the same illegal use.

The appraiser is to immediately stop working on any assignment with an accessory unit that does not meet these guidelines and contact the appraisal department at 951-547-7127 or [appraisals@prmg.net](mailto:appraisals@prmg.net) to report the inconsistencies and obtain further instructions on how to proceed. A change in form to a 1025 may be required or the underwriter may need to determine if a loan can be made on the property.

## Properties with Commercial Leases

For all product types, properties with commercial leases, such as cell towers, are not eligible.

## Solar Panel Requirements

Underwriters: The guidance provided below is inclusive of all issues that PRMG is aware of regarding solar panel requirements. However, not all of the guidance provided may be applicable to the specific loan scenario. If the item addressed in this document is applicable, then it should be followed. If it is not addressed, and it is a government loan, contact the appropriate Agency (HOC/RLC). If it is not addressed and it is a conventional loan, escalate to management for review and assistance.

### Conventional:

- It must meet Agency requirements for a subordinating lien, as well as Agency guidelines relative to site utilities. (typically Property Assessed clean energy (PACE) Loans are not

eligible when they do not meet applicable agency subordinate financing requirements, including the requirement to provide a subordination agreement. The Home Energy Renovation Opportunity (HERO) Program is an example of an ineligible program.)

For Fannie Mae:

- If the property owner is the owner of the solar panels, standard eligibility requirements apply (for example, appraisal, insurance, and title).
- If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar arrangement, the following requirements apply.
  - The solar panels may not be included in the appraised value of the property.
  - The property must maintain access to an alternate source of electric power that meets community standards.
  - The monthly lease payment must be included in the debt-to-income (DTI) ratio calculation unless the lease is structured to provide delivery of a specific amount of energy at a fixed payment during a given period, and have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period. Payments under power purchase agreements where the payment is calculated solely based on the energy produced and used may be excluded from the DTI ratio.
  - The lease or a power purchase agreement must indicate that any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home); and the owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner's property insurance policy covering the residential structure the panels are attached to; and in the event of foreclosure, the lender or assignee has the discretion to terminate the lease/agreement and require the third-party owner to remove the equipment; become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party; or enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner.
  - Any exceptions to coverage on the title insurance policy for recorded instruments relating to the solar panels must comply with applicable Agency Title Exceptions and Impediments.

For Freddie Mac:

- Lease payments for solar panels may be excluded from the monthly debt payment-to-income ratio if the lease:
  - Provides for delivery of a specific amount of energy for an agreed upon payment during a given period; and
  - Includes a production guarantee under which the Borrower is compensated on a prorated basis when the energy produced by the solar panels is less than the level required in the lease agreement
- Payments for solar panels subject to a PPA or similar type of agreement may be excluded from the monthly debt payment-to-income ratio if the payment is calculated based only on the generated energy.

- Loan file must contain a copy of the lease agreement, PPA or similar type of agreement, as applicable.
- Properties with solar panels owned by the Borrower
  - If the Borrower owns the solar panels on the property, Sellers must ensure that the appraiser has recognized the existence of the solar panels, and considered the solar panels in the appraiser's opinion of the market value of the property. Additionally, the property must maintain access to electrical utilities consistent with community standards.
  - See Freddie Mae Seller Guide Section 5601.12(o) for additional requirements related to appraisals of properties with energy-efficient improvements.
- Properties with solar panels subject to a lease agreement, power purchase agreement (PPA) or similar type of agreement
  - If the property has solar panels subject to a lease agreement, PPA or similar type of agreement:
    - The solar panels must not be included in the appraised value of the property
    - The property must maintain access to electrical utilities consistent with community standards; and
    - The lease agreement, PPA or other similar agreement must provide that:
      - The owner of the solar panels agrees to not be a loss payee (or named insured) on the homeowners insurance policy covering the property; and
      - In the event of foreclosure, the Seller/Servicer may:
        - Terminate the lease agreement or PPA and require the owner of the equipment to remove the panels and supporting equipment
        - Become the beneficiary of the Borrower's lease agreement or PPA without incurring a transfer fee; or
        - Enter into a new lease agreement or PPA with the owner of the equipment under terms no less favorable than the existing lease agreement or PPA
  - See Freddie Mae Seller Guide Section 5401.2(b)(iii) for requirements related to solar panels subject to a lease agreement, PPA or similar type of agreement and the monthly debt payment-to-income ratio of the Borrower(s).
  - Any title insurance policy exceptions due to the existence of the lease agreement, PPA or similar type of agreement must comply with Section 4702.
- Solar panels subject to a lease agreement, power purchase agreement (PPA) or similar type of agreement may not be included in the appraised value of a property.

**Government:**

- For FHA loans, there is no restriction on the length (term) of the lease. For VA loans, contact the RLC for specific requirements for the length (term) of the lease.
- For non-FHA loans, the monthly payment for the lease must be included in the debt to income ratios for the borrower. For FHA loans, the monthly payment for the lease does not have to be included in the debt to income ratios for the borrower
- Must have like comps (i.e., with solar panel leases)

- The lease must not contain any legal restrictions on conveyance that would prevent the borrower from freely transferring the property. There cannot be any deed restrictions that would impair/restrict the first lien.
- Leased solar panels are considered to be personal property.
- Active, passive and photovoltaic solar energy systems are permitted, provided they are accompanied by operational 100 percent back-up conventional systems, that meets FHA/VA requirements.
- The appraiser must not include the value of leased mechanical systems and components in the market value of the subject property. The appraiser must identify such systems in the appraisal report. Leased solar panels must not be included in the appraised value of the property.
- Appraiser's final valuation should take into consideration the marketability impact of the solar panels. Appraiser must comment on market acceptability (to verify not a unique property)
- Property Assessed clean energy (PACE) Loans are eligible on FHA Portfolio, VA and VA High Balance products when they meet HUD/VA and other requirements as outlined in the product profiles. PACE liens on other government products are not eligible.
- Underwriter should contact local HOC or RLC to verify acceptability

***For FHA Loans:***

A Property that contains leased equipment, or operates with a leased energy system or Power Purchase Agreement (PPA), may be eligible for FHA-insured financing but only when such agreements are free of restrictions that prevent the Borrower from freely transferring the Property.

Such agreements are acceptable, provided they do not cause a conveyance (ownership transfer) of the insured Property by the Borrower to: (1) be void, or voidable by a third party; (2) -be the basis of contractual liability of the Borrower (including rights of first; (3) refusal, pre-emptive rights or options related to a Borrower's efforts to convey); (4) terminate or be subject to termination all or part of the interest held by the Borrower; (5) be subject to the consent of a third party; (6) be subject to limits on the amount of sales proceeds a Borrower can retain (e.g., due to a lien, "due on sale" clause, etc.); (7) be grounds for accelerating the insured Mortgage; or (8) be grounds for increasing the interest rate of the insured Mortgage.

Any restrictions resulting from provisions of the lease or PPA do not conflict with FHA regulations unless they include provisions encumbering the Real Property or restricting the transfer of the Real Property. Legal restrictions on conveyance of Real Property (i.e., the house) that could require the consent of a third party (e.g., energy provider, system owner, etc.), include but are not limited to, credit approval of a new purchaser before the seller can convey the Real Property, unless such provisions may be terminated at the option of, and with no cost to, the owner. If an agreement for an energy system lease or PPA could cause restriction upon transfer of the house, the Property is subject to impermissible legal restrictions and is generally ineligible for FHA insurance.

**Community-Owned or Privately Maintained Streets**

## **Conventional**

If the property is located on a community-owned or privately-owned and maintained street, an adequate, legally enforceable agreement or covenant for maintenance of the street is required. The agreement or covenant should include the following provisions and be recorded in the land records of the appropriate jurisdiction:

- responsibility for payment of repairs, including each party's representative share;
- default remedies in the event a party to the agreement or covenant fails to comply with his or her obligations; and
- the effective term of the agreement or covenant, which in most cases should be perpetual and binding on any future owners.

Note: If the property is located within a state that has statutory provisions that define the responsibilities of property owners for the maintenance and repair of a private street, no separate agreement or covenant is required.

If the property is not located in a state that imposes statutory requirements for maintenance, and either there is no agreement or covenant for maintenance of the street, or an agreement or covenant exists but does not meet the requirements listed above, the lender may still deliver the loan.

If a legally enforceable, recorded use and maintenance agreement is not in place, the following information will be acceptable:

- Statement from the borrower acknowledging the existence of the private road and his or her responsibility to maintain and repair the road when necessary;
- Affirmative statement from the appraiser confirming the private road is common in the area and is supported by comparable properties exhibiting the same characteristics. Additionally, the appraiser must state the existence of the private road is not a detriment to marketability, accessibility, or the value of the property;
- Comparable properties must be subject to the same access conditions;
- Appraiser must comment on the condition of the road and indicate that the road is in good condition;
- Municipality or the appraiser must confirm that the private road does not detrimentally affect the availability of public services for the property, particularly fire protection and police protection; and
- Legal ingress and egress must be available to the property, and no exceptions may be noted on the title report for these characteristics.

## **Government**

The property should front on a publicly dedicated and maintained street that meets community standards and is accepted in the market area. Streets must provide all-weather access to all buildings for essential and emergency use, including access needed for deliveries, service, and maintenance and fire equipment. All-weather surface is defined as a road surface over which emergency and the area's typical passenger vehicles can pass at all times.

Private streets must be protected by a permanent easement, and maintained by a homeowners association or joint maintenance agreement.

If the property fronts a street that is not typical of those found in the community, the appraiser must address the effect of that location on the marketability and the value of the subject property. The presence of sidewalks, curbs, and gutters, street lights, and alleys depends on local custom - if they are typical in the community, they should be present on the subject site. A street that does not meet city or state standards frequently requires extensive maintenance, and property values may decline if it is not regularly maintained.

If the property is on a community-owned or privately-owned and maintained street, an adequate, legally enforceable agreement or covenant for maintenance of the street is required. Private streets and shared driveways must be protected by permanent recorded easements or be owned and maintained by a homeowners' association. The recorded easement must be reviewed and approved by the underwriter. Evidence of a road maintenance agreement is not required.

### **Properties with Sinkhole Damage**

- Appraiser must comment on the sinkhole damage to the homes in the area and possible impact on value and marketability.
- Appraiser should confirm if there are any sinkhole concerns with regards to the subject property and that there are no health and safety issues.
- Documentation should include a report by a licensed, bonded, insured provider, confirming a future sinkhole is unlikely with regards to the subject.
- Acceptable collateral review by appraisal support required
- Confirmation if comps provided could be impacted by a similar marketability or salability issue (i.e. development could be subject to similar possibility of a sinkhole)
- Confirmation that the purchase contract discloses the prior sinkhole and remediation to all parties
- Confirmation that the insurance coverage includes sinkhole coverage.
- For VA, FHA and USDA loans also must confirm acceptable with appropriate agency
- Not eligible for jumbo products

### **Carbon Monoxide Devices**

Verification of properly installed carbon monoxide (CO) devices is required for any state that has implemented a Carbon Monoxide Device law, unless the transaction itself will require that a carbon monoxide device is in place in the property. For instance, if the state requires evidence of the device as part of the sales contract or a certification that it is in place is collected by title at closing (or some similar situation that verifies it is in place in accordance with state law), then verification of properly installed device is not needed to be addressed on the appraisal.

The device must meet all the state requirements, such as type of device and installation location. Please confirm with the provided contact that the carbon monoxide device has already been installed in the subject property prior to inspection. If no carbon monoxide device is installed, please post a comment in the site immediately.

The following link may be useful when evaluating state specific requirements:

<http://www.ncsl.org/issues-research/env-res/carbon-monoxide-detectors-state-statutes.aspx>

### **California Requirements:**

Below is a summary of the requirements. See the actual state law (Senate Bill 183) to ensure property is in full compliance with the law.

- As of July 1, 2011 for all one unit properties (and January 1, 2013 for all 2-4 unit properties) with an attached garage or a fossil fuel source there must be a CO device installed in the residence.
- Fossil fuel sources include, but are not limited to, gas appliances such as a gas stove, gas furnace, gas fireplace, gas water heater, and fireplaces (even if it only burns wood, pellets, or any other material.)
- The CO device should be installed outside each sleeping areas of the home, including the basement. A list of approved devices can be found by clicking on the link titled "List of Approved Devices" at [http://osfm.fire.ca.gov/strucfireengineer/strucfireengineer\\_bml.php](http://osfm.fire.ca.gov/strucfireengineer/strucfireengineer_bml.php).
- Existing CO devices installed prior to July 1, 2011 may continue to be utilized.

### **New Construction or Condominium Conversion**

For non-VA transactions, if the property being appraised is new construction or condominium conversion, comparable sales must include:

- At least one (1) comparable sale from the subject development and at least one (1) comparable sale from a competing builder that closed within 90 days of the appraisal date.
- At least one (1) MLS active listing or pending sale from a competing builder/developer

For VA transactions, if the property being appraised is new construction or condominium conversion, comparable sales must follow VA requirements.

### **Purchase Transactions**

If the appraisal is for a purchase transaction:

- The sales contract must be analyzed and the results included within the appraisal.
- You should consider any change in market conditions from the date the sales contract was signed to the effective date of the appraisal.

## Appraisal Ratings

- For FHA products, properties with a condition rating of C6 in condition or "subject to repairs" is not acceptable. A quality rating of Q6 is not acceptable.
- For other products, properties with a condition rating of C5 or C6 in "as is" condition or "subject to repairs" are not acceptable. A quality rating of Q6 is not acceptable.

## Special Note

- If you are unable to provide any of the required items, a detailed explanation is required addressing why the requirement was not met and if it resulted in an adjustment in the appraised value.

## DESKTOP UNDERWRITER<sup>®</sup> PROPERTY INSPECTION REPORT (FORM 2075)

AIR requirements do not apply to form 2075 as it is an exterior only property inspection report and not an appraisal. Therefore, the report is can be ordered by the broker/loan officer. The broker/loan officer may utilize an appraiser of their choice, but must obtain approval of the appraiser from PRMG's Appraisal Department ([appraisals@prmg.net](mailto:appraisals@prmg.net)) to ensure the appraiser is acceptable to PRMG.

## WHEN/HOW TO CONTACT PRMG

Hold off on completion and contact PRMG immediately if:

- The transaction is a refinance and the subject is currently listed for sale (MLS or FSBO). If property was listed and has subsequently been withdrawn, appraiser MUST provide a copy of the expired MLS listing with the report.
- The subject property is a manufactured home, not to be confused with a modular home.
- The current and or highest and best use of the subject is other than residential or different from indicated in the engagement. For example, engagement letter indicates single family; however inspection/research shows this as a commercial use.
- The subject represents an illegal use. Examples include: Two family dwelling is illegally converted to three units, illegal kitchen in the basement, commercial use taking place in a residential dwelling, a use not allowed by zoning.
- The appraiser determines he/she is not capable of completing the assignment due to licensure (Certified License requirements) or competency issues.

### Contact Information:

Paramount Residential Mortgage Group  
1265 Corona Point Court, Third Floor  
Corona, CA 92879  
Main (951) 278-0000  
Appraisal Department (951) 547-7127  
[appraisals@prmg.net](mailto:appraisals@prmg.net)



Failing to alert PRMG and completing the written report when conditions such as these exist can result in a reduced fee or no fee for the assignment. Therefore, it is critical to contact us prior to the completion of the assignment when encountering any of the above issues.

Please contact [appraisals@prmg.net](mailto:appraisals@prmg.net) if you have any questions or need any additional information.

### **Communication**

Appraiser MUST respond to all status requests for delivery, appointment scheduling, and/or conditions that are presented from any PRMG employee who is considered independent of the production staff. This includes, but is not limited to, Underwriters, Processors, Account Managers, Post-Closing, etc. All communication is required to go through the site, although phone conversations are acceptable. It is strongly recommended that any phone conversation is summarized in the site after taking place. The Appraiser must not comply with any request that may alter value or was not within the agreed upon scope of work. Please bring any of these types of requests, or any other inquiries that the appraiser is not comfortable discussing, directly to the Appraisal Department. If there is any attempt to influence value in any conversations with a PRMG staff member or any other person involved in the loan, please contact the Appraisal Department Manager immediately.

All requests that may impact the final value opinion or are outside of the agreed upon scope of work, will come directly from the Appraisal Department. Any additional major or minor form changes and all 1004D requests will come directly from the Appraisal Department. Any completed requests that did not originate out of the Appraisal Department are grounds for dismissal from the PRMG panel and work completed will be deemed non-payable.

The appraiser is NOT responsible to communicate with any member of PRMG, or partners, that are considered a part of the production staff. This includes but is not limited to, Loan Officers, Brokers, Sales Managers, etc. (basically anyone whose compensation is contingent upon the loan closing.)

**PRMG expects the appraisal report to adhere to all of the above guidelines, as well as with the development and reporting options of The Uniform Standards of Professional Appraisal Practice (USPAP), and The Appraisal Independence Standards set forth by H.R 4173. By accepting the assignment conditions and delivery of the appraisal report to PRMG, the appraiser is hereby agreeing to the terms and conditions for this assignment.**

# Manufactured Home Requirements Addendum

## HUD/FHA Requirements

A manufactured home is a structure that is (1) transportable in one or more sections, (2) designed and constructed to meet Federal Manufactured Construction and Safety Standards (MHCSS), and (3) is so labeled confirming the unit was built according to MHCSS. Definitions are at the end of this document.

## MANUFACTURED HOME PROPERTY ELIGIBILITY

- In general, max two acres allowed, but up to five acres allowed only if appraisal reflects no more than 40% land value
- Appraisal must have three (3) recent closed like comparables and second appraisal may be required at underwriter discretion
- Double-wide or larger, no single wide manufactured homes
- The manufactured home must be classified and subject to taxation as real estate.
- The manufactured home must be a minimum of 400 square feet gross living area.
- The manufactured home must be built on and remain on a permanent chassis with the towing hitch or running gear (wheels, axles, etc.) removed.
- The manufactured home must have been built and installed in compliance with the Federal Manufactured Home Construction and Safety Standards that HUD established June 15, 1976. Manufactured homes built prior to June 15, 1976 are ineligible.
- All manufactured homes must have an affixed HUD seal(s) located on the outside of the home. If tags are missing from the property, the loan is not eligible unless a letter from Institute for Building Technology and Safety (IBTS) as described below is provided. If the home is a multi-wide unit, each unit must have a seal. If the HUD tag is missing, a recent "HUD Certification Verification" letter issued by IBTS must be in the loan file.
- The manufactured home must be served by permanent water and sewer facilities approved by the local municipality, if available, at the site.
- An all-weather roadway must serve the site.
- The lowest finished exterior grade (if there is a basement - the lowest finished exterior grade adjacent to the perimeter enclosure), must be at or above the 100-year return flood elevation.
- The manufactured home must be permanently affixed to the foundation in accordance with the manufacturer's requirements for anchoring, support, stability, and maintenance and with HUD Permanent Foundations Guide for Manufactured Housing (PFGMH) dated 1996.

## FNMA Requirements

- The manufactured home must have been built and installed in compliance with the Federal Manufactured Home Construction and Safety Standards that HUD established June 15, 1976. Manufactured homes built prior to June 15, 1976 are ineligible.
  - If the original or alternative documentation cannot be obtained for both the Data Plate/Compliance Certificate and HUD Certification Label (tag), the loan is not eligible.
  - If the HUD tag is missing, a recent "HUD Certification Verification" letter issued by the Institute for Building Technology and Safety (IBTS) or a copy of the Data Plate from the In-Plant Primary Inspection Agency (IPI) or manufacturer must be in the loan file.

- The manufactured home must be secured by both the manufactured home and the land and both must be classified as real property and subject to taxation as real estate.
- The manufactured home must be attached to a permanent foundation system, and the foundation must be appropriate for the soil conditions for the site and must meet local and state codes.
- The manufactured home must be built on and remain on a permanent chassis with the towing hitch, wheels and axles removed.
- The manufactured home must be permanently connected to a septic tank or other sewer system, and to other utilities in accordance with local and state requirements.
- Must be a 1-unit dwelling.
- The borrower must own the land on which the manufactured home is located in fee simple.
- Incomplete items, such as a partially completed addition or renovation, or defects or needed repairs that affect safety, are not eligible until the work is paid for and complete. Exceptions may be made for minor items that do not affect the ability to obtain an occupancy permit – such as landscaping, a driveway, walkway etc.
- Multi-width manufactured homes in an established condo project are eligible for a Full Lender Condo Review. PERS approval is required for new condo project consisting of manufactured homes or PUD or condo project consisting of single-wide manufactured homes.

#### **VA Requirements**

- The manufactured home must be permanently affixed to the foundation.
- The manufactured home must be classified and subject to taxation as real estate.
- The manufactured home must be existing construction.
- Must substantially conform with VA Minimum Property Requirements (MPRs).
- Conform to applicable building code and zoning requirements for real estate.

VA fee appraisers are expected to be familiar with State and local code laws or regulations in their locality governing manufactured homes (such as missing HUD labels, alterations, modifications, additions, component replacements), and to make appropriate requirements for compliance.

#### **USDA Requirements**

- Site development work must conform to standards imposed by the state and local government.
- The manufactured home must have been built and installed in compliance with the Federal Manufactured Home Construction and Safety Standards that HUD established June 15, 1976. Manufactured homes built prior to June 15, 1976 are ineligible.
  - If the original or alternative documentation cannot be obtained for both the Data Plate/Compliance Certificate and HUD Certification Label (tag), the loan is not eligible.
  - If the HUD tag is missing, a recent "HUD Certification Verification" letter issued by the Institute for Building Technology and Safety (IBTS) or a copy of the Data Plate from the In-Plant Primary Inspection Agency (IPI) or manufacturer must be in the loan file.
- The manufactured home must be secured by both the manufactured home and the land and both must be classified as real property and subject to taxation as real estate.

- The manufactured home must be attached to a permanent foundation system in accordance with the manufacturer's requirements. The foundation must be appropriate for the soil conditions for the site and must meet local and state codes.
- The manufactured home must be attached to a permanent foundation system in accordance with the manufacturer's requirements for support, stability, and maintenance. The foundation must be appropriate for the soil conditions for the site and must meet local and state codes.
- If the manufactured home was installed prior to October 20, 2008, the anchoring system must comply with the manufacturer's design or a design by a licensed (registered) professional engineer, otherwise, the anchoring system must comply with HUD Codes.
- The manufactured home must be built on and remain on a permanent chassis with the towing hitch, wheels and axles removed.
- Must be a 1-unit dwelling.
- Incomplete items, such as a partially completed addition or renovation, or defects or needed repairs that affect safety, are not eligible until the work is paid for and complete. Exceptions may be made for minor items that do not affect the ability to obtain an occupancy permit – such as landscaping, a driveway, walkway etc.
- The finished grade level beneath the manufactured home is at or above the 100-year base flood elevation.

## **MANUFACTURED HOME INELIGIBLE PROPERTY TYPES**

### **FHA Requirements**

- A manufactured home that was installed or occupied previously at any other site or location. The home may only have moved from the manufacturer's or dealer's lot to the current site of the home
- 2-4 unit manufactured condo or PUDs
- Construction-to-permanent,
- Manufactured home installed on site for less than one year unless borrower is the second purchaser of previously occupied property
- New construction properties where the seller is the builder-contractor or the manufactured housing dealer who installed the unit on the site for purchase transactions
- Singlewide manufactured homes

### **FNMA Requirements**

- A manufactured home that is not titled as real estate.
- A manufactured home that was installed or occupied previously at any other site or location.
- Construction-to-permanent.
- A manufactured home with an accessory dwelling unit (ADU) or guest house
- A manufactured home is not classified and titled as real property at time of application.
- Title held as a leasehold estate.
- Singlewide manufactured homes

### **VA Requirements**

- Manufactured home where the foundation has not been fully completed and the unit is not permanently affixed.

- A manufactured home that is not titled as real estate at closing or properties in process of conversion from chattel to real estate.
- Singlewide manufactured homes

#### **USDA Requirements**

- A manufactured home that is not titled as real estate.
- A manufactured home that was installed or occupied previously at any other site or location. The home may only have moved from the manufacturer's or dealer's lot to the current site of the home.
- New construction or construction-to-permanent.
- Manufactured home is not classified and titled as real property at time of application.
- Singlewide manufactured homes

#### **PERIMETER ENCLOSURE (SKIRTING)**

The space beneath manufactured homes must be properly enclosed and therefore must:

- Be a continuous wall (whether bearing or non-load bearing), and
- Be adequately secured to the perimeter of the unit, and
- Separate the crawl space from the backfill, and
- Keep out vermin and water, and
- Allow for property ventilation of the crawl space.

If the perimeter enclosure is non-load bearing skirting comprised of lightweight material, there must be adequate backing (such as concrete, masonry, or treated wood) to permanently attach and support or reinforce the skirting.

#### **MODIFICATIONS TO THE MANUFACTURED HOME**

- Room additions, attached carports, or other structural modifications may put the home at risk if changes were not performed in accordance with the HUD Manufactured Home Construction and Safety Standards (MHCSS) and local and state code.
- If the appraiser observes changes to the original manufactured home, such as an addition, an inspection by the State Administration agency, which inspects manufactured homes for compliance, is required. If there is not an agency willing or able to inspect the home, the property is not eligible unless an engineer's report is obtained indicating that the structural changes or additions were made in accordance with HUD Manufactured Home Construction Safety Standards.
- If the property cannot be inspected by the State Administrative Agency and an engineer's report cannot be obtained, the property is not eligible.
- Appraiser must confirm modifications have been done in compliance with state/local regulations

#### **Additional FNMA Requirements**

Additions or structural modifications may bring the original unit out of compliance with the HUD Manufactured Home Construction Safety Standards (MHCSS) and make the home ineligible.

However, manufactured homes that have an addition or have had a structural modification may be eligible:

- If the state in which the property is located requires inspection by a state agency to approve modifications to the property and there is confirmation that the property has met the requirements.
- If the state does not have these requirements, the property must be inspected by a licensed professional engineer who can certify that the addition or structural changes were completed in accordance with the HUD Manufactured Home Construction Safety Standards.

## **APPRAISER REQUIREMENTS / APPRAISAL REQUIREMENTS**

In addition to complying with all HUD requirements, appraiser must comply with the following:

- The appraisal must be completed on FNMA Form 1004C and clearly support the value and marketability and property's compliance with FHA guidelines.
- Any repair completion certification must be completed on HUD Form 92051
- No outstanding repair conditions or open escrow holdbacks are permitted.
- Appraisal must contain the VIN/serial numbers. If not, proof of same must be provided via Institute for Building Technology and Safety (IBTS).
- Appraisal must include HUD labels on the appraisal. Photos are most often not clear enough to be read.
- Appraisal must have three (3) recent closed like comparables.
- Appraisal should indicate the home has not been installed or occupied previously at another site or location
- The appraiser is responsible for knowing the local regulations. Additions or structural modifications may bring the original unit out of compliance and if the area where the manufactured home is located has such requirements, the appraiser must comment and verify the additions/modifications are in compliance.

### **Fannie Mae Requirements**

The appraisal site requirements for manufactured housing are:

- The appraiser must base his or her opinion of value on the characteristics of the subject property, including the site area.
- The appraisal report must indicate whether or not the site is compatible with the neighborhood, and must comment on the conforming of the manufactured home to other manufactured homes in the neighborhood.
- The property site must be of a size, shape, and topography that is conforming and acceptable in the neighborhood. It must also have competitive utilities, street improvements, adequate vehicular access and other amenities. Because amenities, easements, and encroachments may either detract from or enhance the marketability of a site, the appraiser must reflect them in the analysis and valuation.
- The appraiser must comment if the site has adverse conditions or is not typical for the neighborhood.

## **VA Requirements**

### **VA Existing Construction**

Generally defined as when the foundation for a manufactured home has been fully completed and the manufactured home unit has been installed.

There are two MPR-related requirements for existing construction manufactured homes:

- The site, manufactured home unit, and other on-site improvements (e.g. private well and septic, utilities, etc.) must meet VA MPRs for existing construction.
- The manufactured home unit must be properly attached to a permanent foundation system which is constructed to withstand both supporting loads and wind-overturning loads, and is acceptable to the State or local building authority.

If the VA fee appraiser has reasonable doubts as to the acceptability of the foundation system where there are no local requirements, a statement from a registered professional engineer is required.

The Cost Approach is not required but may be completed to supplement the indicated value in the sales comparison approach. Since VA relies on the sales comparison approach to value, the appraised value should never exceed the value indicated in the Sales Comparison Approach without detailed explanation.

## **APPRAISAL COMPARABLE SELECTION REQUIREMENTS**

The comparable selection for manufactured housing appraisal is as follows:

- The appraiser must select comparable sales of similar manufactured homes to address the marketability and comparability of a manufactured home, for example, multi-width homes to multi-width homes. The appraiser must use a minimum of two comparable sales of similar manufactured homes. The appraiser may use either site-built housing or a different type of factory-built housing as the third comparable sale. The appraiser must explain why site-built housing or a different type of factory-built housing is being used for the third comparable sale, and make and support appropriate adjustments.
- An appraiser that is unable to locate sales of manufactured homes that are truly comparable to the subject property may decide it is appropriate to use either older sales of similar manufactured homes or sales of similar manufactured homes that are located in a competing neighborhood to establish a baseline for the sales comparison analysis and determine sound adjustments to reflect the differences between comparable sales that are available and the subject property.
- The appraiser must not create comparable sales by combining vacant land sales with the contract purchase price of the home. This type of information may be used as additional supporting documentation.

## **APPRAISAL COST APPROACH REQUIREMENTS**

A detailed and supported cost approach to value is required for all manufactured homes, which must contain the information indicated on the Form 1004C. The sales comparison and cost approach to value are complementary for the valuation of manufactured housing and must support the final value conclusion. A property developed and detailed cost approach will provide the information necessary for an appraiser to:

- Recognize differences in manufactured home construction quality

- Understand the difference between the comparable sales and the subject property
- Extract from the market appropriate adjustments for the sales comparison analysis, and
- Identify sales of manufactured homes that are similar enough to the subject property to use as comparable sales.

## **SOURCES OF MANUFACTURED HOUSING DATA**

- Traditional appraisal data sources do not provide enough quality manufactured home data for the appraiser to develop a supportable and well-documented manufactured home appraisal. While sources such as MLS and public records are important and may contain some data, appraisers must utilize other data sources, such as manufactured home dealers and construction companies/builders experienced in the installation of manufactured homes.
- One important source of manufactured housing information is the NADA Manufactured Housing Appraisal Guide. That publication:
  - Lists general manufactured home depreciated replacement values based on original factory construction categories, and
  - Offers a step-by-step process for arriving at the average retail book value for a manufactured home and can be used to develop a cost approach.
- Another source of information is Marshall & Swift's Residential Cost Handbook. Marshall & Swift provides:
  - Information that enables the user to arrive at an estimate of the cost of the manufactured home when new and the replacement cost based on, among other things, the construction quality; as well as,
  - An explanation of the items that enables the appraiser to support his or her conclusion of the overall construction quality of the manufactured home.
- The appraiser must support his or her opinion about both the quality and the condition of the manufactured home.

## **MANUFACTURED HOME DEFINITIONS**

**Anchorage:** Connection between superstructure and foundation, by means of welds, bolts, and various high gage metal plates. Anchorage does not refer to any type of soil anchor.

**Construction-Permanent:** A construction-permanent (CP) mortgage combines the features of: a) a construction loan (a short-term interim loan for financing the cost of construction) and b) the traditional long-term permanent mortgage.

**Existing Construction:** The manufactured home has been permanently installed on a site for one year or more prior to the date of the application date.

**Exterior Foundation Wall:** Foundation walls placed directly below the exterior perimeter walls of the unit. These walls may or may not be structurally used as: bearing walls under gravity loads and/or shear walls under horizontal loads. If these walls are not used structurally, they are called non-bearing walls or skirt walls.

**HUD Construction Code (Certification) Label:** The Construction Code Label, sometimes referred to as a HUD "seal" or "tag", is metal, red in color with silver lettering and is permanently attached to the rear exterior siding of each transportable section; per HUD Title VI Regulations effective June 15, 1976.

**Itemized Value:** The appraised value of the unit and land separately made.

**New Construction:** The manufactured home has been permanently erected site for less than one year prior to the date of the application.

**Perimeter Enclosure:** See skirting.

**PFGMH:** Permanent Foundations Guide for Manufactured Housing



*Relocation (of Manufactured Homes):* Moving the manufactured home unit previously installed or occupied to any other site or location.

*Skirting:* A term used to describe a non-structural enclosure of a foundation crawl space. Typically, but not always, it is a lightweight material such as vinyl or metal, attached to the side of the structure, extending to the ground (generally, not installed below frost depth).