

Fannie Mae Releases New Selling Guide

In April 15, 2014 Fannie Mae released its updated selling guide. It conducted a comprehensive review of the Appraisal Requirements (B4-1) chapters of the Selling Guide. As a result of that review, new policies have been developed, current policies have been clarified, and additional guidance has been incorporated. Further, significant changes have been made. In some cases, topics and paragraphs have been re-titled and content has been reorganized with the expectation that searching for specific information will be much easier.

The clarifications are a result of internal reviews, frequently asked questions, and the analysis of Uniform Appraisal Dataset (UAD) data. Additional guidance has been incorporated into the Selling Guide to help lenders in their underwriting of appraisals.

Updates related to real estate appraisal are highlighted below:

Appraisal Report Forms and Exhibits

Added the requirement that 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.

Appraisal Age and Use Requirements

When an appraisal update is required, it must be reported on the Appraisal Update and/or Completion Report (Form 1004D).

Fannie Mae will allow the use of an origination appraisal for a subsequent transaction if certain requirements relating to the transaction type, age of the appraisal, and continuity of ownership and the lender are met, and there is no change to the property condition impacting the market value of the property.

Improvements Section of the Appraisal Report

1. Information related to Fannie Mae's acceptance of unique property types has been provided.
 1. if the appraiser cannot locate recent comparable sales of the same design and appeal, but is able to determine sound adjustments for the differences between the comparables that are available and the subject property and demonstrate the marketability of the property based on older comparable sales, comparable sales in competing neighborhoods, the existence of similar properties in the market area, and any other reliable market data, the property is acceptable as security for a mortgage deliverable to Fannie Mae;
 2. if the appraiser is not able to find any evidence of market acceptance, and the characteristics of the property are so significantly different that he or she cannot establish a reliable opinion of market value, the property is not acceptable as security for a mortgage deliverable to Fannie Mae.
2. The definition/characteristics and the eligibility of an accessory dwelling unit have been provided.
 1. Definition: An accessory dwelling unit is typically an additional living area independent of the primary dwelling unit, and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and 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.

2. Eligibility:

1. If the property contains an accessory unit, the property is eligible under the following conditions:
 1. The property is one-unit.
 2. The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use.
 3. The borrower qualifies for the mortgage without considering any rental income from the accessory unit.
2. If it is determined that the property contains an accessory dwelling unit that does not comply with zoning, the property is eligible under the following additional conditions:
 1. The lender confirms that the existence will not jeopardize any future hazard insurance claim that might need to be filed for the property.
 2. The use conforms to the subject neighborhood and to the market.
 3. The property is appraised based upon its current use.
 4. The appraisal must report that the improvements represent a use that does not comply with zoning.
 5. The appraisal report must demonstrate that the improvements are typical for the market through an analysis of at least three comparable properties that have the same non-compliant zoning use.

3. If the appraiser identifies an addition(s) that does not have the required permit, the appraiser must comment on the quality and appearance of the work and its impact, if any, on the market value of the subject property.

Comparable Sales

Revised the policy by removing the requirement that an explanation is required when using a comparable sale that is older than six months.

Provided an example to illustrate that in some instances it may be appropriate to use older sales with proper time adjustments rather than a dissimilar more recent sale. An older sale may be more appropriate in situations when market conditions have impacted the availability of recent sales as long as the appraisal reflects the changing market conditions.

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