
**“As Is” UAD
FHA appraisal
reports**

ML 2011-30 seems to indicate that Uniform Appraisal Dataset (UAD) appraisals can be made “as is” only when performed for the HUD Real Estate Owned (REO) or Pre-foreclosure Sale (PFS) programs. Does this mean that an appraisal can’t be made “as is” if performed for loan origination purposes (purchase or refinancing)?

No. Any appraisal performed for purposes of FHA-insured financing can be made “as is” when there are no repairs, alterations or inspection conditions that require completion and/or a satisfactory report in order for the property to be in compliance with the Minimum Property Requirements (MPR) for existing construction or with the Minimum Property Standards (MPS) for new construction. Appraisals performed for the HUD REO and PPS programs are required to be made “as is”, regardless of the level of deficiencies inherent to the property but the appraiser must always address any deficiencies and conditions that impact value and marketability.

**Adjusting
Comparable
sales with the
same condition
rating as the
subject**

If I have rated the subject property and one of the comparable sales as C-3, in terms of condition, can I adjust for variances in condition in the sales grid? The first floor of the comparable sale was updated several years ago but the second floor remains unchanged since the home’s construction 40 years ago. My subject property, although well maintained, has received no updates since originally constructed. The AMC reviewer told me I had to change the condition rating of either the subject or the comparable sale or I couldn’t make an adjustment. What do I do?

Properties will not always easily fit into one of the condition rating categories. The rating of a property’s condition must reflect the property as a whole. If the subject and the comparable sale approximate each other in condition but if the market recognizes differences within the overall assessment that contributes to value or marketability, an adjustment must be made and an explanation must be provided in the addendum of the appraisal. The adjustment should be input within one of the blank lines provided at the bottom of the sales grid and a clear explanation for the adjustment must be noted in the report. The UAD condition ratings are intended to standardize property assessment to prevent confusion but properties can have the same condition rating yet be sufficiently different to warrant adjustments to reflect those differences.

Inputting room count and finished/unfinished basement square footage

UAD appraisals require the appraiser to input room counts and finished square footage for the basement for the comparable sales. What do I do if I'm unable to make such a determination? The MLS in my area does not provide this information and I'm unable to reach the selling or listing agent. How do I handle comparing these comparable sales with unknown levels of finish in the basement to the subject property?

Appraisers have always been faced with this dilemma and the expectation has always been for appraisers to obtain as much information as possible in the normal course of business. FHA requires the appraiser to be geographically competent which means the appraiser knows the subject market and what sorts of data are or are not easily obtainable prior to accepting an assignment. FHA Roster Appraisers are only required to enter verifiable data for such fields and must cite the verification source in the addendum. Sometimes, in the absence of listing and selling agents, an appraiser must contact the occupants of the property for information. For those comparables where the information is not available, the appraiser must note this in the addendum but may provide an estimate if the estimate is credible and supportable. Appraisers should not rely on comparable sales for which information that bears significantly upon the value or price paid for the property is not obtainable or verifiable and avoid including or excluding information that may result in a misleading report.

Quality Ratings/ Building Code Compliance

The definition of the Q4 rating includes the statement that the dwelling meets or exceeds the requirements of the applicable building code. The definition of the Q5 rating includes the statement that the dwelling meets minimum building codes. I'm appraising a 30 year old home and I have no easy way to determine this level of compliance. By selecting one of these ratings, am I certifying to such compliance and/or am I required to check with the local building department to determine if the home was in compliance with the local building code at time of construction?

No. This level of research or knowledge of residential construction to determine compliance with building codes is beyond the scope of work of the appraisal assignment and the expertise of the appraiser. The intent of these ratings is to convey that a home assessed at a Q4 or Q5 rating is of a quality that would, in all probability, comply with the applicable building code. By selecting a Q4 or Q5 rating, the appraiser is not certifying that the home was in compliance with the applicable building code at time of construction. On new construction properties, the lender must ensure the property is in compliance with the applicable building code.
