

April 10, 2012

## **Uniform Appraisal Dataset Update**

### ***Updates to Appendix D and Tips for Submitting UAD Appraisal Reports to the UCDFP***

Since the implementation of the Uniform Appraisal Dataset (UAD) in September 2011, Fannie Mae and Freddie Mac (the GSEs) have been monitoring the use of the UAD and working with lenders and appraisers to support the successful adoption of the new appraisal dataset. To continue to aid lender staff and appraisers working with the UAD, and support the successful submission of the UAD appraisal report in the Uniform Collateral Data Portal<sup>®</sup> (UCDFP<sup>®</sup>), today we are providing updates, clarifications, and reminders regarding the UAD. The GSEs will provide future updates as needed.

In coordination with the publication of this information, an updated version of *Appendix D, Field-Specific Standardization Requirements*, is now available on [FreddieMac.com](http://FreddieMac.com) and [eFannieMae.com](http://eFannieMae.com).

### **Modifications to Appendix D Relating to Condition and Quality Ratings**

To provide additional guidance and clarify our expectations, the GSEs have updated Appendix D regarding the following topics:

- Appraiser selection of Condition and Quality ratings
- Clarification of Condition ratings

#### **Appraiser Selection of Condition and Quality Ratings**

In other documentation, the GSEs have previously communicated that the appraiser's selection of the Condition and Quality ratings must be based on a holistic view of the property and any improvements. When selecting the Condition and Quality ratings, an appraiser must:

- Consider all improvements to determine an overall Condition and Quality rating. The appraiser should then select the rating that best reflects the property as a whole and in its entirety.
- Describe the subject property as of the effective date of the appraisal on an absolute basis, meaning the property must be rated on its own merits. This requirement also applies to any other rating or description, including the View and Location. The rating should not be selected on a relative basis, meaning it is not selected on how the property relates or compares to other properties in the neighborhood. Additionally, the Condition and Quality ratings for comparable properties must also be made on an absolute basis (again, each comparative property on its own merits), not on a relative basis, and reflect the property as of the date of sale of that comparable property.

When an appraiser selects a rating and/or description of the subject property for a sales transaction, the selected rating and/or description must:

- Remain the same when reflecting that specific transaction. For example, if a C4 rating is selected for the sale of the subject property, then that property remains a C4 when using that specific sale as a comparable in future reports. The same expectation holds true for ratings and descriptions of comparable sales; when a comparable is used in a subsequent appraisal, the ratings and descriptions of that property should not change from one appraisal to the next when it reflects the same sale transaction.

It is also important to note, however, that properties can have the same rating or description and still require an adjustment. For example, all water views may not be equal. In this instance, an adjustment should be made and explained in the comments section of the form or an addendum.

## Clarification of Condition Ratings

The current C1 – C6 and Q1 – Q6 rating scales are not designed to be equivalent to a “poor – excellent” rating scale. In addition, the C1 rating, by definition, is only applicable to new properties.

It is important for the Condition ratings to be understood by appraiser and underwriter alike in order for the rating to be properly and accurately applied in the appraisal process. With that in mind, the GSEs are providing additional clarity and guidance with respect to the C1 – C6 rating definitions by providing “Notes” as illustrations.

- **C1:** The improvements have been recently constructed and have not been previously occupied. The entire structure and all components are new and the dwelling features no physical depreciation.

*Note: Newly constructed improvements that feature recycled or previously used materials and/or components can be considered new dwellings provided that the dwelling is placed on a 100 percent new foundation and the recycled materials and the recycled components have been rehabilitated/remanufactured into like-new condition. Improvements that have not been previously occupied are not considered “new” if they have any significant physical depreciation (that is, newly constructed dwellings that have been vacant for an extended period of time without adequate maintenance or upkeep).*

- **C2:** The improvements feature no deferred maintenance, little or no physical depreciation, and require no repairs. Virtually all building components are new or have been recently repaired, refinished, or rehabilitated. All outdated components and finishes have been updated and/or replaced with components that meet current standards. Dwellings in this category are either almost new or have been recently completely renovated and are similar in condition to new construction.

*Note: The improvements represent a relatively new property that is well maintained with no deferred maintenance and little or no physical depreciation, or an older property that has been recently completely renovated.*

- **C3:** The improvements are well maintained and feature limited physical depreciation due to normal wear and tear. Some components, but not every major building component, may be updated or recently rehabilitated. The structure has been well maintained.

*Note: The improvement is in its first-cycle of replacing short-lived building components (appliances, floor coverings, HVAC, etc.) and is being well maintained. Its estimated effective age is less than its actual age. It also may reflect a property in which the majority of short-lived building components have been replaced but not to the level of a complete renovation.*

- **C4:** The improvements feature some minor deferred maintenance and physical deterioration due to normal wear and tear. The dwelling has been adequately maintained and requires only minimal repairs to building components/mechanical systems and cosmetic repairs. All major building components have been adequately maintained and are functionally adequate.

*Note: The estimated effective age may be close to or equal to its actual age. It reflects a property in which some of the short-lived building components have been replaced, and some short-lived building components are at or near the end of their physical life expectancy; however, they still function adequately. Most minor repairs have been addressed on an ongoing basis resulting in an adequately maintained property.*

- **C5:** The improvements feature obvious deferred maintenance and are in need of some significant repairs. Some building components need repairs, rehabilitation, or updating. The functional utility and overall livability are somewhat diminished due to condition, but the dwelling remains useable and functional as a residence.

**Note:** *Some significant repairs are needed to the improvements due to the lack of adequate maintenance. It reflects a property in which many of its short-lived building components are at the end of or have exceeded their physical life expectancy but remain functional.*

- **C6:** The improvements have substantial damage or deferred maintenance with deficiencies or defects that are severe enough to affect the safety, soundness, or structural integrity of the improvements. The improvements are in need of substantial repairs and rehabilitation, including many or most major components.

**Note:** *Substantial repairs are needed to the improvements due to the lack of adequate maintenance or property damage. It reflects a property with conditions severe enough to affect the safety, soundness, or structural integrity of the improvements.*

## **Guidance on Quality Ratings**

The GSEs have also received some inquiries regarding Quality ratings Q4 and Q5 around the use of the term “meets minimum building codes.” The intent of the rating is to indicate that homes of this quality are built to comply with the applicable minimum building code. Selection of a Q4 or Q5 should not be construed as a definitive statement by the appraiser that the subject and/or comparable properties meet the minimum building code of the jurisdiction where the property is located. While an appraiser is expected to have knowledge of the building code, the level of inspection as a result of the Scope of Work for the appraisal assignment is not sufficient in and of itself to determine full compliance with an applicable building code.

## **Guidance on Successful Submission of the UAD-Appraisal Reports in the Uniform Collateral Data Portal**

To successfully submit UAD appraisal reports, please be aware of the following:

- **UCDP Condominium Address Hard Stop:** There was a UCDP hard stop that was returned on condominium addresses when the unit number could not be validated. The UCDP was issuing the hard stop for condo addresses that typically do not include unit designators in the mailing address, such as townhouse condominium units. The condo unit number hard stop was changed from a manual override to an automatic override over the weekend of March 30. As a reminder, the appraiser is still required to enter the unit designator on the appraisal report form. “N/A” should not be entered.
- **Appraiser License Number:** The appraiser must enter his/her license/certification number as it appears in the Appraisal Subcommittee (ASC) directory, unless otherwise mandated by state law. If a UCDP hard stop is received, please validate the appraiser’s license number at <https://www.asc.gov/National-Registry/FindAnAppraiser.aspx>. In the event that the license/certification number in the ASC directory differs from the number on the appraisal form, the appraiser must update the appraisal form to match the ASC directory, unless otherwise mandated by state law.
- **Appraiser “Trainees”:** Per Appendix D, appraiser “trainees” who are issued a license number may enter that number in the “State License #” field and include the word “trainee” in the field labeled “or Other (describe).” Appraiser trainees who are not issued a state license number should enter “trainee” in the “State License #” field in addition to the field labeled “or Other (describe)” in order to avoid receiving a UCDP hard stop. In the future, the GSEs will enhance the license number validation logic in the UCDP to better account for appraiser trainees.
- **Date of Appraisal:** The “Date of Appraisal” field on the Submission Summary Report (SSR) reflects the signature date (or the date of the report) from the appraisal report and does not reflect the “effective date” (date of inspection) of the appraisal. Lenders must not require the appraiser to change the “effective date” of the appraisal to match the date indicated on the SSR. It is acceptable for these dates to be different.