**Direct Endorsement**
**Post-Endorsement**
**Technical Review Checklist**

**U.S. Department of Housing and Urban Development**
Office of Housing
Federal Housing Commissioner

**FHA Case Number:** _____

**Underwriter's Name:** _____

**Property Address:** _____

# Underwriter/Valuation Review Checklist

**Please read instructions before completing this form**

## 1. Subject Property

☐ Fair ☐ Poor Comments _____

**Poor** Check if one or more of the following significantly increased HUD's insurance risk. Describe below how HUD's risk was increased.

U02 ☐ Real property rights were not properly identified. (PUD, Condo, Leasehold)

U03 ☐ Legal description omitted or incomplete on the URAR and not addressed by the underwriter

U04 ☐ Other Comments _____

## 2. Neighborhood

U06 ☐ Underwriter did not obtain adequate documentation regarding unfavorable neighborhood influences reported by the appraiser.

☐ Fair ☐ Poor Comments _____

**Poor** Check if one or more of the following significantly increased HUD's insurance risk. Describe below how HUD's risk was increased.

U08* ☐ Appraiser recommended Sec. 223(e) processing; loan processed under Section 203(b) without explanation.

U09 ☐ Other Comments _____

## 3. Site/Property Description

U11 ☐ Photographs of the subject property were not included in closing package.

U12 ☐ Underwriter did not obtain additional documentation on the property's attributes that were rated below average or poor.

☐ Fair ☐ Poor Comments _____

**Poor** Check if one or more of the following significantly increased HUD's insurance risk. Describe below how HUD's risk was increased.

U14 ☐ Unacceptable location, inconsistent with the highest and best use of the property and surrounding neighborhood. Underwriter did not reject the property until the zoning issue was mitigated.

U15 ☐ Underwriter did not note any negative encumbrances that were identified and analyzed by the appraiser. If documentation not supplied, Underwriter did not require additional information.

U16 ☐ Private roads/maintenance agreement not addressed by underwriter.

U17 ☐ Issues concerning water/sewer systems not resolved.

U18 ☐ Underwriter failed to obtain FEMA Zone, Map Number and date. No evidence flood insurance obtained.

U19* ☐ Property in location requiring flood insurance and the appraiser reported the community did not participate in the Flood Insurance Program.

U20* ☐ Property is unacceptable for mortgage insurance for the following reason(s): _____

Comments _____

## 4. Cost Approach

U23 ☐ Underwriter improperly reviewed appraiser's *Marshall and Swift* 1007 calculations, and/or did not find existing inconsistencies between appraiser's sketch and gross living area shown in the sales comparison section.

☐ Fair ☐ Poor Comments _____

**Poor** Check if one or more of the following significantly increased HUD's insurance risk. Describe below how HUD's risk was increased.

U25 ☐ Underwriter did not ascertain whether the subject's site value was consistent with the comparable properties.

U26 ☐ Other Comments _____

## 5. Sales Comparison Analysis

U28 ☐ Underwriter did not require an explanation for considerably distant comparables/dissimilar residential areas.

U29 ☐ Underwriter did not obtain explanation from the appraiser when the comparables were over six months old.

U30 ☐ Underwriter did not require an explanation when no conventional comparables were used.

U31 ☐ There were no adjustments for sales or financing concessions, if applicable, and the Underwriter did not address the issue.

☐ Fair ☐ Poor Comments _____

**Poor** Check if one or more of the following significantly increased HUD's insurance risk. Describe below how HUD's risk was increased.

U33 ☐ Sales analysis did not include market supported or logical adjustments.

U34 ☐ Market value estimate failed to fall within the range indicated by the values after adjustments.

U35 ☐ The photographs of the comparables do not appear to match the description of the comparables on the report and the Underwriter failed to resolve apparent discrepancy.

U36 ☐ Adjustments are not consistent and there is no explanation by Underwriter.

U37 ☐ Adjustments exceed 25% overall, 15% net, and 10% for an individual line item without explanation.

U40 ☐ Other Comments _____

## 6. Income Approach (3 and 4 unit properties only)

U41 ☐ Gross Market Rent and Gross Rent Multiplier were not adequately supported by data. Underwriter did not require additional information.

U42 ☐ Other Comments _____

## 7. Reconciliation of Value

**Poor** Check if one or more of the following significantly increased HUD's insurance risk. Describe below how HUD's risk was increased.

U48 ☐ Final value estimate was not consistent with data presented and no explanation provided by underwriter.

U49 ☐ Underwriter deleted repair requirements and/or waived valuation condition(s) without adequate justification/explanation.

U50 ☐ Other

☐ Fair ☐ Poor Comments _____

## 8. Other Report Requirements

U60 ☐ Map showing location of the subject property and all comparables was not included in the report.

U61 ☐ Building sketch showing dimensions was not attached.

U62 ☐ Conditions comments on page 2 of URAR not consistent with required repairs on the valuation condition (VC) sheet; underwriter did not resolve.

☐ Fair ☐ Poor Comments _____

**Poor** Check if one or more of the following significantly increased HUD's insurance risk. Describe below how HUD's risk was increased.

U65 ☐ Appraiser's signature and ID number were omitted from the URAR.

U66 ☐ Other Comments _____

Additional Comments:

* Indicates deficiencies that may warrant Indemnification

| Completed by: | Date | CHUMS ID Number |
|---|---|---|
| Title | | FHA Case No |

**Instructions**

**Direct Endorsement Post-Endorsement Technical Review Checklist**

**Review of the Underwriter's Review of the Appraisal**

This Direct Endorsement (DE) checklist is designed to assist in technical reviews for evaluating and assigning ratings of underwriters. This checklist identifies the most common deficiencies in appraisals resulting in fair or poor ratings. (Any one element rated poor should result in an overall poor rating. Enter overall ratings on Form HUD 54118.) In addition to providing a means of assigning ratings throughout HUD's Field Office network in a consistent manner, the checklists are designed to alert the reviewer to "warning signs" that may indicate fraud and identify deficiencies that may warrant indemnification. When deficiencies are identified that require referral of the file to HUD's Mortgagee Monitoring Division for possible indemnification or to the Office of Inspector General for Investigation, a memorandum should be prepared to transmit the file. The memorandum should contain a photocopy of the completed checklist as supporting documentation.

**Desk Review of the Underwriter's Review of the Appraisal**

When evaluating the DE Underwriter's performance in reviewing the Uniform Residential Appraisal Report, the emphasis must be on the accuracy and consistency of the report and the methodology used in determining the value of the property for mortgage insurance purposes. This form, HUD-54118-UND, is used by the reviewer to rate the DE Underwriter. Form HUD-54118-VAL is used to rate the appraiser.

**Documents**

The reviewer must determine whether the appraisal report and its supplemental documents provide the necessary information to adequately analyze the property.

**Document Analysis and Underwriter Rating**

**Fair:** Ratings of "fair" must be accompanied by comments from the reviewer.

**Poor:** Poor ratings must be justified by the reviewer. While the checklist indicates elements that constitute a poor rating, the reviewer is expected to explain how HUD's risk was significantly increased by the deficiency. For instance, if the reviewer found that the underwriter deleted repair requirements required by the appraiser, the reviewer must explain the increased risk to HUD. In this instance, the reviewer would state that the underwriter's deletion of the repair requirements undermined the continued marketability of the property.