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CHAPTER 8. UNIFORM RESIDENTIAL APPRAISAL REPORT

8-1. GENERAL. All appraisals must be completed on the Uniform Residential Appraisal Report (URAR) which is a common form required by the Department of Housing and Urban Development, the Department of Veterans Affairs, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and others.

- A. The URAR is formatted and sized to accommodate computer generated appraisal reporting. The format (10 characters to the inch horizontal spacing) compliments the use of word processors, dot matrix, letter quality and laser jet printers as well as traditional typewriters. It may also be obtained with 12 characters per inch. The form must be completed with ball point pen, typewritten or computer generated.
- B. HUD does not furnish the URAR to lenders. Lenders must purchase the URAR from private sources and furnish it at no cost to the appraiser, when the lender requests an appraisal.
- C. There are parts of the URAR which HUD does not require, such as cost and depreciation for an older existing home or the income approach for a one or two unit owner-occupied home. However, there may be some lenders, including Direct Endorsement (D.E.) mortgagees, who may require completion of these parts for possible conventional loan purposes. In such cases, the URAR should be completed in its entirety, but mortgagees must make such arrangements directly with the appraiser and pay any required additional amount. When the lender requests that the entire URAR be completed, the additional expense involved cannot be charged to the buyer. The additional expense must be borne by some other party (i.e., the seller, mortgagee, etc.).
- D. In addition to the URAR, the appraiser must prepare the Valuation Condition Sheet when necessary for correction of any obvious deficiencies which could have an adverse effect on the health or safety of the occupants or the continued marketability of the property. This form is prepared and distributed by each HUD Field Office.

The Condition Sheet shall contain space for the property address, the case number and the site of the appraisal. The valuation conditions shall be coded using a VC sequence (i.e., VC-1, VC-2, VC-3, etc.). The valuation condition sheet shall be completed in triplicate with the original and a copy being attached to the URAR and sent to the mortgagee and a copy remaining with the case binder.

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8-2. INSPECTION OF PROPERTY.

- A. Appraisers must present their HUD I.D. card and conduct themselves in a courteous and professional manner. The estimate of value must not be discussed with the owner, real estate agent or anyone other than HUD or a Direct Endorsement mortgagee's underwriter.
- B. The Appraiser is required to make a complete personal visual inspection of the subject property and all comparables used in the appraisal report. The inspection of the subject property must include the exterior and interior of the building.
- C. The basement must be examined for dampness or wetness, any obvious structural problems and the condition of the furnace, hot water heater or other components located there. The Appraiser must turn on the furnace and air conditioner, if one exists, to assure it is working and check the hot water heater. The appraiser must be especially careful in checking the operation of equipment where a property shows evidence of neglect or vandalism. If the appraiser cannot determine whether all mechanical equipment is in operating condition, the appraiser should make a commitment requirement for reinspection or that the mortgagee furnish evidence satisfactory that certain mechanical equipment is in operating condition at the time of loan closing.
- D. A crawl space must be examined for dampness or trash, vapor barrier, distance from floor joists to ground, adequate ventilation and any obvious structural problems. The appraiser should note in the appraisal report when the distance from the floor joists to the ground is less than 18 inches. The local HUD Office may require a minimum distance from the ground to the floor joists for the property to be acceptable.
- E. The attic must be inspected whether access is by pull-down stairway or scuttle, for signs of deficient roof covering, possible structural problems, insulation, and adequate ventilation. Although insulation is not a requirement, in many sections of the country the lack of insulation would seriously affect the marketability of the property.
- F. The Appraiser must also walk around the site to assure that there is proper drainage away from the house, that there is no obvious wood-boring insect infestation or potential for such and that there is sufficient distance from an adjoining property for the maintenance of the sides of the subject property. If the subject property has a septic system the Appraiser must inspect for any signs of failure such as odor or surface puddling. If municipal sewage service is available, connection to such service must be made, if feasible.

(8-2) G. Deficiencies must be given proper consideration in establishing the estimated market value of the property. An estimate of the cost of the required repairs, alterations or additions is made by the Appraiser, or by the Architectural or Cost Section when requested. If conditions prevent complete inspection of the property at the time of appraisal (for example, snow covering the roof) so that the Appraiser cannot determine the condition, either a reinspection prior to closing or satisfactory evidence must be furnished concerning the condition of those items cited in the requirement.

H. The Appraiser is required to take a picture of the front and rear of the subject property from oblique angles so as to include the sides as well as the front and rear of the property and all buildings on the subject property having contributory value. The appraiser must also take a frontal picture of each comparable used in the report; having someone else take the pictures is not acceptable. In addition, the appraiser is required to provide a copy of a local street map showing the subject and each comparable.

Exception: There may be a case in a rural area in which an Appraiser wishes to use a comparable that had been used in a previous case, but the picture was taken with a Polaroid camera and there is no negative from which to reproduce the picture. In such cases, if the comparable is a great distance away, the Field Office may waive the requirement for a picture of that comparable, provided that the Appraiser cites the previous case number in which that comparable had been used and a picture provided. This authority is to be used only in rural areas where it is a great distance to the comparable.

I. The Appraiser who performed the appraisal and made the inspection must personally sign the appraisal report.

J. For newly constructed properties, see HUD Handbook 4145.1.

8-3. INSTRUCTIONS FOR COMPLETING THE UNIFORM RESIDENTIAL APPRAISAL REPORT (URAR). All appraisal reports must be prepared with ball point pen, typed or computer generated.

A. FHA Case Number: To be inserted at top right after "File No."

B. Subject: To be filled in by the appraiser except for the box at right "Lender Discretionary Use" which is to be completed by the Field Office or Direct Endorsement lender's underwriter after the purchaser has been approved and the case is ready for closing.

C. Neighborhood: Location: In addition to checking boxes in "predominant occupancy," show percentage occupied. When boxes

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(8-3) "urban" and "declining" are both checked, the appraiser should consider making a recommendation that the mortgage encumbering the property be insured pursuant to Section 223(e).

D. Neighborhood Analysis: Mark the most appropriate rating for each item.

- 1) G - GOOD: The item or characteristic in the subject neighborhood is superior to the same characteristic found in a competing neighborhood.
- 2) A - AVERAGE: The item or characteristic is equal to the same characteristic found in a competing neighborhood.
- 3) F - FAIR: The item or characteristic is inferior to the same characteristic found in a competing neighborhood.
- 4) P - POOR: The item or characteristic is in small supply or does not exist in the subject neighborhood but is found in a competing neighborhood.

E. Site.

- 1) Dimensions: List all dimensions of the site. If irregular, the appraiser should show boundary dimensions, such as: 85' x 150' x 195' x 250'.
- 2) Site Area: Enter area in square feet or acres.
- 3) Corner Lot: Enter "Yes" or "No."
- 4) Zoning Classification: Enter the zoning type used by the local municipality to describe the type of use permitted. Do not use abbreviations such as "R1" or "A1" by themselves. The abbreviated descriptions can vary among communities. For example: "residential - single family," "residential - 1-4 family."
  - a. Can use "Historic," if applicable.
  - b. If a nonconforming use exists, enter "nonconforming" and state whether it is a legal use which has been approved by the local zoning authority. Be sure to determine if current use is in compliance. If not, the property should be rejected.

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- (8-3) 5) Zoning Compliance: Enter "Yes" or "No/legal nonconforming use." A nonconforming use could require an Addendum for further explanation. But if the use is not legal, it is not eligible for HUD mortgage insurance.
- 6) Highest and Best Use: This entry represents the highest and best use of the site in relation to the neighborhood. If present use represents the highest and best use, enter "Yes." If it does not, enter "No" and explain in the "Comments" section.
- 7) Other Use: If the present use is not the highest and best use of the site, enter the use that should exist and explain in the "Comments" section.
- 8) Utilities: Either check a box or explain under "Other." Public utilities are provided by a government. "Other" can reflect individual and/or community systems. Show if electricity is underground.
- 9) Site Improvements: Describe by entering a brief description under "Type" and checking whether Public or Private. For example: "Street - Asphalt; Public." It is important to identify if year-round maintenance exists. "Public" refers to a government which can regulate use. It does not include a homeowners association.
- 10) Topography: Enter whether level, sloped, etc.
- 11) Size: Enter descriptions such as "typical," "small," or "large."
- 12) Shape: Enter site configuration, such as "triangular," "square," or "rectangular."
- 13) Drainage: Enter whether adequate or inadequate. If inadequate, be sure to explain and make requirements for correction, if feasible.
- 14) View: Describe briefly the view from the property. Identify a view having a significant positive or negative influence on the value, for example:
- "mountains" - (and enter "average," "superior" or "inferior" as contrasted with other local sites)

"ocean"

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"expressway"

- 15) Landscaping: Enter whether adequate or inadequate relative to neighborhood.
- 16) Driveway: Enter type such as concrete, asphalt or gravel.
- 17) Apparent Easement: If there appears to be an easement, check to make sure.
- 18) FEMA Flood Hazard: FEMA is the Federal Emergency Management Agency, which is responsible for mapping flood hazard areas. If any part of the property is inside a Special Flood Hazard area, check "Yes." Otherwise check "No."
- 19) FEMA Map/Zone: Regardless of your previous answer, enter map number and zone. If it is not shown on any map, enter "not on FEMA maps." Only those properties within zones "A" and "V" require flood insurance. Zones "B" and "C" do not require flood insurance because FEMA designates only "A" and "V" zones as "Special Flood Hazard Areas."

F. Improvements.

1) General Description.

- a. Units: Enter number of units being valued. The URAR is designed for 1-4 units.
- b. Stories: Enter the number of stories above grade not including the basement.
- c. Type: Enter "Det." (Detached), "S/D" (Semi-detached) or R" (Row).
- d. Design (Style): Enter brief description using local custom terminology. For example: Cape Cod, bi-level, split level, split foyer, town-house, etc. Do not use builder's model name.
- e. Existing: Enter "Yes" or "No."
- f. Proposed: Enter "Yes" or "No."
- g. Under Construction: Enter "Yes" or "No." A "Yes" requires plans and specs for the appraiser to review.

If REHAB enter "REHAB" instead of "Yes" or "No."

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- (8-3)
- h. Age (Yrs.): Enter actual age. Construction records may be helpful if available. Insert both the month and year completed where the property is less than two years old. If it is over two years old, insert the year completed only.
  - i. Effective Age (Yrs.): Enter effective age, if appropriate. This is judgmental. May want to report a range.

A difference between actual and effective age typically is caused by a level of maintenance or remodeling which may be below or above average. Significant differences between the actual and effective ages should be noted.

2) Exterior Description.

- a. Foundation: Enter type of construction such as poured concrete, concrete block or wood.
- b. Exterior Walls: Enter type of construction material such as aluminum, wood siding, brick veneer, porcelain, log or stucco. If combination show predominant portion first.
- c. Roof Surface: Enter type such as composition, wood, slate, tile.
- d. Gutters and Downspouts: Enter type such as galvanized, aluminum, wood, plastic. If partial, state location.
- e. Window Type. Describe type such as double-hung, casement, sliding. Identify the construction type such as aluminum, wood, or vinyl.
- f. Storm Sash: Describe combination or style.
- g. Screens: Enter "Yes" or "No." If partial, state location.
- h. Manufactured Housing: Enter either manufactured home (MH) or modular (MOD), or answer "no" if not manufactured or modular home.

3) Foundation.

- a. Slab \_\_\_\_\_ Enter "Yes" or "No."
- b. Crawl Space \_\_\_\_\_ Enter "Yes" or "No." If partial,  
include percentage of floor area.

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- (8-3) c. Basement \_\_\_\_\_ Enter "Full," "Partial," or "None."
- d. Sump Pump \_\_\_\_\_ Enter "Yes" or "No."
- e. Dampness \_\_\_\_\_ Enter "Yes" or "No."
- f. Settlement \_\_\_\_\_ Enter "Yes" or "No." (Check for  
cracks.)
- g. Infestation \_\_\_\_\_ Enter "Yes" or "None Apparent." Look  
for all types of insects and damage. If there is any  
question, require termite inspection.

4) Basement.

- a. Area Sq. Ft. \_\_\_\_\_ Enter square feet.
- b. % Finished \_\_\_\_\_ Enter percentage of basement square  
footage (figure above) that is  
finished.
- c. Ceiling \_\_\_\_\_ Enter material type such as d/w for  
drywall, or lath and plaster, or  
celotex ceiling panels.
- d. Walls \_\_\_\_\_ Enter material type such as d/w for  
drywall or wood panel or cinder  
block.
- e. Floor \_\_\_\_\_ Enter floor type, such as asph.  
tile or concrete. Comment if any  
part is dirt.
- f. Outside Entry \_\_\_\_\_ Enter "Yes" or "No." If "Yes,"  
enter type.

5) Insulation.

- a. Roof Make every effort to determine the  
type.
- b. Ceiling Enter R-Factor or show depth and  
location. If the existence of  
insulation cannot be determined,



- c. Walls enter "Unknown." Do not guess.
- d. Floor
- e. None
- f. Adequacy Enter in each blank line one of the following:

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- (8-3) G = Good  
A = Average  
F = Fair  
P = Poor  
U = Undetermined

- (8-3) Enter a x or leave box blank to denote the existence of insulation if the feature was verified. For example:

"Walls A x ." which means that wall insulation was verified and judged to be average.

- g. Energy Efficient Items: Identify any special energy-efficient items such as extra insulation, design of home, solar, earth sheltered, attic vents, heat pump.

G. Room List.

- 1) Questions concerning room design and count should reflect local custom.
- 2) Typically, a room totally underground is not as valuable as one above ground.
- 3) Typically, the foyer, bath, and laundry room are not counted as rooms. A room is a livable area with a specific use.
- 4) A dining area built as an L-shape off the kitchen may or may not be a room depending upon the size. A simple test which may be used to determine whether one or two rooms should be counted is to hypothetically insert a wall to separate the two areas which have been built as one. If the residents can utilize the resulting two rooms with the same or more utility and without increased inconvenience, the room count should be two. If the existence of the hypothetical wall would result in a lack of utility and increased

inconvenience, the room count should be one.

- 5) The room count typically includes a living room (LR), dining room (DR), kitchen (KT), den (DN), recreation room (REC), and bedroom (BR).
- 6) The following definitions and terms may be useful as a guide:

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- (8-3)
- a. Basement: Generally completely below the grade. This is NOT counted in the finished gross living area at the grade level.
  - b. Level 1: Includes all finished living area at grade level.
  - c. Level 2: Includes all finished areas above the first level.
  - d. Foyer: Entrance hall of a house.
- 7) In completing this section, enter the number of each room type on each level. DO NOT enter the dimensions.
- a. Area Sq. Ft.: Calculate the overall square footage of each level from the exterior dimensions.
  - b. Square Foot of Gross Living Area: Enter total square footage above grade.

H. Interior:

- |                  |                          |  |
|------------------|--------------------------|--|
| 1) Surfaces      | Materials/<br>Conditions | Make every effort to<br>describe accurately.           |
| a. Floors        | _____                    | Enter type such as tile,<br>hardwood or carpet.        |
| b. Walls         | _____                    | Enter type such as plaster,<br>drywall or paneled.     |
| c. Trim/Finish   | _____                    | Enter type of molding such as<br>wood, metal or vinyl. |
| Bath Floor       | _____                    | Enter ceramic, vinyl tile, or<br>carpet.               |
| d. Bath Wainscot | _____                    | Enter type that protects                               |

walls from moisture, such as ceramic tile or fiberglass.

e. Doors \_\_\_\_\_

Enter wood or steel.

f. Fireplace(s) \_\_\_\_\_  
# \_\_\_\_\_

Enter type such as brick or steel free standing.  
Enter the number of fireplaces.

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2) Heating.

a. Type \_\_\_\_\_ Enter type: hot water, steam, forced warm air, gravity warm air, radiant.

b. Fuel \_\_\_\_\_ Enter fuel: Coal, gas, oil, electric.

c. Condition \_\_\_\_\_ Enter condition: "Good," "Average," "Fair," or "Poor." Be sure to explain "Fair" or "Poor" rating.

d. Adequacy \_\_\_\_\_ Describe adequacy: Does system heat the house well? Use "Good," "Average," "Fair," or "Poor." Explain a "Fair" or "Poor" rating.

3) Cooling.

a. Central \_\_\_\_\_ Enter "Yes" or "No."

b. Other \_\_\_\_\_ Describe.

c. Condition \_\_\_\_\_ Describe as with Heating.

d. Adequacy \_\_\_\_\_ Describe as with Heating.

4) Kitchen Equipment. Make an entry in the boxes to indicate that these items exist. An entry in a box means that these items were seen and they are fixtures. An item that was seen but is personal property should have a "P" in the box and not be included in value.

5) Attic. Additional space such as an attic or room above the garage should be described in the manner in which it can be actually used. The essential question is whether it can be included in the above-grade living area.

I. Improvement Analysis.

- 1) Quality of Construction. Look for quality and durability.
- 2) Condition of Improvements. Look for physical deterioration. If the value is subject to completion of repairs and alterations, rate the property after completion. An example could be a property which is observed to be "fair" but the appraisal is subject to repairs being completed which could

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- (8-3) warrant a "good" rating. The rating "good" is then appropriate. Also, an appraisal on property being constructed would be rated as though finished.
- 3) Room Sizes/Layout. While a property might be "average" it still may suffer from functional obsolescence. The particular feature in question may exist in all of the comparables selected, in which case all would be classified as "average."
  - 4) Energy Efficient. Relative to local standards.
  - 5) Plumbing- Adequacy and Condition. Look for style and condition of fixtures. Include comments concerning condition of septic system if applicable.
  - 6) Electrical - Adequacy and Condition. Relative to local standards.
  - 7) Estimated Remaining Economic Life. Enter the number of years the property is expected to remain competitive in the market. You should use 40 years unless an obvious and verifiable pressure exists which can be conclusively shown to render the remaining economic life to be less than 40 years.
  - (8) Estimated Remaining Physical Life. To be used only in cases where the property is located in a 223(e) area in which the economic life is waived and physical life is used instead.

J. Autos.

- 1) Car Storage: Complete this entire block if the property has a garage or carport. If it has neither a garage nor a carport, check None under Car Storage and leave the rest of this block blank.

- a. No. Cars: Provide the number of cars that may reasonably be parked in the property's garage or carport.
- b. Condition: Rate as either "good" "average", "fair", or "Poor". If you rate the condition of the garage or carport as "fair" or poor", you should explain your reasons in the Comments block or in a separate addendum.
- c. Garage: Check this box if the property has a garage.

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- (8-3)
- d. Carport: Check this box if the property has a carport.
  - e. Attached: Check this box if the garage or carport is attached (one or two common walls) to the house.
  - f. Detached: Check this box if the garage or carport is not attached to the house.
  - g. Built-In: Check this box if the garage or carport is built into the house (one or two common walls and the garage ceiling is the floor of another part of the house).
  - h. Adequate: Check this box if the garage or carport is adequate. Again, this is a judgment call by the appraiser, and an "adequate" rating in one neighborhood may differ from an "adequate" rating in another neighborhood.
  - i. Inadequate: Check this box if the garage or carport is inadequate and describe its shortcomings in the Comments block.
  - j. Electric Door: Check this box if the garage has an electric door opener and test. If it does not operate properly, the box marked "inadequate" should be checked and a requirement made to repair it in the "depreciation" section of the "comments" box.
  - k. House Entry: Check this box if the house can be entered directly from the garage or carport without having to go outside or through the basement. Otherwise, leave this box blank.
  - l. Outside Entry: Check this box if a person must leave the shelter of the carport or garage to enter the

house. Otherwise, leave this box blank.

- m. Basement Entry: Check this box if the basement may be entered from the garage or carport. Leave this box blank if there is no entry to the basement from the garage or carport.

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K. Comments.

- 1) Additional Features. Enter here any additional features such as a pool, special fireplace features or other features not shown above or any comments you may wish to make.
- 2) Depreciation Comments. Enter repairs needed, maintenance, etc.
- 3) General Market Conditions. Financing concessions for the subject and the market area should be explained. Be sure to explain whether the subject is consistent with the market area or different.

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- L. Building Sketch (Show Gross Living Area Above Grade). Sketch should include all exterior dimensions of house as well as patios, porches, garages, breezeways and other offsets. State "covered" or "uncovered" to indicate a roof or no roof such as over a patio.
- M. Cost Approach. The estimated reproduction cost of improvements, need not be completed for existing construction; however, the estimated value of the site must be entered. If the subject property is proposed construction or existing construction under one year of age, the Marshall and Swift Form 1007 is to be completed and attached and the box is to be completed using the figures from Marshall and Swift calculations. (See Chapter 6 for required attachments.)
- N. Does Property Conform to Applicable Minimum HUD/VA Standards?
  - 1) This question refers not only to minimum property standards as set forth in Handbook 4905.1, but also to HUD Handbook 4910.1, appendix K (24CFR 200.926d) for new construction and to hazards of lead based paint. If the property was built prior to 1978 and there is no evidence of cracking, chipping, peeling or loose paint, then, the question may be answered "Yes." However, if such a deficiency exists, the question must be answered "No" and under explanation state

"property built prior to 1978. Lead based paint abatement required." In addition, the appraiser must check the lead based paint abatement requirement on the VC sheet.

- 2) Construction Warranty. Determine if property will be covered by a construction warranty such as HOW, HBW, or other HUD-approved ten year warranty and enter information.

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- (8-3) Check "Yes" box only if warranty plan is HUD-approved. A list of HUD-approved warranty plans may be found in HUD Handbook 4145.1.

O. Sales Comparison Analysis.

- 1) Selection of Comparables. In selecting comparables, the bracketing method must be used. Ideally, one of the comparables should be a little larger (200 sq. ft. to 300 sq. ft.), another a little smaller, and the third should be approximately the same size (within a hundred square feet of the subject). DO NOT SELECT COMPARABLES BY SALES PRICE. All adjustments must be extracted from the market. No adjustment should be made unless it has a material effect on value. When an adjustment is made for location, site/view or Design and Appeal, the appraiser must explain the reason to the reviewer. Avoid using three builder sales from the same subdivision if possible.
- 2) Address. Enter address that can be used to locate each property. Enter community, if needed to identify property. For rural properties, list location by road name, nearest intersection, and side road.
- 3) Proximity to Subject. Enter proximity in straight line distance, like "3 houses or one tenth of a mile W subject." If comparable is more than 1 mile from subject, be sure to explain in the "Comments" section.
- 4) Sales Price. Enter total paid by buyer, including extras.
- 5) Price/Gross Living Area. Enter price per square foot for living-area above grade.
- 6) Data Source. Enter source name, or others such as tax stamps, MLS, etc. This is the data source for the price and property information. Also show type of financing such as Conv., FHA or VA.
- 7) Sales or Financing Concessions. Enter adjustment for sales

concessions, if needed. Be sure to explain in "Comments section and use Addendum if appropriate.

- a. In some areas of the country it is customary for the builder or seller to pay closing costs for the buyer and include them in the sales price of the property. In other areas it may occur occasionally or not at all. In those rare instances in which there is a market area where closing costs are the responsibility of the

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(8-3) seller and are always paid by the seller and included in the sales price, the appraiser must note under "Comments and Conditions of Appraisal," on the back of the URAR, that the reconciled value represents a market value which includes closing costs. The review appraiser or Direct Endorsement Underwriter noting this comment, must then show on the form HUD 92800.5b, Conditional Commitment/Statement of Appraised Value, a zero figure for closing costs and calculate the maximum mortgage amount on only the reconciled value arrived at by the appraiser.

- b. Sales that are not verified and adjusted to reflect the terms and conditions of sale should not be used as market data.
- c. Always select the comparables with the fewest dissimilarities. Use older sales only if more recent ones are not available and be sure to explain in the "Comments" section. Any comparable over six months old is not considered current.
- d. Section 235 and property disposition sales are not considered typical transactions as they do not reflect market value under normal buyer-seller relationships. Therefore, they are not to be used as comparables in finding value.

The value factor of Location, Site/View, Design and Appeal, Quality of Construction, Age, Condition, and Functional Utility are all subjective factors that require subjective adjustments. Be careful that your adjustments are reasonable--not excessive. If a property is ever overvalued, a high probability exists that the reason can be traced to an excessive adjustment somewhere in this section. Adjustments should be made only in cases where the dissimilarity has a noticeable effect on value. Small differences do



not usually require adjustments.

- 8) Date of Sale/Time. Enter month and year. This date refers to a date of sale. A specific day is not necessary unless it is meaningful, such as in a rapidly changing market.
- 9) Location. Enter "Good," "Average," or "Fair," when compared to the subject and using the same standard as the subject. An adjustment for location in the same neighborhood is seldom justified.

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- (8-3)
- 10) Site/View. Enter size of lot and explain view if appropriate. Adjustments come from a view which has been rated as "Superior" or "Inferior" to the subject as well as size of lot. Small differences in lot sizes do not usually call for an adjustment if the size is typical.
  - 11) Design and Appeal. Enter the style according to a description used by local custom and show appeal as G-A-F-P.
  - 12) Quality of Construction. Enter "Good," "Average," or "Fair" and the construction type such as aluminum siding, wood siding, brick, etc.
  - 13) Age. If both actual and effective age are used, enter both such as "A-25, E-20." A difference typically is caused by modernization or significant maintenance, or the lack of either. A difference is the basis for a (+) or (-) adjustment. If the property is less than two years old, the appraiser must show the month and year of construction completion.
  - 14) Condition. Enter "Good," "Average," "Fair," or "Poor" when compared to the subject. Be consistent with Side 1.
  - 15) Above Grade Room Count Gross Living Area. Enter room count, which should be consistent with Side 1. Commonly, three adjustments may be entered. For example, the first may be an adjustment for "expendable space" such as a bath. A deficiency in the number of baths should be adjusted first. The second is a separate adjustment for a difference in square feet. The third is an adjustment for room count. These can be individual or separate adjustments which have been combined. All should be extracted from the market. But room count and bath adjustments should be on one line and square foot adjustment for size on another line.
    - a. Typically, an appraiser will not make an adjustment for

square feet difference and a difference in the room count. An example where it could occur is a very large home with a small room count. Any property that has an adjustment in square feet and room count should be explained.

- 16) Basement and Finished Rooms Below Grade. Enter the type of improvements in the basement such as bedroom, rec. room, laundry, etc. Explain any special features. Show number of square feet of finished area.

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- 17) Functional Utility. Enter "Equal," "Superior," or "Inferior," as a total of the items rated in the Improvement Analysis compared to the subject. Be consistent with the factors reported there. Use "Comments" section frequently and explain special features.
- a. The category of functional utility typically is the place to deduct for functional obsolescence which has been observed in the subject and recorded on Side 1 and which is not found in the comparables. Dollar adjustments should be extracted from the market. For example, a poor floor design that includes two bedrooms which are located so that entrance to one is gained by passing through the other typically requires a negative adjustment for functional obsolescence. In such a case, the second bedroom would not be counted as a bedroom.
- 18) Heating/Cooling. Enter an adjustment for heating and cooling systems, if appropriate. Any adjustments should be based upon local market expectations.
- 19) Garage/Carport. Enter an adjustment for car storage. Adjustments should be calculated in accordance with market acceptance of carport value versus garage and size.
- 20) Porches, Patio, Pools, etc. Enter an adjustment for these features. Any adjustments should be based upon local market expectations. For example, a pool located in an area that expects pools might bring a dollar premium in comparison to a comparable without a pool. However, a pool located in a low-income area might bring a negative adjustment resulting from an increase in maintenance.
- 21) Special Energy Efficient Items. Enter an adjustment for any energy efficient items such as storm windows and doors, solar installations, etc.

- 22) Fireplace(s). Enter any adjustment for the presence (or absence) of fireplace.
- 23) Other (e.g., Kitchen Equipment, Remodeling). Enter adjustments for any features not covered elsewhere.
- 24) Net. Adj. (Total). Check either + or - box to indicate if the total net adjustments will increase or decrease the sales price. If any adjustment is excessive, the

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- (8-3) comparables should be reviewed to determine if the best ones were selected. Any adjustment which appears to be excessive should be explained.
- 25) Indicated Value of Subject. Total all of the adjustments and add or subtract them to the sales price of each comparable. Generally, adjustments should not exceed 10 percent for line items, 15 percent net adjustments and 25 percent on gross adjustments.
- 26) Income Approach. The Income Approach need be completed only for three- and four-unit properties. When used, the appraiser is to show the gross rent from each of the comparables at the bottom of the form under "Final Reconciliation" as: Comp. #1 Gross Rent = \$1,000.00 (GRM 110); Comp. #2 Gross Rent = \$1,200.00 (GRM 108) . . . etc. The determination of the appropriate gross rent multiplier to use should follow the same procedure as in the market approach by selecting the comparable which is most similar to the subject property and utilizing the GRM found for that comparable; or if slightly higher or lower, explain.
- a. If the Income Approach is not used, the appraiser should draw a line through the words "Indicated Value by Income Approach (if applicable)" and enter the estimated market rent. The rest of the line items should be marked "N/A."
- b. Check the box marked "as is" or "subject to repairs . . ."
- 27) Comments and Conditions of Appraisal. In addition to any comments which the appraiser wishes to make, the appraiser should enter the monthly expenses estimated for closing costs and condominium or PUD common expense as appropriate. The appraiser must also enter VC requirement codes.

- 28) Final Reconciliation. This entry should contain the appraiser's reasoning for arriving at the final value. The appraiser must sign his/her name, print name under signature with assigned Chums identification number and date report as of the day inspected. The reviewer also signs, dates and writes CHUMS identification number at the bottom of the report as of date of review.

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- 8-4. RECONSIDERATION OF APPRAISED VALUE. A request for reconsideration of value is not an automatic step for a mortgagee to take when the appraised value is less than the sales price of the property. Unless the mortgagee has sufficient evidence to support a higher value, it should not be returned to the appraiser for reconsideration. This decision must be made by the HUD staff review appraiser or the Direct Endorsement mortgage underwriter. The following procedure will be used:
- A. Before any request for reconsideration of value may be accepted, the appraisal report and evidence to support a higher value must be reviewed by a HUD staff review appraiser or a Direct Endorsement mortgage underwriter.
  - B. Only after receipt of the official Conditional Commitment/Statement of Appraised Value may a request for reconsideration of value be submitted, and such submission must be made back to the reviewer accompanied by a photo (xeroxed copies of multiple listing cards are not acceptable) of each comparable used to support the higher value. In this way the reviewer/underwriter will be able to obtain a visual sense of the similarity of the comparables to the subject property. For reconsiderations submitted to the local HUD Field Office, photos will also be submitted.
  - C. If the comparables submitted are not sufficiently similar or acceptable to support the increase, the reviewer is to reject the request for reconsideration. If the reviewer does not reject the request, and the appraiser performs a review of the new comparables but finds that incorrect information was provided about them such as size, design, sales price, location or closing date, the appraiser will be entitled to one half of the original fee. In such cases, the appraiser must comment on the reason for rejecting each comparable.
  - D. If the reviewer/underwriter believes that the reconsideration is valid, it must be sent to the appraiser. The appraiser will then process the reconsideration and send the completed appraisal report directly to the underwriter for review. The

underwriter must review the appraisal report without delay and promptly issue the statement of appraised value to the buyer. Statements of appraised value may not be held for delivery until closing.

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UNIFORM RESIDENTIAL APPRAISAL REPORT

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UNIFORM RESIDENTIAL APPRAISAL REPORT

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