A PUD is defined as a mixed-use residential development of single-family dwellings in conjunction with rental, condominium, cooperative or townhouse properties. A residential development should be processed as a PUD if it has these minimum characteristics:

- A homeowner association that holds either title in fee or a lease of prescribed length on the common area
- Mandatory membership of all unit owners (or units) in the association
- The right of all unit owners to participate by vote in the operation of the association
- Lien supported assessment of the members to meet the association's budgeted operating costs (special assessments may be handled differently)

To be eligible for insurance endorsement, PUDs must be approved by HUD. The lender is responsible for obtaining a case number from HUD to ensure that the PUD is already approved. The appraiser should note whether there is a case number.

A. APPROACH TO VALUE

The approach to value for a PUD is the same as the approach to value for other types of developments (see Chapter 4 of this Handbook). Frequently, however, no valid comparisons are available that estimate market value. In these instances, appraisers should use the replacement cost estimate in valuation. Estimate the replacement cost of improvements, miscellaneous allowable costs, and marketing expenses the same as any Section 203(b) case. If properties in similar developments in the area have been sold, then direct comparisons are possible and the Comparative Approach would be valid and should be used.

B. ESTIMATE OF MARKET PRICE

Estimating the market price of an equivalent site requires consideration of these factors not usually encountered in ordinary appraisals:

- Consider the size of individual sites when approaching the use of common areas and recreational facilities.
- If there are similar developments in the neighborhood, consider a comparison of common areas, including recreational amenities.
- If there are no similar developments, place more emphasis on the cost to produce a similar site with similar facilities and benefits.
- Distribute the pro rata supportable cost to maintain the common improvements, facilities, and land owned by
the homeowner's association to each site in the
development (subdivision) and add it to the estimated value.

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   o To reflect additional amenities to the common areas,
     include an estimate on the Marshall and Swift Form 1007. On line 32, cross out "landscaping cost" and
     enter additional amenities".

   o Consider maintenance charges regarding cluster
     arrangements. For example, note whether the advantages
     of cluster arrangements are negated by high maintenance
     charges.

   o Before performing the assignment, check with the lender
     to ascertain that the project is on an approved list
     maintained by the Home Ownership Center (HOC). Check
     the URAR item indicating that the property is within a
     PUD project.

9-1 CONDOMINIUMS

A condominium is a form of fee ownership or long-term leasehold
of separate units or portions of multiunit buildings that
provides for formal filing and recording of a divided interest in
real property. In contrast to a PUD, a joint share in ownership
of the common area is part of the mortgaged property, and
therefore, constitutes a measure of the security backing the
mortgage loan. FHA's interest is therefore more immediate and
direct with respect to the common areas of condominiums than
those of PUDs.

Before performing the assignment, the appraiser must check with
the lender to ascertain that the project is on an approved list
maintained by the HOC or by a DE underwriter who has performed a
spot condominium approval. The appraiser must check the URAR
item indicating that the property is within a condominium
project, and therefore, eligible for FHA endorsement.

A. DEFINITIONS

   Mortgage: a lien covering a fee interest or eligible
   leasehold interest in a one-family unit in a project,
   together with an undivided interest in the common areas and
   facilities serving the project.

   Family Unit: a one-family unit including the undivided
   interest in the common areas and facilities and such
   restricted common areas and facilities as may be designated.

   Common Areas and Facilities: areas that are for the use and
   enjoyment of the owners of family units located in the
   project, including the land, roof, main walls, elevators,
   staircases, lobbies, halls, parking spaces and community and
   commercial facilities.
Restricted or Limited Common Areas and Facilities: areas and facilities restricted for use by a particular family unit or number of family units.

Project: a structure or structures containing four or more units.

Conversion: the creation of the condominium as of the date when all of the documents necessary to create a condominium regime have been recorded under state and/or local law.

Bona fide Tenants' Organization: an association formed by the tenants to promote their interest in a particular project whose membership is open to each tenant and whose requirements apply equally to each tenant.

Condominium Fee (Assessment): the apportionment of common expenses that are to be charged to a unit owner in a manner to be determined in the declaration or by-laws. The charge may include costs for utilities on individual units and on common use buildings, security requirements, salaries for employees of the association and repairs to common facilities.

B. APPROACH TO VALUE
The approach to value for a single unit in a condominium project is similar to that for other home mortgage programs. As in other home mortgage appraisals, value indications from the Sales Comparison and Income Capitalization Approaches are developed and considered (see Chapter 4 of this Handbook). The cost approach can not be performed for a condominium unit.

1. Sales Comparison Approach
The appraiser should obtain sales data from any other units in the project and from other competitive condominium projects, including adjustments because of site factors, such as:

- differences in views from the unit
- proximity to recreation areas (swimming pools, clubhouses, tennis courts, etc.)
- proximity to odors and the nuisance of incinerators proximity to garbage chutes or refuse areas proximity to noisy pumps or boiler rooms

Adjustments must also be made for the following:

- differences in physical improvements within
the dwelling that have been made by the owner-occupant

- differences in preferences of purchasers between upper and lower floors and all other site factors

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