

**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 Mortgage 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.