



In this issue

- 2 Which form should I use?
- 4 Appraising homes with solar panels and energy efficiency improvements
- 5 Wow, appraisers are busy!

Appraiser Update

Periodic updates for residential appraisers serving Fannie Mae lender customers

Welcome to our latest Appraiser Update! We seem to have settled into a new normal around COVID-19, so this edition focuses on some other hot topics like the new appraisal forms and tips for solar and client disclosure. We also share some data on appraisal assignment volume and appraiser workload.

Enjoy!

Collateral Policy Team
Fannie Mae



Interested in receiving this newsletter and other periodic appraisal-related updates?

Sign up now!

Which form should I use?

Since announcing two new appraisal forms in July, we've received an important question: **“Should I use Form 1004 Desktop when completing an appraisal with COVID-19 appraisal flexibilities?”**

Spoiler alert: **No.**

| New forms

The government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, have created two new Uniform Appraisal Dataset (UAD)-aligned appraisal forms: the 1004 Desktop and the 1004 Hybrid. The Uniform Collateral Data Portal® (UCDP®) was updated on July 26 to receive these new forms, and they are available through several appraisal forms vendors.

In a previous [newsletter](#), we explained that the GSEs were tasked by the Federal Housing Finance Agency (FHFA) with exploring appraisal modernization. Today's Uniform Residential Appraisal Report (URAR) Scope of Work, Limiting Conditions, and Certifications do not accommodate alternative appraisal processes. With FHFA's permission, the GSEs aligned on modified Scopes of Work, Limiting Conditions, and Certifications in these new forms, enabling the GSEs to separately explore alternative appraisal processes.

What's important to know is that the 1004 Desktop and 1004 Hybrid are *not Selling Guide-compliant*, meaning lenders **cannot** deliver loans to us with appraisals on the new forms unless the lender has a formal agreement to participate in our appraisal modernization testing. Consequently, you *may not use* these new forms unless specifically instructed by your client.



The number of participating lenders and appraisal volume in our test is small, so most appraisers will see few, if any, of these appraisal assignments. The 1004P discussed in the previous newsletter will be phased out and replaced by the new forms.

| COVID-19 flexibilities

In March, we announced appraisal flexibilities in response to the COVID-19 pandemic (see [Lender Letter LL-2020-04](#) and our [Six Tips for Appraisers on Using COVID-19 Flexibilities](#) video). We anticipate there may be confusion with the “desktop appraisal” option for COVID-19 and the 1004 Desktop. They are not interchangeable, however.

First, we did not create new forms for the COVID-19 flexibilities because they are temporary. It takes time to create new forms; we began work on the 1004 Hybrid and 1004 Desktop in 2018. But we needed a fast, flexible solution to react to the pandemic's rapidly changing circumstances. So, we created mandatory disclosures for appraisers to make within existing UAD forms.

Second, the COVID-19 certifications do not include Certification 10 so that you can utilize information from interested parties when other data sources



aren't available due to mobility restrictions or social distancing. Conversely, in our modernization testing, we expect appraisers to have an independent source — that is, Cert 10 remains in effect. We encourage you to make a side-by-side comparison of the variations in the disclosures so you are comfortable with your obligations under each.

Lastly, we track the appraisal reports differently. We track COVID-19 appraisals using the terms “desktop” or “exterior” in the Map Reference field, while we use the new data elements on page 3 to track the new forms. Using the wrong form exposes you to lender or other QC checks, which can lead to rework for you or repurchase liability for your customer.

You must use the eligible forms for COVID-19 flexible appraisals as described in LL-2020-04. The best practice when choosing forms is that the traditional forms are required for most cases. Before selecting 1004 Desktop or 1004 Hybrid, confirm that this is the form your client requested.

We encourage you to make a side-by-side comparison of the variations in the disclosures so you are comfortable with your obligations under each.

For more information, please see [URAR Hybrid and Desktop Appraisal Forms – Quick Reference](#) and [URAR Hybrid and Desktop Appraisal Forms – Overview](#), both available in the Help & Training section on the [Appraisers page](#).



Appraising homes with solar panels and energy efficiency improvements

Our policy allows appraisers to consider the cost and income approaches in evaluating energy efficiency improvements, including solar panels, so long as any determination of impact on value (positive or negative) for the improvements is made within the overall context of the local *market* dynamics.

This policy does not allow appraisers to adjust on a mechanical dollar-for-dollar basis for equipment and installation costs, replacement cost, or the discounted present value of expected savings or cash flow over the useful life of the equipment. Further, appraisers may not adjust the value of the property solely based on the cost or income approach. The appraiser *must* analyze the market reaction to the energy-efficient feature.

The appraiser has latitude in choosing the most appropriate tools for their analysis. We allow (but do not require) use of the Appraisal Institute's Green Addendum or other industry tools.



Consumers can choose from various types of ownership and leasing structures when acquiring solar panels. The appraiser may need additional information from the lender about the panels' ownership type to define the scope of work for the appraisal assignment. In some cases, the solar panels are not owned by the homeowner, or they may be personal property rather than a fixture to the real estate — meaning they cannot contribute to real property value.

Our [Appraising Properties with Solar Panels Overview](#) explains appraisal requirements broken down by common types of ownership and debt financing. We also offer a short tutorial video that describes the most common leasing and ownership structures for solar panels and how these structures impact the value analysis. Both the one-page overview and the video can be viewed in the Help & Training section of the [Appraisers](#) webpage.



Wow, appraisers are busy!

2020 has been an incredibly busy year for appraisers, especially these past few months. If you are reading this late at night because you've been too busy writing reports during daylight hours, you are not alone. From January to July, appraisal submissions to the Uniform Collateral Data Portal® (UCDP®) have averaged 691,124 per month, putting 2020 on track to be the highest volume year since UCDP was launched. The number of appraisers whose appraisals are submitted through UCDP has remained about the same. That means individual appraisers' volume has gone up significantly.

In 2013, appraisers averaged about 10 appraisal submissions to UCDP per month. By 2018, that number had risen to 13 per month; 2019's average went up to 16 per month. From January to July this year, appraisers' submissions have grown to an average of 17.5 per month. Last month, that number was even higher — an average of 20 appraisal submissions per month per appraiser.

Appraisers across the country are working hard to keep up with demand. Kudos to those of you who have taken on a trainee for extra help during this time of high volume, and thanks to all of you for diligently keeping the U.S. mortgage market moving.



For more info



**Have questions or comments
about appraisal topics?**

[Contact us](#)



**Access newsletters, training,
and other resources.**

[Visit the Appraisers page](#)

