



Appraiser Update: *Special Edition for Rural Appraisal* *Periodic updates for residential appraisers serving Fannie Mae lender customers*



As we look back on 2018, several key themes emerge. First, our focus has been on our collaboration with the appraiser community. In the spring, we launched our “Contact Us” feature for appraisers to share observations, suggestions, and questions with us. We met with appraisers on many occasions, including several of the largest industry events. Also, we discontinued our requirement for the market conditions addendum (Form 1004MC).

A second theme has been affordable housing and underserved markets. To that end, we introduced MH Advantage™ (see page 2) in June and the expansion of eligibility parameters for modular homes in December. In that spirit, this edition of our newsletter is dedicated to rural appraisal issues.

Third, we see the pace of technological innovation increasing (a common topic in our conversations with you). The Federal Housing Finance Agency has tasked us with studying modernization of the appraisal process. We anticipate this work will begin to come into focus in 2019, and we look forward to working with appraisers to improve our industry. Thank you for your engagement. We wish you and your loved ones a wonderful holiday season!

Collateral Policy & Strategy Team
Fannie Mae

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Appraisal Policy Updates

In our December 2018 *Selling Guide* update, we changed our modular home policies to better support affordable and rural housing supply. On-frame modular homes that meet the following criteria are now eligible property types:

- Comply with local building codes
- Attached to a permanent foundation
- Built using the same materials as comparable site-built homes

These homes are subject to the same eligibility and underwriting criteria as site-built homes.

Like off-frame modular homes, appraisals of on-frame modular homes must be reported on the Uniform Residential Appraisal Report (Form 1004). Appraisers are expected to use the best available comparable sales, which may include on-frame modular homes, off-frame modular homes, manufactured homes, other factory-built housing, and site-built homes. Appropriate adjustments must be made to comparable sales built with different construction techniques. (See *Selling Guide* [B4-1.3-09: Adjustments to Comparable Sales](#))

Any hardware used to tow the home to the site (wheels, axles, and tow hitches) must be removed. Appraisal photos should demonstrate that the home is permanently attached to the foundation.

We also clarified that multi-unit buildings may be built using modular construction techniques that comply with local building codes. These buildings include, but are not limited to, attached condos and townhomes. In most cases, these types of buildings will have similar appeal as buildings using stick-built construction in the same

market. Appraisers must comment on any market reaction when the construction technique results in a building that is unique for the market.

MH Advantage™

MH Advantage is an innovative new mortgage option that offers affordable conventional financing for manufactured housing with features similar to site-built homes, including: distinctive roof treatments, lower profile foundations, garages, carports, porches, dormers, and upgraded interior/exterior features and materials.

In October, we updated the comparable sale requirements to give appraisers flexibility with MH Advantage since these properties are hybrids of manufactured and site-built homes. If less than three MH Advantage sales are available, the appraiser is to supplement with the best and most appropriate sales available, which may include site-built homes, standard manufactured, or modular homes. Sales should have similar physical and legal characteristics when compared to the subject property (e.g., site, room count, gross living area, style, and condition), and appeal to the same buyers who would consider purchasing the subject property. With the exception of comparable sales requirements, all other manufactured home appraisal guidelines apply to MH Advantage.

Coming soon: We will soon launch an eLearning course on appraisals of MH Advantage homes.

For more information, check out [Factory Built Housing](#), [Special Considerations Factory Built Housing](#), and [MH Advantage](#). Also view the [Manufactured Housing page](#).

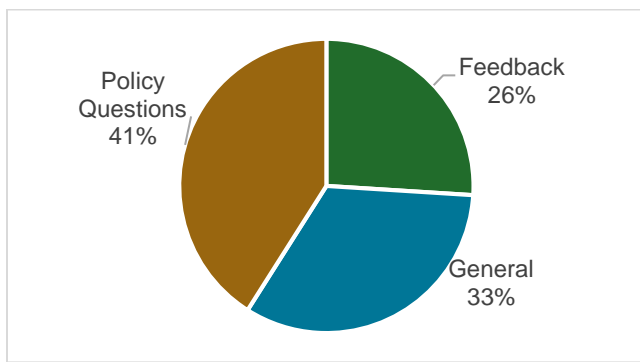


Engagement Update

Contact Us Form

Thank you for continuing to use the *Contact Us* form to let us know your thoughts and ask questions.

As shown in the chart below, 41 percent of form entries were appraisal policy questions, 26 percent provided feedback on appraisal process modernization or UAD and forms redesign, and 33 percent were general comments or non-specific inquiries.



The most common appraisal policy questions concerned new construction, how to count GLA, and converting an FHA appraisal to a conventional appraisal.

All policy questions were answered with an average turn-time of 48 hours.

Do you have a question? Get answers [here!](#)

Rural Round Up

As promised, this newsletter edition is dedicated to appraising properties in rural areas. We have compiled some reminders to help with appraisals of rural properties.

Also check out the recently updated [Rural Appraisal Challenges](#) eLearning course for appraisals in rural areas.

Highest and Best Use

The appraiser is responsible for developing an opinion of highest and best use. When agricultural attributes are present, the highest and best use analysis requires additional due diligence. We covered this in greater detail in the [April Appraiser Update](#).

Standards for Comp Selection

Since rural markets are often characterized by stable or slow population growth and limited comparable sales data, appraisers may need to expand their sale search parameters geographically or by date of sale. For sales in different neighborhoods or markets, appraisers will need to conduct analyses to account for the differences in location. For older sales, consideration must be given to changes in market conditions.

Data Sources

Appraisers must have access to necessary and appropriate data and verification sources for the subject property and its location. For example, appraisers may not accept assignments in counties where they do not have access to common and customary data sources for that county. Lack of data sources is not an acceptable justification for expanding comparable search parameters.

Adjustments

Comparable adjustments support becomes even more important to developing credible assignment results when there are limited sales. Several methods and analyses can be employed to support adjustments, including paired sales, regression, prior sale of the subject, depreciated cost, and conversations with market participants.

Cost approach

A cost approach can provide much-needed support for rural property appraisals. With the cost approach, it is

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key to develop and support an opinion of site value, as well as address all forms of depreciation including physical, functional, and external/economic. When using the cost approach, failure to analyze and adjust for all forms can result in an inflated value indication.

Reconciliation

For conforming 1-4 family residential properties, the sales comparison is typically the most reliable of the three approaches to value. It requires the appraiser to exercise judgment in deciding which sales should be given the most weight. Fannie Mae requires the indicated value by the sales comparison approach to be within the range of the adjusted sale prices of the comparables shown in the appraisal report.

For deriving the final opinion of value, appraisers must evaluate the reliability of each valuation approach, the validity of the indicated values, and the reliability of the available data, and must explain how the approaches were reconciled. Appraiser Certification #4 states the appraisal is based on the sales comparison approach; however, our policy does not preclude a final opinion of value different from the sales comparison approach, as long as it is within the range of indicated values by the approaches. In other words, the cost and income approaches may influence the final reconciliation.

Manufactured Housing Appraisal Policy Overview

Appraisers must have knowledge and experience with the unique characteristics of HUD Code manufactured homes. The appraiser also needs to have an understanding of state and local building codes, and access to appropriate manufactured housing data sources such as data from MH retailers and

manufacturers, public sources to verify real property, book value/cost services, MLS, and public records.

For standard manufactured homes (non-MH Advantage) a minimum of two similar manufactured home sales are required, while additional sales can be other property styles, including modular and site-built homes. Sales of new manufactured homes and land can be used provided both the land and home sell together in a single transaction, and the physical attributes, conditions of sale, prices, and sales concessions can be adequately verified; it is not acceptable to create sales by combining separate transactions of land and home.

A detailed and supported manufactured home cost approach is required along with a well-developed opinion of site value.

Reporting requirements include the use of the Manufactured Home Appraisal Report (1004C). For purchase transactions, appraisers need to provide an analysis of sales contract and manufacturers invoice.

For more information see [Factory Built Housing](#) and [Special Considerations Factory Built Housing](#).

Connect with Us!



Resources

- For more appraiser-focused information, bookmark the [Fannie Mae Appraisers](#) page.
- Find answers to your appraisal policy questions in the [Selling Guide](#).
- [Sign up](#) for Fannie Mae update emails.

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