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Exhibit A – Appraisal Report Data Set (Form 4827.A)



## Section 1: General Appraisal Requirements

### 1.01 Appraisal Report and Property Value

The Appraisal report must:

- be addressed to, and state that it may only be relied upon by:
  - the Lender engaging the Appraiser,
  - Fannie Mae, and
  - if instructed by the Lender, tax investors in a Multifamily Affordable Housing Property;
- be signed by the Appraiser and certified to have been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP);
- list all Appraisers and Appraiser employees involved in the development of the Appraisal;
- be in a narrative format, using only objective factors; and
- provide an opinion of Property's value, but excluding any value attributable to:
  - goodwill;
  - business value (except for a Seniors Housing Property);
  - intangibles; or
  - furniture;
  - fixtures (unless customary in the market); and
  - equipment.

If any Lender employee influences, or attempts to influence, the development, reporting, result, or review of an Appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or any other manner, the Appraiser must report this immediately to the Lender and Fannie Mae.

### 1.02 Compliance with Fair Lending and Fair Housing Laws

In its Appraisal, the Appraiser must:

- comply with all fair lending and fair housing laws;
- describe the Property and the neighborhood in factual, unbiased, and specific terms;
- consider all factors affecting the Property's value; and
- be objective and unbiased in the development of the opinion of market value.

Federal, state, and local laws prohibit discrimination in the appraisal of housing. By addressing the Appraisal to the Lender and Fannie Mae, the Appraiser acknowledges that discriminatory valuation and appraisal reporting practices are illegal and unethical. The Appraiser must not:

- develop a conclusion of the Property's value based either partially or completely on any characteristic protected by any fair housing or fair lending law, including the:
  - sex,
  - race,
  - color,
  - religion,
  - disability,
  - national origin, or
  - familial status of the



- owner or prospective owner of the Property,
- occupants or prospective occupants of the Property, or
- occupants in the vicinity of the Property;
- include in the Appraisal any reference to a protected class of the:
  - o owner or prospective owner of the Property,
  - o occupants or prospective occupants of the Property, or
  - o present owners or occupants of properties in the vicinity of the Property;
- use unsupported assumptions, subjective terminology, interjections of personal opinion, or perceptions about factors in the valuation process; or
- develop a conclusion of the Property's value based on prohibited factors that local, state, or federal law designate as discriminatory.

### 1.03 Property Inspections

An interior and exterior inspection of the Property must be conducted by at least one Appraiser signing the Appraisal report. The inspection of the Property must be sufficiently detailed to adequately incorporate Property-specific physical and economic characteristics into the Appraisal's discussion, analyses, and valuation conclusion.

Any physical condition concerns with the Property's land or improvements observed during the inspection or known to the Appraiser must be reported in the Appraisal. This includes any environmental conditions impacting the Property's value or marketability observed during the site inspection or known to the Appraiser per any environmental report.

The Appraisal must discuss the Property's environmental conditions and any impact on the Property's value or marketability, as applicable, based on the findings of any environmental report provided by the Lender.

The Appraiser must make reasonable effort to:

- select units for inspection based on a random distribution of unit type (e.g., studio, one-, two-, and three-bedroom), buildings, and floors (or as determined by Lender employees responsible for engaging the Appraisal); and
- inspect a sufficient number of each dwelling unit type.

To facilitate a random sampling of dwelling units, the Appraiser, at least 24 to 36 hours prior to the scheduled on-site visit), must provide the Property Point of Contact (POC) with a list of units to be inspected to allow the Property Manager to provide advance notice to those tenants. The POC may identify or recommend additional or replacement dwelling units. The Appraisal must identify:

- the units inspected, including
  - o building and unit number,
  - o unit type,
  - o occupancy status, and floor; and
- whether units were randomly selected by the Appraiser or, if not randomly selected
  - o how the dwelling units were selected for inspection, and
  - o the limitation preventing a random selection.

Depending on the size of the Property, the Appraiser must access and inspect the minimum number of units per the following table, although the Appraiser may inspect more units at its discretion:



Property Size	Required Units for Inspection and Appraiser Commentary
Less than 25 units	<ul style="list-style-type: none"><li>• A minimum of 2 units; plus</li><li>• All vacant units to determine:<ul style="list-style-type: none"><li>◦ the age of components; and</li><li>◦ if the Property exhibits a clear and consistent pattern of maintenance; plus</li></ul></li><li>• All Down Units (i.e., units not currently in rentable condition in the normal course of business) to determine, and comment on, the amount of repairs/renovations necessary to make them ready for occupancy.</li></ul> <p>If this requirement results in more than 5 units to be inspected, the Appraiser may sample the vacant units, but all Down Units must be inspected.</p>
25 to 50 units	<ul style="list-style-type: none"><li>• A minimum of 3 units; plus</li><li>• All vacant units to determine:<ul style="list-style-type: none"><li>◦ the age of components; and</li><li>◦ if the Property exhibits a clear and consistent pattern of maintenance; plus</li></ul></li><li>• All Down Units to determine, and comment on, the amount of repairs/renovations necessary to make them ready for occupancy.</li></ul> <p>If this requirement results in more than 5 units to be inspected, the Appraiser may sample the vacant units, but all Down Units must be inspected.</p>
More than 50 units	<ul style="list-style-type: none"><li>• A minimum of 5 units; plus</li><li>• All vacant units to determine:<ul style="list-style-type: none"><li>◦ the age of components; and</li><li>◦ if the Property exhibits a clear and consistent pattern of maintenance; plus</li></ul></li><li>• All Down Units to determine, and comment on, the amount of repairs/renovations necessary to make them ready for occupancy.</li></ul> <p>If this requirement results in more than 15 units to be inspected, the Appraiser may sample the vacant units, but all Down Units must be inspected.</p>

For Properties with commercial or retail mixed use, the Appraiser must:

- sample a representative sample of the commercial/retail units; and
- for any commercial/retail space:
  - identify the number and size (square feet) of tenant spaces;
  - identify differences in parking requirements for commercial tenants and residential tenants;
  - observe and identify specific mechanical, electrical, and plumbing systems for commercial tenants; and
  - observe and identify interior finishes of commercial spaces.

#### 1.04 Appraisal Updates

If an updated Appraisal is required, the Appraiser must comply with the requirements and advice provided in USPAP for an update of a prior Appraisal.

In addition, for an updated Appraisal, the Appraiser must, at a minimum:

- reinspect the Property;
- resurvey the rental comparables; and
- review the market for any additional sales comparables or changes in capitalization rates.



The Appraiser's documentation for the updated Appraisal must clearly:

- indicate the steps performed by the Appraiser for the updated Appraisal; and
- discuss in detail any changes between the original Appraisal and the updated Appraisal.

### **1.05 Sales Comparison Approach**

The Appraiser must:

- Support the value indicated by the sales comparison approach by analyzing the sales of at least four comparable properties. The sales comparables must be physically and locationally similar to the Property and must have been sold recently (generally, within the last 12 months). The Property itself cannot serve as a sales comparable, unless the Appraiser has identified and analyzed at least four other comparable properties.
- Identify the primary data source used to verify comparable sales data. When necessary, adjustments to the sales comparables must be made by the Appraiser. The comparable property selection and any adjustments made to the comparables must be discussed in the Appraisal by the Appraiser. If there is an absence of recent comparable improved sales, the Appraiser must consider that absence in estimating the market value, and comment in the Appraisal report on the necessity to use any remote or locationally dissimilar comparables.

### **1.06 Capitalization Rate Derivation**

The Appraiser must derive the capitalization rate based on factors reflecting the investment characteristics of typically knowledgeable investors for properties similar to the Property. The Appraiser must develop the capitalization rate using each of the following techniques, if practicable:

- extraction from comparable sales;
- published sources;
- personal surveys and interviews with market participants;
- band of Investment model; and
- debt coverage ratio model.

### **1.07 Rental Competition Analysis**

The Appraiser must use at least four rental comparables. For each rental comparable, the Appraiser must:

- identify the primary data source; and
- include current rental competition that affects the Property's economic performance.

The Appraiser must analyze and discuss the difference, if any, between the Property's actual contract rents and the Appraiser's estimate of the Property's market rents, and their impact on the leased fee value of the Property. If the Appraiser's estimate of market rent is dissimilar to the recent leasing at the Property, the Appraisal must provide an adequate discussion and explanation of the variance.

### **1.08 Market Feasibility Analysis**

The Appraiser must include a market feasibility analysis in the Appraisal if the Property is new construction or if the Property has recently undergone major rehabilitation that altered the income generating profile of the Property. The market feasibility analysis must be included as a section of the Appraisal and must:

- consider, analyze and report on the Property's current rental competition and future rental competition, including a review of projects under construction, planned or proposed in the same sub-market that may affect the Property's economic performance;
- support forecasted rent levels and occupancy; and
- analyze rental concessions and absorption rates.



When analyzing rental competition, the Appraiser must also identify and describe projects in the same sub-market as the Property that are under construction, planned or proposed, and the likely effect on the Property's economic performance and value.

### **1.09 Rental Income, Vacancies, and Expenses**

The Appraiser must consider, analyze, and report (including an explanation of the effect on the Property's economic performance) at the Property and similar properties within the market area:

- explain the expected stability and longevity of the Property's current rent levels and occupancy;
- rental concessions, rental discounts, and rental abatements;
- any rent control or rent stabilization of the Property or within the market area;
- operating expenses and vacancy trends; and
- any seasonal or cyclical influences that could affect the Property's and market's economic performance.

If the Appraiser:

- does not know of any rental concessions, rental discounts, or rental abatements, the Appraiser must state this fact in the Appraisal;
- forecasts a market rent that is higher or lower than the current contract rent, the Appraiser must adequately explain the reasons for the difference in the current contract rent and the forecasted market rent;
- forecasts operating expenses that are higher or lower than current operating expenses, the Appraiser must adequately explain the reasons for the difference in the current operating expenses and forecasted operating expenses; and
- forecasts a vacancy percentage that is higher or lower than the current vacancy percentage, the Appraiser must adequately explain the reasons for the difference in the current vacancy and forecasted vacancy.

### **1.10 Deferred Maintenance and Required Repairs**

The Appraiser must review, and consider in estimating the As Is opinion of the Property's value, the cost estimate schedules for:

- Immediate Repairs; and
- Replacement of Capital Items for the Property over the Mortgage Loan term and required to be paid for by the Property Owner.

The Appraisal must:

- report and explain any deferred maintenance known to, or observed by, the Appraiser at the Property, and describe the effects of these deficiencies on the marketability of the Property; and
- contain a cost-to-complete estimate of any needed repairs at the Property, discuss any prospective vacancy issues resulting from the repair process, and provide an estimate of the date that lease-up will be completed after any needed repairs are completed.

### **1.11 Insurable Value**

Every Appraisal must contain an Insurable Value for the buildings, including the multifamily dwellings, and any other structures or improvements at the Property.



### 1.12 Information Provided to the Appraiser

The Appraiser must verify with the Lender that the following information has been provided, if applicable, to the Appraiser, and whether the information was provided by the Lender, the Seller (for an acquisition of the Property), or the Property Owner (for a refinance transaction):

- Property Condition Assessment, or any other inspection reports;
- rent roll dated within 60 days prior to the Appraisal Inspection Date;
- Property operating statements detailing income and expense for the previous calendar or fiscal year (or two years, if available), as well as year-to-date income and expenses;
- sample of residential leases reviewed by Lender;
- copies of executed commercial leases, including all amendments and attachments;
- copies of any ground leases;
- copies of easements or regulatory agreements;
- copies of any purchase/sales agreements or contracts executed within 3 years before the Appraisal date;
- environmental report(s), including any Environmental Site Assessments;
- architectural plans and specifications, if construction at the Property is not yet completed;
- site plans/surveys, if available;
- capital expenditures incurred and total construction costs, if the Property not yet completed or is a Moderate Rehabilitation Property; and
- any information that the Seller/Lender knows that may affect the Property value.

### 1.13 Attachments to the Appraisals

The following information must be attached to the Appraisal, if applicable:

- any information provided to the Appraiser by the Seller/Lender;
- color photographs of the Property's:
  - exterior;
  - interior common areas;
  - typical unit interiors;
  - surrounding area;
  - rental comparables;
  - sales comparables; and
  - commercial rental comparables;
- maps showing the location of the Property relative to the location of the:
  - land comparables;
  - current rental comparables;
  - future rental comparables; and
  - sales comparables;
- complete legal description of the Property;
- the qualifications of:
  - the Appraiser; and
  - any supervising or reviewing Appraiser;
- a copy of the complete, signed engagement letter between the Appraiser and the Lender; and
- a copy of any communications about the scope of the Appraisal between the Appraiser and the Lender.



## Section 2: Property-Specific Appraisal Requirements

### 2.01 Appraiser Qualifications

The Appraisal must:

- contain a qualification statement from the Appraiser detailing the Appraiser's experience in valuing the specific property type (i.e., Student Housing Property, Seniors Housing Property, etc.); and
- include the qualification statement as an addendum to the Appraisal.

### 2.02 Ground Leases

If the Property is subject to a ground lease, for purposes of developing the Sales Comparison Approach and deriving a capitalization rate under the Income Approach, the Appraisal must include sales of other multifamily properties that were also subject to a ground lease. If ground leasehold sale comparables are not available, the Appraiser may adapt leased fee transactions to the leasehold valuation of the Property. The Appraisal must include a robust discussion on how the comparables have been adapted.

### 2.03 Student Housing Properties

When valuing a Student Housing Property, the Appraisal must contain a discussion of:

- trends in student population or enrollment;
- changes in the supply of on- or off-campus housing;
- distance from the Student Housing Property to the school and available transportation options;
- any school policies affecting student residency; and
- changes to school-sponsored amenities, whether on- or off-campus.

For rental and sales comparable properties, the Appraiser must:

- consider properties purchased, developed, or leased specifically for student housing;
- only use comparable regional student housing properties if comparable student housing properties in the local market are not available; and
- only consider a non-student housing property as a comparable property if comparable local or regional student housing properties are not available.

If non-student housing comparables are used, the Appraisal must discuss the adjustments necessary to correlate a non-student housing property to a Student Housing Property.

### 2.04 Multifamily Affordable Housing Properties

When valuing a Multifamily Affordable Housing Property, the Appraisal must contain a discussion of:

- proposed, under-construction, and recently delivered supply of affordable and market-rate housing properties within the relevant market, including potential impact on the concluded rents, vacancy and concessions of the Property;
- trends in population and household income, focusing conclusions on demand trends relative to the Property's affordability restrictions;
- trends in occupancy of competing/similar affordable housing properties and market rent properties in the market;
- proximity to public/mass transportation; and



- any other factor that might have an effect on affordable housing occupancy, rents, expenses, or investment in the relevant market, like subsidy contracts (project-based and tenant-based), land use restrictive agreement (LURA) or other rent or income restriction regulatory agreements encumbering the property, ground lease terms, tax abatement sustainability and term, and new laws or ordinances.

For rental and sales comparable properties, the Appraiser must consider properties that were purchased, developed, or leased specifically as an affordable housing property. The Appraiser may only:

- use affordable housing properties in a similar region if comparable affordable housing properties in the local market or region are not available; and
- consider a non-affordable housing property as a comparable property if comparable local or regional affordable housing properties are not available.

The Appraiser must discuss:

- the adjustments made to the rent comparables to support the conclusion of restricted market rents for the Property; and
- if non-affordable housing comparables are used, the adjustments necessary to correlate a non-affordable housing property to a Multifamily Affordable Housing Property.

For the Restricted Value, the Appraiser must consider sales of comparable properties purchased, developed, or leased specifically as a restricted affordable property.

For Restricted Value and Unrestricted Value, each Appraised Value must be based on a market cap rate without any upward or downward adjustment for:

- special financing (other than adjusted cap rates for Credit Enhancement Mortgage Loans); or
- tax credit benefits.

## **2.05 Seniors Housing Properties**

When valuing a Seniors Housing Property, the Appraisal must contain a discussion of:

- trends indicative of residency eligibility in the Property's market such as senior population growth or retraction, or income and individual net worth trends impacting residency eligibility at the Property;
- trends in occupancy of competing/similar seniors housing properties and market rent properties in the relevant market;
- proposed, ongoing, and recent changes in the supply of seniors housing properties within the relevant market; and
- any factor that might have an effect on seniors housing occupancy, rents, expenses, or investment in the relevant market.

For comparable properties, the Appraiser must consider properties that were purchased, developed or leased specifically as a seniors housing property. The Appraiser may only:

- use seniors housing properties in a comparable region if comparable seniors housing properties in the local market are not available; and
- consider a non-local/non-regional seniors housing property as a comparable property if comparable local or regional seniors housing properties are not available.

If non-local/non-regional seniors housing property comparables are used, the Appraisal must discuss the adjustments necessary to correlate a non-local/non-regional seniors housing property.



## 2.06 Manufactured Housing Communities

When valuing a Manufactured Housing Community, the Appraisal must:

- contain a discussion of supply and demand for the Property and how the demand and supply factors affect the Property's economic performance and value;
- for rental and sales comparable properties, only consider properties purchased, developed, or leased specifically as a manufactured housing community; and
- not use manufactured housing communities in a similar region unless comparable manufactured housing communities in the local market are not available.

## 2.07 Tax Abatements

To derive the “As Is” Value, the Appraiser must first determine the applicable real estate taxes for the Property if fully stabilized (i.e., a minimum occupancy of 85%). The full stabilized real estate taxes are then used to calculate the Net Cash Flow, which determines the Property value with full taxes. Next, the Appraiser must derive the present value of the tax savings over the term of the tax abatement. The discount rate used to determine the present value of the tax savings must be supported by the Appraiser. The present value of the tax savings is then added to the Property value with full taxes to determine the “As Is” value of the Property with the tax abatement.

If local market practice is different from Fannie Mae’s preferred methodology, the Appraisal must discuss the differences and how the Property values derived by following the different methodologies are reconciled.

## 2.08 Commercial Space

For Properties containing commercial space, the Appraisal must include a rental analysis for each commercial tenant which discusses and analyzes at least three comparable commercial rentals. If commercial space can be marketed and sold separately from the residential space, the Appraiser must provide separate values for both the commercial space and the residential space. The Appraiser must also consider tenant improvement and leasing commissions as part of the analysis.



**EXHIBIT A – APPRAISAL REPORT DATA SET ([FORM 4827.A](#))**