



Appraisal Guide Update

Frequently Asked Questions





General Questions:

- What are the effective dates for Guide Update 24-12R: Revised Implementation Timing for Appraisal, Market, and Valuation?

The effective dates are as follows:

- Underwriting Standards (Form 4660) are effective for Mortgage Loans Committed as of November 15th, 2024
- Instructions for Appraisers (Form 4827) has been revised to lower the minimum number of units to be inspected by the Appraiser and the new version is effective for newly ordered Appraisals (date of the Appraisal engagement letter) on or after November 15, 2024;
- The Multifamily Selling and Servicing Guide (Guide) revisions will be effective in two parts:
 - Appraisal, Market, and Valuation is effective for newly ordered Appraisals (date of the Appraisal engagement letter) on or after November 15, 2024; and
 - The Appraisal Independence will be effective March 31, 2025.

- What documentation should Lender submit for Pre-Review for Underwritten Net Cash Flow (NCF) Variance?

Lender should submit the following in DUS Gateway:

- Complete Appraisal and addendums;
- Most recent fully completed Transaction Approval Memo (TAM); and
- Enter the following Pre-Review Reason:

Category	Pre-review (4660) <input type="button" value="v"/>
Sub-Category	Property Operations and Underwriting Terms <input type="button" value="v"/>
Descriptor	Underwritten NCF Variance <input type="button" value="v"/>

- Are Appraiser's going through the same training as Lenders so that they are aware of the additional criteria they need to satisfy?

No, the Guide update is intended for requirements on Lender’s review of the appraisal, minimum instructions to be completed in an Appraisal, maintaining Appraisal Independence and when to submit certain transactions for Pre-Review. Fannie Mae is not changing the appraisal industry requirements.

Part II, Chapter 2 Appraisal, Market, and Valuation Guide Questions:

- Section 202.01A requires that the Appraiser is “listed in good standing on the state roster per Title XI of FIRREA”. Do we have to confirm this for every Appraisal ordered or reviewed?

No, the expectation is that you should perform periodic checks to ensure the Appraisers are in good standing on the approved Appraiser roster list you maintain.

- Section 202.01A requires Lender to provide the Appraiser with all applicable documents needed to accurately assess Property's value. Can the Borrower provide documents to the Appraiser?



The Lender Appraisal Function must review documentation obtained from the Borrower or any other source and submit it directly to the Appraiser. It is not acceptable for the Borrower, Property Manager, Broker or Correspondent to provide documentation to the Appraiser.

- Section 202.01A requires Lenders to provide “your sample of the leases reviewed” to the Appraiser. Please provide clarification on what Fannie Mae’s expectations are?

This requirement falls under the documentation list to send to Appraisers, “as applicable”. If you think it is “applicable” to send to the Appraiser to help them determine the value, then you can make the determination if and when to send a sample of the leases you audited as required in Supplement 24-05R: Revised Fraud Prevention Underwriting Due Diligence.

You may also provide the Appraiser with blank lease templates as well to avoid sending any non-public tenant information to satisfy this requirement.

If you do not think it is applicable to send your sample of leases to the Appraiser, then just document the reason in your Transaction Approval Memo (TAM).

- Section 202.01B requires Lender must not provide the Appraiser with any Mortgage Loan information such as LTV, DSCR, amount of Underwritten NCF. For the “band of investment” calculation, the Appraisal will typically need to know the LTV, and can this be provided?

This Guide section is meant to not provide any specific Mortgage Loan information about the transaction as it could indicate you are providing the Appraiser with a desired value range. If the Appraiser needs an LTV for the “band of investment” analysis, the Lender Appraisal Function may provide the maximum allowable LTV as published in the Underwriting Standards (Form 4660) and provide an indication (range) of interest rates as this would be a more applicable assumption for the analysis versus the Mortgage Loan specific LTV being underwritten or actual interest rate.

- Section 202.01E requires when reviewing the Appraisal to ensure there is an accurate legal description of the Property. What is considered an accurate legal description?

A legal description that will ensure the Appraisal has properly valued the Property securing the Mortgage Loan.

- Section 202.01E requires the Appraiser to provide an opinion of insurable value. How is insurable value calculated?

This is in the purview of the Appraiser to determine this in accordance with appraisal industry standards.

- Section 202.01E requires that the review of an Appraisal is accompanied by Appraisals you ordered within the last 3 years. What is Fannie Mae’s expectation with this requirement?

The intention of the requirement is to make best efforts to gather any Appraisals ordered and to include them as part of your review of the appraisal.

- Section 202.01E requires Lender to perform a thorough review of Appraisals and document conclusions in the TAM. What type of "documentation" is required in the TAM around the Appraisal review?



You must ensure that your review of the Appraisal addresses all the requirements in section 202.01E, and fully document your assessment and conclusions in the TAM.

- Section 202.01E requires Lenders to verify the Appraisal's data accuracy around property details, recent sales prices, and relevant market data. What is Fannie Mae's expectation around this?

Lenders must make best efforts to confirm the accuracy of data in the Appraisal, even if the subject property and sales comparable properties are located in a non-disclosure state. This is necessary to ensure the appraisal and value are supported. In order to determine there are no Mortgage Red Flags, refer to the most current Potential Red Flags for Mortgage Fraud and Other Suspicious Activity published in the Guide.

- Section 202.02A states that regardless of any allocation in the purchase/sales agreement, the following is to be excluded from the Appraiser's opinion of market value: goodwill, business value (except Seniors Housing Properties), intangibles, furniture, fixtures (unless customary in the market), or equipment. Should appliances be excluded from the Appraiser's opinion of market value from the furniture, fixtures or equipment categories?

Yes, unless customary in the market to include as determined by the Appraiser.

- Section 202.02C states that if less than 12 months have passed between the Borrower's acquisition of the Property and the Commitment Date, your Underwriting Value must not exceed the lower of the Appraised Value, cost of capital improvements (refer to the Guide for complete language), actual acquisition costs, not exceeding 3% of the acquisition price (refer to the Guide for complete language) or Property's acquisition price per the title company settlement statement with no allocations to goodwill, business value (except Seniors Housing Properties), intangibles, furniture, fixtures (unless customary in the market), or equipment. If, for example, the Appraised Value is \$10 million aligned with the purchase contract price of \$10 million, however, the settlement reflects an acquisition price of \$9 million and \$1 million goodwill, how should Lender proceed?

The Lender should provide this information to the Appraiser to evaluate if the \$10 million value is still supported. The Appraiser might opine \$1 million goodwill is not a realistic portion of value, and the overall fair market is still \$10 million which would be an acceptable outcome and support the conclusion in your TAM.

Underwriting Standards (Form 4660) Questions:

- Will Pre-Review still be required if the Underwritten NCF Variance is equal to or greater than 15% for Senior Housing, Student Housing, Dedicated Student Housing Mortgage Loans, or equal to or greater than 20% for all other Mortgage Loans due to i) not including real estate taxes due to a tax abatement in place, and the Appraiser's NCF includes the real estate tax expense, ii) treatment of real estate taxes in California for refinances where Appraiser assumes a sale; or iii) any other expenses such as insurance premiums?

Yes, Pre-Review will be required for an Underwritten NCF Variance.

- What Underwritten NCF should be utilized to determine the Underwritten NCF Variance?

The most recent Underwritten NCF compared at the time the Appraisal NCF is reviewed by the Lender.

Appraisal Instructions (Form 4827) Questions:

- Section 1.03 requires the Appraiser to make best efforts to randomly select units for inspection. Can the randomly selected unit requirements be set by the Lender?



Yes, the random sampling of units may be chosen by Lender Appraisal Function or Appraiser, as long as the Borrower, Broker, Correspondent or Property Manager are not determining the random sampling of units to be inspected.

- Section 1.04, for Appraisal Updates, is the full interior inspection required or a sample of what was inspected previously?

At a minimum Fannie Mae expects the Appraiser's scope of work to include a drive by of the property noting any improvements. Further judgment can be used by the Appraiser to evaluate if an interior inspection or any other action is needed for further compliance with USPAP.

- Section 1.13 requires the Appraiser to "attach" certain information to the Appraisal, if applicable. Does this mean this information should be in the Appraisal document (in the body or addenda), or can it be provided separately?

The Appraiser can use their judgment to include it in either the body of the appraisal or the addenda.

Appraisal Independence – Future Guide Update Questions:

- Why must Lenders submit internal procedures, organizational charts and other relevant evidence in DUS DocWay by March 31, 2025?

Fannie Mae will review this information to assess that all Lenders are complying with the Appraisal Independence requirements.

- Section 202.01 outlines what the Lender Appraisal Function must perform and what the Lender Origination Function cannot perform as it relates to Appraisals. Can the Lender Origination Function solicit bids for an Appraisal if the Lender Appraisal Function engages the Appraisal assignment?

No, Lender Appraisal Function must perform all appraisal functions.