

Appraiser Instructions

-Do not attach Invoice to appraisal. Submit as separate report or - support@qualvs.com-

AI Ready Format	All appraisals must be completed and returned in PDF format.
Approved Appraiser	All appraisers MUST have been approved by QVS and hold a current/valid State Certification. Appraiser accepting assignment MUST complete assignment and MUST inspect the subject property and all comparables.
Appraiser Competency	Appraiser only to accept based on geographic competency and ability to return appraisal by specified due date.
Loan Number	Loan Number must be clearly stated in upper right hand portion of appraisal. QVS folder number is not the loan number and should not be reported.
Appraisers	Must be AQB compliant, without disciplinary action. Must hold current Errors/Omission Insurance of min. \$300,000/\$1,000,000.
Property Type	If legal property type differs from the service requested please contact QVS immediately to insure proper form to be completed (to deter re-write).
Search Parameters	Please include search parameters when reporting comments concerning sales comparison analysis – inc. time, distance, improved sizes and site sizes
Appraisal Conclusion	-Within Sales Comparison Analysis, appraiser to clearly state how value was derived from adjusted range of comparables. “Weight given to all comparables” is unacceptable unless entire range is less than 10%. -Provide an as-is market value -Provide a cost to cure for all repairs (apply adjustments to comparables for condition as needed)
Cost Approach	To be provided with every assignment
Attachments	-Location Map – inc. all comparables -Interior/Exterior Photos -HVCC Compliance statement (pg3) -Sketch w/calculations/dimensions -1004MC Form is NOT required -REO addendum MUST BE provided
Plat Map	Please include plat map – lenders prefer dimensions in appraisal if possible. If no plat map is available, please state “plat map not available” in the site section and state what the source is of determining the site size.

Communication

Appraisers to provide clear communication with QVS concerning any possible delays in turn time, not limited to delay in scheduling, servicing, appraisal transmission. All communication to be via Appraisalport or support@qualvs.com

HVCC Statement – Must Accompany Every Assignment

(Please place above cost approach on page 3)

No, employee, director, officer or agent of the lender, or any other third party acting as a joint venture partner, independent contractor, appraisal management company, or partner on behalf of the lender has influenced or attempted to influence the development, reporting, result or review of this assignment through coercion, extortion, collusion, compensation, instruction, inducement, intimidation, bribery or in any other manner.

I have not been contacted by anyone other than the intended user (lender/client as identified on the first page of the report), borrower, or designated contact to make an appointment to enter the property. I agree to immediately report any unauthorized contacts either personally by phone or electronically to Quality Valuation Services.

Scope of Work

The scope of work for this appraisal is defined by the complexity of this appraisal assignment and the reporting requirements of this appraisal report form, including the following definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser must, at a minimum: (1) perform a complete visual inspection of the interior and exterior areas of the subject property, (2) inspect the neighborhood, (3) inspect each of the comparable sales from at least the street, (4) research, verify, and analyze data from reliable public and/or private sources, and (5) report his or her analysis, opinions, and conclusions in this appraisal report.

See Quality Valuation Standard Requirements.

Quality Valuation Standard Requirements – “Experience, Integrity, and Transparency”

At QVS, We strive to deliver a premium quality appraisal to the lenders that we service. Below is a list of standards that we utilize in order to not only meet, but exceed the expectations of our clients.

- Properly identify all information concerning the legal descriptive for the subject property
- Properly identify the Client/Address. QVS is not the end user in most circumstances.
- Identify if the property is for a purchase, refinance or other (describe) purpose
- If the property is a purchase, please indicate all marketing that the property has gone through including but not limited to canceled, expired, hold, pending and/or sold statuses. Please fully identify the times spent throughout each status and if there were any reductions in pricing.
- If the property is a purchase you MUST indicate that a contract for sale was reviewed and analyzed AND, you must indicate if there were or were not any items which may affect the sales price.
- If property is vacant, please report if utilities are operational.
- Identify the neighborhood appropriately. Check built up rate vs. Present land use percentage.
- Consider Urban, Suburban and Rural ratings in conjunction with your comparable search. Consider distances to support facilities, employment.
- Neighborhood boundaries are to be defined based on the subject property’s neighborhood and not based on the extended market area. Properly define only the homogeneous neighborhood.
- Market conditions within the neighborhood section can encompass the range of properties throughout the neighborhood. This is opposed to the 1004MC, which should only include properties comparable to the subject property.

- Site dimensions should be utilized if at all available (even if irregular). Appraiser is to check calculations against the reported size in public records/assessor role to determine accuracy.
- Plat map to be submitted for every appraisal and is publicly available in most instances. Please utilize your city/county sources and/or subscription services to make available. **Identify subject parcel.**
- Please accurately report the “Specific Zoning Classification” and at minimum report the basic minimal lot size and minimal density requirements (units/acre). Residential or R1 for every report is not acceptable. Please familiarize yourself with city/county codes/regulations of area you service. This is a significant source of determination for the test of “Zoning Compliance”.
- Please describe any adverse site requirements (double check when adding your location map). Within the section which asks if there are any adverse site conditions – **Report what directly surrounds the subject property** (Ex. Similar quality SFR’s to N,S,E with similar SFR across the street to the West).
- If the subject property exceeds the size of a typical “city size lot”, or over 1 acre, please describe the topography of the site, what is on the site, if the site is likely to be divisible, and what the lot utility is.
- Adequately identify the subject property. Please reflect “actual” effective age of property based on upgrades. If effective age greatly differs from actual age, identify all upgrades that have been made paying particular attention to: electrical, plumbing, heating, cooling, roofing, doors, windows, siding, foundation, flooring, kitchens, and baths.
- Report any physical, functional, or external depreciation to the subject property. All Depreciations are also to be reflected in the Cost Approach and within the Sales Comparison Approach. Functional obsolescence concerning floor plan **MUST** be reflected in the Sketch by drawing interior walls.
- Photos required of front, rear, and street of the subject property. Subject to be in street scene if possible. Photos of comparables must be taken/submitted by appraiser. *MLS photos only accepted as secondary photos (in addition to entrance of property when unable to see home). This is to ensure proper photos submitted, and all aspects of comparable considered, including influences to sites.*
- Clear, descriptive Interior photographs are required of kitchen, master bedroom, **ALL** bathrooms, main living area, recreation/game rooms, basements and or any other significant rooms.
- All photos submitted must be clear/descriptive originals that are produced either by photography or electronic imaging.
- **Photos are required for all items being valued.** Interior photos are required of all things being valued which have an interior (Barns, out buildings, accessory units, etc.). Also include photos of pools and spas as uncovered or partially uncovered. Exterior photos of all amenities, site conditions required.
- Photos concerning extraordinary physical, functional and external adverse issues are required. Photos of health and safety issues are required.
- Photos are required of recent updates, such as restoration, remodeling, and renovation, if present.
- **“HVCC Statement” required in every appraisal** – reference page two of the engagement letter. Please add this to the “additional comments” section above the cost approach – preferred placement.
- **The cost approach is required for every appraisal.** Please indicate support of opinion of site value, source of cost data, and effective date of cost data. Please include all items being valued. Also include method of determining physical, functional and external depreciation.
- **Comparable properties currently offered for sale and comparable sales in the subject neighborhood within the past 12 months.** This section resides above gridded comparables #1-#3. This data within these two spaces should be populated with data “comparable” to the subject property – meaning this data should be the data considered in your research of comparables for the subject property. This *should not be* data which shows “market trends” for

the neighborhood, or for an extended marketing area. Also, **this data should not be set by a predetermined value** (Ex.\$ 500,000-\$700,000). This data should be the data reflected from the 1004MC data set. If it is not the same data set used from the 1004MC, please explain differences.

- All adjustments to comparables should be based on paired sales analysis from comparables which bracket the attributes of the subject property. If bracketed comparables are not available forcing “across the board” adjustments to the comparables, please explain how these adjustments were derived.
- All adjustments should be made based on actual differences in value as supported by comparables. Differences should not be reduced in order to avoid making comments concerning exceeding FNMA guidelines, and they should not be based upon anticipated underwriting expectations.
- Please identify and explain any line item adjustments which exceed 10% and/or identify any comparables which exceed 15% net or 25% gross adjustments. Also explain why it was necessary to utilize these comparables which exceed typical FNMA adjustment guidelines.
- Identify and explain – if all comparables net adjusted positively or negatively, if the value range of adjusted comparables exceeds 10%, if final value is above or below unadjusted range of comparables
- If time adjustments are necessary - **make time adjustments based on contract date** and clearly identify how the time adjustment was derived and applied.
- **Appraiser to include closing document numbers for each sold comparable.** If this data is not available due to non disclosure – please add a comment indicating why they are not available.
- Identify any sales concessions – although these are commonly overlooked, concessions can have a significant impact on values. Identify, report, apply, and explain accordingly. If marketing time or contract date is reported in this section on the form, a comment will need to be reported concerning sales concessions for all comparables within the sales comparison analysis.
- **Adequately identify appropriate adjustments.** Pairing of comparables is the most appropriate way of making adjustments, although please also consider the price range of the comparables. Ex.- the added significance of a \$500 fence to a \$800,000 home, making \$25/sf. adjustments to a \$1,000,000 home or making a \$50/sf. adjustment to a \$40,000 home. \$50/sf. adjustments may not be appropriate for \$1,000,000 homes. Analyze all data to extract adjustments appropriately.
- **Sales Comparison Analysis - Clearly identify how the value was derived from within the range of adjusted comparables.** Canned comments are not appropriate (and highly discouraged) for the identification of determining value. This portion of the appraisal is the most significant problem being solved in the appraisal process. “Equal consideration given to all comparables” is not an acceptable comment unless all comparables are very recent, very close in proximity, very similar in improved and lot size, and have an adjusted range of less than 10%.
- **All comparables last sale/deed transfer date is to be reported regardless of 12/36 month industry standard.** The reason for this is to identify flipping in an area, appreciation/depreciation in an area and possible over or under valuation. There is no need to report every prior sale, just report and sale/listing within 12/36 month periods, as well as the last prior sale previous to these periods. If you are in a “non-disclosure” area, please add a comment stating that the data is not available in the area due to non-disclosure state/county.
- **1004MC** – Please refer to FNMA instructions of how this form should be filled in. FNMA is explicit in instruction when it comes to using comparables for this data set. **“Sales and listings must be properties that compete with the subject property, determined by applying the criteria that would be used by a prospective buyer of the subject property”**. If there is no data available, place zeros and comment why no data is available. Do not enter n/a or not avail. Please fill in the “Summarize the above information” section appropriately. Many times there is not enough data to come to a conclusion concerning increasing, stable, or declining. Include external sources for support of your conclusions such as S&P/Case Shiller, Hanley Wood Market

Intelligence, or more direct local sources. There is an abundance of free data available on the internet.

- Reconcile all approaches to value – USPAP requirement. USPAP indicates that you must consider all approaches to value. Please state why they were not weighted if applicable.
- **Changes to appraisals** – Occasionally you may be asked to make changes to your appraisal based on typographical error, omissions from appraisal, or a need for additional commentary. At QVS we utilize an automated review system as well as an Internal Review Staff who will work with you in order to provide a Quality product which meet client requirements. You may receive an automated and/or manual correction request. **We ask that you make these corrections within 24 hours in order to meet important deadlines.**

To remain USPAP Compliant, we ask that you make your changes to the appraisal and add a comment section at the end of your comment addendum stating the effective date of changes and exactly what was changed.

Example – Changes as of 01/01/2010: Based on submission of a legal subdivision from title, the site size has been corrected. The additional lot (lot 6) originally valued has been excluded from this appraisal. The additional lot was not of significant size which would require additional comparables. All comparables site sizes have been readjusted at \$1.00/sf., resulting in a value change from \$210,000 to \$200,000. Effective date of appraisal will remain the same. Date of Signature and report will be 01/01/2010 or date of change. “Changes to appraisals” also applies to value rebuttals – only if changes are necessary in the appraisal.

- **Conditions of appraisal** – Also known as “subject to’s”. All items which are considered to be a health/safety hazard to the occupants will need to be corrected prior to funding. Health and safety items are such as although not limited to Security bars without property safety latches, lack of rails around decking or on stairs, broken windows, exposed wiring, emptied pools, mold, excess peeling paint, etc. Any items not considered as health and safety issues may be considered in condition or functionality of the property. **Please be very specific when making conditions of appraisal.** Also when coming to a value conclusion, you will need to consider the hypothetical assumption that this “condition” has been repaired or completed.

Property Acceptability

If the appraiser inspects the subject property and finds that there are questions concerning the acceptability by the lender for loan purposes, please immediately contact your coordinator with details of concern and photos if available and/or applicable. Appraiser will be compensated for inspection although may not need to complete the written appraisal.

Professional Services Agreement

The analysis or opinion of value MUST not be based upon any predetermined opinions and conclusions such as the owner's estimate of value or any other estimated value provided by the lender/client or other related party to the transaction.

All appraisers MUST complete appraisal on the appropriate form which is to be determined by the appraiser and legal property type. If the report ordered differs from the appropriate form, please notify QVS immediately via support@qualvs.com.

The appraiser may add to the scope of the assignment but NOT modify or delete the original scope of work, intended use or intended user, or definition of market value.

Assignment can be "accepted with conditions" if needed due to extenuating circumstances which should be detailed in the message via AppraisalPort immediately.

If the appraisal is for a purchase transaction, the purchase contract **MUST** be analyzed and will be provided via AppraisalPort or should be obtained from the realtor.

Appraisal Compliance

All appraisers **MUST** perform appraisal in compliance with Up-to-Date Federal and State Law, USPAP, Fair Lending Laws, and QVS Privacy Policy (see Independent Contractor Agreement included herein) including Gramm-Leach-Bliley Act. All appraisals will also be in conformance with Up-to-date Fannie Mae and Freddie Mac Guidelines and or FHA Regulation if applicable.

Fair Lending

All appraisals must be completed without bias. The analysis or opinion of value **MUST NOT** be based (either partially or fully) on race, color, religion, sex, marital status, handicap, familial status, or national origin of either the borrower or occupants of the subject property, or of the present owners or occupants of the properties in the vicinity of the subject property.

Concerning Declining Markets

Refer to and utilize Fannie Mae Guidelines regarding defining and reporting declining markets. All reports indicating a declining market should include the following:

- Three closed sales within 90 days of the date of the appraisal. Explain if unavailable.
- Two listings and/or pending sales (pending sales are preferable).
- If time adjustments are not applied, the reason must be explained in the analysis.
- Time adjustments should be applied based on the **contract** date of the sales.

All appraisal reports regardless of market conditions should include the following:

- Three closed sales within 6 months as of the date of the appraisal.
- One listing or pending sale (pending sales are preferable).
- The known days on the market should be included for each comparable provided.
- The report **MUST include** an REO addendum.
- When MLS is available the appraiser must have access to it and it should be utilized for all comparables.
- Interior photos should be provided and include any positive or negative features unless the property owner objects. Appraiser must report owner's objection.
- Any items which are considered to be a health and safety issue with the property will need to be made "subject to" correction. Please be very specific concerning conditions of appraisal.

APPRAISER INDEPENDENCE

Quality Valuation Services wants to ensure complete appraiser independence in compliance with the HVCC and all other federal laws, state laws and USPAP. QVS has an appraisal independence hotline (888) 869-3004 and email address, independence@qualvs.com. The hotline is staffed with QVS professionals versed in issues surrounding appraiser independence. Please utilize the hotline or email if you have any issues or concerns related to appraiser independence.

Confidentiality Agreement:

At our Company, respecting the privacy and security of our customer's personal information is important to us. Information pertaining to borrowers or their transaction(s) provided for the completion of individual assignments must not be shared or otherwise transmitted to other parties, or included with other information which is provided to other parties or vendors. Information obtained from borrowers in connection with this bank providing a financial product or service is considered "financial" and must be treated as confidential. Information provided to you that is specific non-public customer information or data that is not available from any other widely distributed media source, Federal, state or local public records or private provider, even using a login or key code or requires a fee, or disclosures made to the general public is considered to be confidential customer information. The customer information provided is for your use only and is provided as necessary to effect the transaction in the ordinary course of this Company providing the financial service or financial product to our customer/borrower. Under law, an appraiser is considered a "financial institution" as real and personal property appraisal is a financial activity; therefore the appraiser has a fiduciary obligation for the protection of the information provided under this assignment.