

Harrison's Illustrated Guide

How to Fill Out a

Market Condition Addendum to the Appraisal Report

(Fannie Mae # 1004MC - Freddie Mac # 71)

March 2009 Update

The original version of the Market Condition Addendum to the Appraisal Report (Fannie Mae Form #1004MC - Freddie Mac Form #71) was dated November 2008. It was supposed to become mandatory for most Fannie Mae and Freddie Mac appraisals as of April 1, 2009. My Illustrated Guide (First Edition) provided line-by-line instructions on how to fill out the form plus a Case Study giving an example of how the form was to be used for an actual individual condominium unit.

In March 2009, the form was revised before it became mandatory. This 2-page update provides a line-by line-guide to those lines in the form that have been revised, including Author's Comments about the implications (if any) of the changes.

1. **Property Identification:** "Zip Code" was corrected to read "ZIP Code".

2. **Instructions:** The appraiser must use the information required on this form as the basis for his/her conclusions, and must provide support for those conclusions, regarding housing trends and overall market conditions as reported in the Neighborhood section of the appraisal report form. The appraiser must fill in all the information to the extent it is available and reliable and must provide analysis as indicated below. If any required data is unavailable or is considered unreliable, the appraiser must provide an explanation. **It is recognized that not all data sources will be able to provide data for the shaded areas below; if it is available, however, the appraiser must include the data in the analysis.** If data sources provide the required information as an average instead of the median, the appraiser should report the available figure and identify it as an average. 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, The appraiser must explain any anomalies in the data, such as seasonal markets, new construction, foreclosures, etc.

Author's Comment: The bolded line of type in the paragraph above highlights the addition to the instructions. This addition recognizes that it is difficult, if not impossible, in many areas to obtain historical data for the time frames requested on the form ["prior 4-6 months" and "prior 7-12 months"] from the effective date of the appraisal. The boxes on the form where this information would be reported, if it were available, are shaded light gray to indicate that they need not always be completed. Both the 11/08 version and the 3/09 instructions state that the information must be provided and analyzed when available. (See March 2009 version of the form on Page 2.)

3. **Market Research & Analysis:** The line which read "Median Sale & List Price, DOM, List /Sale Ratio" has been changed to read "Median Sale & List Price, DOM, List/ Sale %."

Author's Comment: This change clarifies how the calculation is to be made. Listings that have sold in the period are to be analyzed individually by dividing the reported sale price by the final listing price. For example, the calculation for a property that was listed for \$195,000 and sold for \$163,000 would be as follows: $\$163,000/\$195,000 = 83.6\%$. Each list/sale percentage is to be calculated separately, and the *median of the resulting percentages* is to be reported. (It is *not acceptable* to divide the median sale price of all the sales involved by the median of the listing prices).

4. The **Overall Trend** boxes for this changed line ["Median Sale & List Price, DOM, List/ Sale %] were previously "Declining, Stable, Increasing". The order of the boxes has been changed to: "Increasing, Stable, Declining."

5. The **revision date** on the form was changed from November 2008 to March 2009.

It is anticipated that Fannie Mae will post an "Announcement" on their website some time before the use of the form becomes mandatory on April 1, 2009. Check the **Single Family** link at www.efanniemae.com Once it is published, Fannie Mae's announcement will be available on our website along with this update, at: www.revmag.com/1004MCupdate.

A faxed copy may be requested by faxing Forms and Worms at: 1-800-275-1075.

A printed copy of this update will be sent to anyone who sends a **#10 self-addressed stamped envelope** to:

Forms and Worms - 1004MC Update
7644 West 78th Street
Minneapolis, MN 55439

Market Conditions Addendum to the Appraisal Report

File No. _____

The purpose of this addendum is to provide the lender/client with a clear and accurate understanding of the market trends and conditions prevalent in the subject neighborhood. This is a required addendum for all appraisal reports with an effective date on or after April 1, 2009.

Property Address _____ City _____ State _____ ZIP Code _____

Borrower _____

Instructions: The appraiser must use the information required on this form as the basis for his/her conclusions, and must provide support for those conclusions, regarding housing trends and overall market conditions as reported in the Neighborhood section of the appraisal report form. The appraiser must fill in all the information to the extent it is available and reliable and must provide analysis as indicated below. If any required data is unavailable or is considered unreliable, the appraiser must provide an explanation. It is recognized that not all data sources will be able to provide data for the shaded areas below; if it is available, however, the appraiser must include the data in the analysis. If data sources provide the required information as an average instead of the median, the appraiser should report the available figure and identify it as an average. 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. The appraiser must explain any anomalies in the data, such as seasonal markets, new construction, foreclosures, etc.

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Inventory Analysis	Prior 7-12 Months	Prior 4-6 Months	Current - 3 Months	Overall Trend		
Total # of Comparable Sales (Settled)				<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining
Absorption Rate (Total Sales/Months)				<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining
Total # of Comparable Active Listings				<input type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Months of Housing Supply (Total Listings/Ab.Rate)				<input type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing

Median Sale & List Price, DOM, Sale/List %	Prior 7-12 Months	Prior 4-6 Months	Current - 3 Months	Overall Trend		
Median Comparable Sale Price				<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining
Median Comparable Sales Days on Market				<input type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Median Comparable List Price				<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining
Median Comparable Listings Days on Market				<input type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Median Sale Price as % of List Price				<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining

Seller-(developer, builder, etc.) paid financial assistance prevalent? Yes No Declining Stable Increasing

Explain in detail the seller concessions trends for the past 12 months (e.g., seller contributions increased from 3% to 5%, increasing use of buydowns, closing costs, condo fees, options, etc.).

Are foreclosure sales (REO sales) a factor in the market? Yes No If yes, explain (including the trends in listings and sales of foreclosed properties).

Cite data sources for above information.

Summarize the above information as support for your conclusions in the Neighborhood section of the appraisal report form. If you used any additional information, such as an analysis of pending sales and/or expired and withdrawn listings, to formulate your conclusions, provide both an explanation and support for your conclusions.

If the subject is a unit in a condominium or cooperative project, complete the following: Project Name: _____

Subject Project Data	Prior 7-12 Months	Prior 4-6 Months	Current - 3 Months	Overall Trend		
Total # of Comparable Sales (Settled)				<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining
Absorption Rate (Total Sales/Months)				<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining
Total # of Active Comparable Listings				<input type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Months of Unit Supply (Total Listings/Ab. Rate)				<input type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing

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Are foreclosure sales (REO sales) a factor in the project? Yes No If yes, indicate the number of REO listings and explain the trends in listings and sales of foreclosed properties.

Summarize the above trends and address the impact on the subject unit and project.

Signature	Signature
Appraiser Name	Supervisory Appraiser Name
Company Name	Company Name
Company Address	Company Address
State License/Certification # _____ State _____	State License/Certification # _____ State _____
Email Address	Email Address

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