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# Appraisal Forum 2Q25

WORKBOOK





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# Agenda

11:00 a.m. - 11:05 a.m.	Welcome
11:05 a.m. - 11:45 a.m.	Meet the Appraisal Team & Program Overview
11:45 a.m. - 12:00 p.m.	Multifamily Business Update
12:00 p.m. - 1:00 p.m.	Lunch
1:00 p.m. - 1:15 p.m.	USPAP 101
1:15 p.m. - 2:00 p.m.	Appraiser-Lender Relationships
2:00 p.m. - 2:45 p.m.	Fireside Chat: Freddie Mac Appraisals
2:45 p.m. - 3:00 p.m.	Break
3:00 p.m. - 3:50 p.m.	Quick Hits
3:50 p.m. - 4:00p.m.	Closing Remarks
4:00 p.m. - 5:15 p.m.	Reception



# Welcome and Introduction

Welcome to the 2025 Appraisal Forum. We are glad you are here and look forward to learning and networking with you today. Please use this workbook to take notes and follow along with some of today's presentations.

Today, we will provide educational information on a variety of Appraisal topics. We'll cover areas including appraiser- lender relationships, Uniform Standards of Professional Appraisal Practice (USPAP), and Quick Hits topics on affordable housing, capitalization rates and property taxes. This will help expand your understanding of Freddie Mac's appraisal requirements.

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# Interactive Activity

Lenders: Think of a positive experience working with an appraiser.

Appraisers: Think of a positive experience working with a lender.

What about this experience was positive?

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# Multifamily Business Updates

This session will cover business updates and insights on the commercial real estate market.

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# USPAP 101

*Uniform Standards of Professional Appraisal Practice (USPAP)*

## Key Takeaways

- Definition of an appraisal and why it is important
- Components necessary for a meaningful market analysis
- Essential components of a detailed discussion and analysis supporting the conclusions in the appraisal

## 2024 USPAP<sup>1</sup>

### STANDARDS RULE 2-1, GENERAL REPORTING REQUIREMENTS

Each written or oral real property appraisal report must:

- (a) clearly and accurately set forth the appraisal in a manner that will not be misleading
- (b) contain sufficient information to enable the intended user(s) of the appraisal to understand the report properly; and
- (c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment

### CONDUCT

An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests

An appraiser:

- must not perform an assignment with bias;
- must not advocate the cause or interest of any party or issue;
- must not agree to perform an assignment that includes the reporting of predetermined opinions and conclusions;
- must not misrepresent his or her role when providing valuation services that are outside of appraisal practice;<sup>16</sup>
- must not communicate assignment results with the intent to mislead or to defraud;
- must not use or communicate a report or assignment results known by the appraiser to be misleading or fraudulent;
- must not knowingly permit an employee or other person to communicate a report or assignment results that are misleading or fraudulent;
- must not engage in criminal conduct;
- must not willfully or knowingly violate the requirements of the RECORD KEEPING RULE; and
- must not perform an assignment in a grossly negligent manner

<sup>1</sup> The Appraisal Foundation, *Uniform Standards of Professional Appraisal Practice (USPAP) 2024 Edition* (The Appraisal Foundation, 2024)

## STANDARDS RULE 1-4, APPROACHES TO VALUE

In developing a real property appraisal, an appraiser must collect, verify and analyze all information necessary for credible assignment results.

- (a) When a sales comparison approach is necessary for credible assignment results, an appraiser must analyze such comparable sales data as are available to indicate a value conclusion.
- (b) When a cost approach is necessary for credible assignment results, an appraiser must:
  - (i) develop an opinion of site value by an appropriate appraisal method or technique;
  - (ii) analyze such comparable cost data as are available to estimate the cost new of the improvements (if any) ; and
  - (iii) analyze such comparable data as are available to estimate the difference between the cost new and the present worth of the improvements (depreciation).
- (c) When an income approach is necessary for credible assignment result, an appraiser must:
  - (i) analyze such comparable rental data as are available and/or the potential earnings capacity of the property to estimate the gross income potential of the property;
  - (ii) analyze such comparable operating expense data as are available to estimate the operating expenses of the property;
  - (iii) analyze such comparable data as are available to estimate rates of capitalization and/or rates of discount;
  - (iv) base projections of future rent and/or income potential and expenses on reasonably clear and appropriate evidence;<sup>29</sup> and
  - (v) weigh historical information and trends, current supply and demand factors affecting such trends, and anticipated events such as competition from developments under construction when developing income and expense statements and cash flow projections.

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#### 48. IS DISCLOSURE OF A FREE COMP CHECK ASSIGNMENT REQUIRED?

Question 1: If I perform a free comp check assignment and my client subsequently asks me to perform a full (or traditional) assignment on the same property, do I have to disclose the free comp check assignment as having provided a thing of value to procure the new assignment?

Response: No. The 'Management' section of the ETHICS RULE states, in part:

An appraiser must disclose that he or she paid a fee or commission, or gave a thing of value in connection with the procurement of an assignment.

Since USPAP prohibits the second assignment from being contingent upon the first, the free comp check could not be considered part of procuring the second assignment. Disclosure of the free comp check assignment would not be required as a "thing of value." However, the 'Conduct' section of the ETHICS RULE requires disclosure of all prior services performed related to the subject property within the prior three years.

An appraiser may provide a free comp check. However, an appraiser must not provide a free comp check and the pursuant appraisal if the engagement was contingent upon developing or reporting predetermined results.

Question 2: Must I also disclose that this comp check was a prior service in the subsequent assignment?

Response: Yes. The comp check was a prior service and must be disclosed to the client at the time the appraiser agrees to perform the new assignment. The prior service must also be disclosed in the report certification.

#### 51. CAN APPRAISERS PERFORM COMP CHECK ASSIGNMENTS?

Question: Does USPAP allow appraisers to perform comp check assignments?

Response: Yes. However, the appraiser would have to ensure that receiving a full appraisal assignment is not contingent upon the result of the comp check assignment. The 'Management' section of the ETHICS RULE states, in part:

An appraiser must not agree to perform an assignment, or have a compensation arrangement for an assignment, that is contingent on any of the following:

1. the reporting of a predetermined result (e.g., opinion of value);
2. a direction in assignment results that favors the cause of the client;
3. the amount of a value opinion;
4. the attainment of a stipulated result (e.g., that the loan closes, or taxes are reduced); or
5. **the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.** *(Bold added for emphasis)*

# Appraiser-Lender Relationships

## Key Takeaways

- The appraisal does not need to match the underwriting.
- Thoroughly read and understand the appraisal before initiating questions.
- Ask for clarifications rather than telling the appraiser.
- The research, data and analyses in the appraisal report are being critiqued, not the appraiser.
- Be open/flexible to considering additional market data.
- Recognize that the appraisal is both an art and science.
- Each side has a unique perspective — "seek to understand before seeking to be understood".

## Applied Case Study Analyses

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# Appraiser-Lender Relationships

Prior to Executed Engagement Letter between Optigo® lender and Appraiser

Acceptable	Not Acceptable
<ul style="list-style-type: none"> <li>• <b>Sharing General Comparable or Market Data</b> Examples: <ul style="list-style-type: none"> <li>◦ Requesting all recent sales that have occurred in the subject submarket over the last 6 months</li> <li>◦ Asking for general price per unit ranges or capitalization rate ranges in a given market</li> <li>◦ Inquiring what a typical management fee is for a Low-Income Housing Tax Credit property in New Orleans</li> <li>◦ Asking what the typical reassessment range is in Broward County, Florida</li> </ul> </li> <li>• <b>Providing Valuation Guidance</b> <ul style="list-style-type: none"> <li>◦ Example: Explanation for how taxes are assessed in Cook County, Illinois</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Sharing Comparable Data for a Specific Property</b> Examples: <ul style="list-style-type: none"> <li>◦ Describing or identifying the subject property and requesting comparables that are “similar”</li> <li>◦ Asking the appraiser for an anticipated range in value (i.e., \$/Unit)</li> <li>◦ Asking the appraiser for a capitalization rate, capitalization rate range, market rent or expenses for a specific property</li> </ul> </li> <li>• <b>Sharing Loan Information</b> <ul style="list-style-type: none"> <li>◦ Examples: Targeted loan amount, desired appraised value, LTV, DCR, Optigo lender’s expense conclusions or income conclusions, escrows required to mitigate lease-up risk</li> </ul> </li> </ul>



# Appraiser-Lender Relationships

During and After Engagement between Optigo lender and Appraiser

Acceptable	Not Acceptable
<ul style="list-style-type: none"><li>• Sharing the Purchase and Sale Agreement</li><li>• Sharing the Borrower's Budget</li><li>• Sharing or Understanding Comparable Data</li></ul> <p>Examples:</p> <ul style="list-style-type: none"><li>◦ Asking the appraiser if they considered XYZ sale in their analysis</li><li>◦ Asking the appraiser if they have more recent expense comparables</li><li>◦ Providing the appraiser with expense comparables from other borrower-owned properties and asking if the appraiser would consider the information in their analysis</li></ul> <ul style="list-style-type: none"><li>• Requesting Additional Support/Challenging Appraiser's Conclusions</li></ul> <ul style="list-style-type: none"><li>◦ Example: Providing details on specific historical expense items (e.g., water leak caused the water/sewer expenses to spike one month, suggesting the projected expense should be lower than the T-12)</li></ul>	<ul style="list-style-type: none"><li>• Sharing Loan Information<ul style="list-style-type: none"><li>◦ Examples: Targeted loan amount, desired appraised value, LTV, DCR, Optigo lender's expense conclusions or income conclusions, escrows required to mitigate lease-up risk</li></ul></li><li>• Requiring Specific Comparable Data<ul style="list-style-type: none"><li>◦ Example: Requesting or requiring the appraiser to use specific sale, rent or expense comparables in their analysis</li></ul></li><li>• Directing Appraiser's Conclusions<ul style="list-style-type: none"><li>◦ Examples: Requesting that the appraiser find the lowest possible expense comparables or to change their conclusions without support</li></ul></li></ul>



## Notes

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# Appraisal Revision Summary

## Key Takeaways

- There must be a reasonable basis for any changes made to the appraisal.
- All appraisals completed on the subject property in the past three years must be made available upon request, including previous versions of the current appraisal.
- Identify which value scenario the change applies to in the Appraisal Revision Summary.
- The Optigo lender is ultimately responsible for ensuring the document is completed and uploaded to the Document Management System.
- The document provided is a suggested template, other formats may be accepted.
- Submit the Appraisal Revision Summary in the full underwriting package, if applicable.

## Applied Case Study Analyses

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Scan the QR code to access  
additional resource:  
Appraiser Independence  
Requirements FAQ



Scan the QR code to access  
additional resource:  
Multifamily Seller/Service Guide  
(Guide) Section 60.2



# Appraisal Revision Summary Template

Appraisal Version	Initial Appraisal Submitted to Seller/Service	Appraisal Submitted to Freddie Mac in Full Underwriting Package	Final Accepted Appraisal by Freddie Mac
Report Date:			
Value:			
Changes and Supporting Details:			



Scan the QR code to access additional resource:  
Appraisal Revision Summary Template

# Fireside Chat: Freddie Mac Appraisals

USPAP instructor and the Freddie Mac Multifamily Financial Crimes and Risk Distribution & Credit teams discuss the critical role appraisals play across Freddie Mac Multifamily.

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# Quick Hits

## Property Taxes

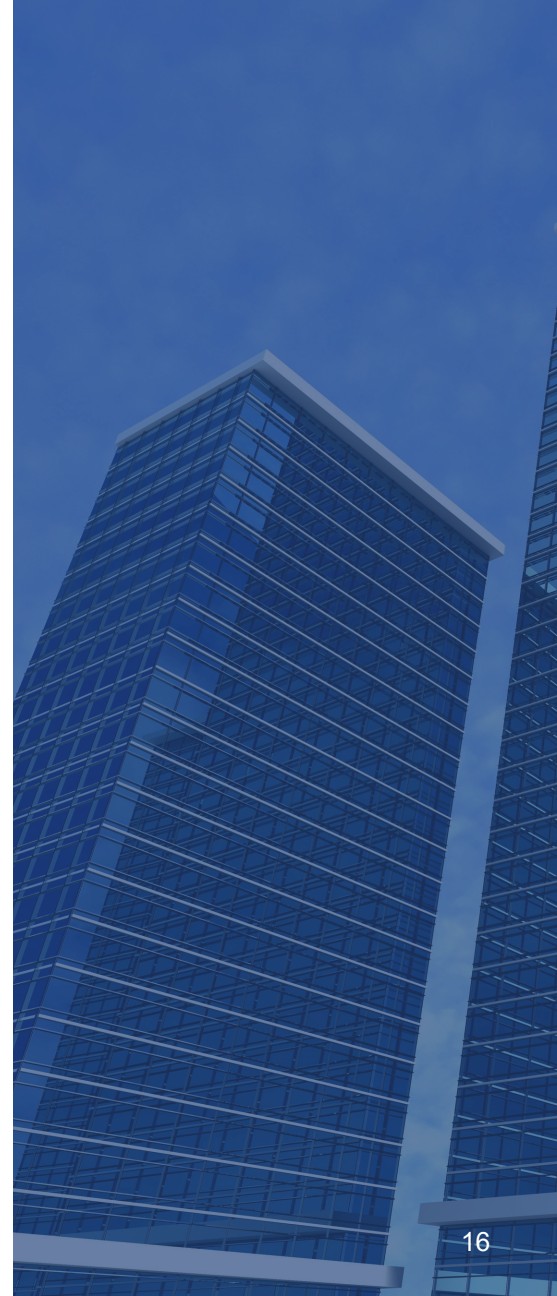
### Key Takeaways

A credible tax analysis:

1. thoroughly explains the assessment process for all applicable jurisdictions as well as any special assessments
2. assumes a sale, provides support for the post-sale reassessment and projects a stabilized tax liability
3. adequately addresses any material differences between the assessed value and the as-is market value

Often appraisals do not have sufficient discussion of the risk and timing of property tax reassessment and it is unclear if the projected tax burden reflects stabilized operations. Appraisals need to provide a detailed description of the local assessment process, including the next date of reassessment, and consider various tax components such as base tax rates, special assessments and supplemental taxes. This thorough understanding is essential for accurately assessing the risk and variability of property taxes, which can materially impact the property's valuation.

Consistent with the definition of market value, the appraisal must assume a sale. The appraisal must support their opinion of an appropriate post-sale tax burden. The appropriateness of the tax comparables analyzed is another critical factor. Tax comparables should be from the same or a similar taxing jurisdiction. The tax analysis could consider rental comparables as tax comparables, when applicable. The appraisal should present sufficient information about the tax comparables so the reader can be certain of their relevance to the subject. Adjustments to the capitalization rate should be supported with adequate discussion, especially if reassessment is expected to occur in the near term.



# Quick Hits

## Property Taxes

Adequately handling property taxes in appraisals involves a detailed understanding of local assessment processes, careful selection and justification of tax comparables, and a thorough evaluation of reassessment risk. By addressing these factors, appraisals can better reflect the property's tax liabilities and potential risks, providing a more reliable basis for decision-making.



Scan the QR code to access  
additional resource:  
Property Taxes in a  
Freddie Mac Appraisal



Scan the QR code to access  
additional resource:  
Guide Section 60.12(c)

# Quick Hits

## Capitalization Rates

### Key Takeaways

A credible and supported appraisal contains a capitalization rate analysis that:

1. adequately explains the financial operating characteristics of the comparable sales
2. details both actual and pro forma capitalization rates for the sales comparables
3. demonstrates an understanding of the upside potential of the subject property and the comparable sales

A well-supported analysis of the capitalization rate is essential to a credible appraisal. This analysis must thoroughly explain the financial operating characteristics of comparable sales, ensuring that these sales share similar physical and operational traits with the subject property. An "apples-to-apples" comparison ensures that the capitalization rate derived from these comparables serves as the most accurate indicator for the subject property. The shared goal by appraisers and lenders is to provide a consistent and reliable measure of value that reflects the property's income potential.

The distinction between pro forma and in-place capitalization rates is complex, as these terms often overlap and incorporate various assumptions. Pro forma capitalization rates are forward-looking, calculated using projected net operating income and dependent on assumptions about future market conditions. In contrast, in-place capitalization rates reflect the property's actual financial performance at a specific point in time. However, these rates can be influenced by short-term anomalies that may not accurately represent long-term trends.



# Quick Hits

## Capitalization Rates

Presenting both actual and pro forma capitalization rates offers a comprehensive view of a property's potential. This dual approach aids appraisers and lenders in making informed decisions by considering both current realities and future possibilities, with clearly articulated assumptions, enhancing transparency and decision-making.

Lastly, understanding the upside potential of a property is important in determining the appropriate capitalization rate. For buyers and sellers, upside potential suggests a value-add and possible capitalization rate compression due to anticipated increases in rental income or streamlined expenses, while the property's value remains stable. This indicates a higher valuation relative to income, and a higher upside potential may justify a lower initial capitalization rate, reflecting expected growth. Market comparisons with properties exhibiting similar upside potential can further refine the capitalization rate selection process, ensuring that it aligns with both current market realities and future expectations.

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Scan the QR code to access  
additional resource:  
Capitalization Rate Guidance



Scan the QR code to access  
additional resource:  
Guide Section 60.12(c)



# Quick Hits

## Affordable Housing

### Key Takeaways

1. Primary emphasis should be placed on developing the as-is market value.
  2. The appraisal should contain affordable data (e.g., affordable rent comparables, affordable expense comparables, market participant capitalization rate survey for affordable properties, etc.).
  3. The search criteria for sales comparables may need to be expanded if there is limited data in a particular market. The search criteria should be included in the report to help the reader understand the availability of sales comparables.
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Scan the QR code to access  
additional resource:  
Sections 60.24 and 60.30

## Notes

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## Event Survey

# Thank You!

**Thank you for attending the Appraisal Forum.**

Please scan the QR code below to complete a short survey for today's event.



**We'd love to hear your feedback.**

Your input will help us tailor our future events to best address your needs and interests.

**Team Mailbox:**

[multifamily\\_appraisals@freddiemac.com](mailto:multifamily_appraisals@freddiemac.com)

**Webpage:**

[mf.freddiemac.com/lenders/uw/appraisals](http://mf.freddiemac.com/lenders/uw/appraisals)

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# Appraisal Forum 2Q25

