



FREDDIE MAC
MULTIFAMILY REAL ESTATE APPRAISAL REVIEW

Freddie Mac Multifamily Appraisal Review

This is the review of the final appraisal in DMS for this loan

Scope of the Appraisal Review:

- **Did the appraiser adequately support their opinion of market value?**
- **Are there issues that might affect the validity of the appraiser's data, analyses, and conclusions?**

Property Name:		Loan Number:	
Street address:		Number of units:	
City, State Zip Code			
Optigo Lender:		City:	State:
Freddie Mac Underwriter:			
Appraisers / Title:			
Appraisal firm:		City:	State:
Ownership interest:	Select Other:	Value status: As is	
Type of property:	Select	Appraisal's original purpose: Financing	
Program:	Select Other:	Other:	
Appraiser's estimate of value: \$		Value: \$	Select
Effective date of value:	Date of report:	# of versions in DMS:	
Analysis completed by: Select		Intended use of analysis: Optigo Lender Review	
Appraisal Validity Score:		%	
Are the appraisal's conclusions adequacy supported?		Click here to answer	
<i>Note: The intent of the scoring system is that an appraisal would have a minimum Adequacy/Validity Score of 70%</i>			

Summary of the Appraisal Review Findings

(See the following pages for a summary and then more detail on each observation)

Observation	Summary of Issues
Select	Income and Operating Expenses
Select	Capitalization Rate
Select	Income Approach: Conclusions
Select	Sales Comparison Approach

Observation	Summary of Issues
Select	Third-Party Reports/Inspection
Select	Recent sale or contract
Select	General Observations, etc.
Select	Cost Approach (if applicable)

These are the primary areas of concern with this report; more detail can be found following.

1. **Income Approach:**

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-
-
-

2. **Sales Comparison Approach:**

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-

3. **Cost Approach:**

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4. **Third-Party Reports, Property Description and Inspection, and Other Observations:**

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-
-
-
-

Lending Risk Analysis *(Remove this section if not applicable)*

Based on this review, what is the risk that Freddie Mac has relied on an erroneous appraisal report?

This lending risk analysis is a methodology to help analyze the extent that errors, misstatements, poor discussion, unsupported conclusions/analyses in the above referenced appraisal might have resulted in Freddie Mac purchasing a loan that was outside of its credit parameters or that contains more credit risk due to the issues discussed above.

This is not a re-valuation of the subject property, nor is this an appraisal subject to USPAP Standards Rules. It is an internal analysis meant to help clarify the critical impact, if any, of lending decisions.

Specific Issues Reviewed

Observation	Potential Score	Actual Score	Appraisal Issues Being Reviewed	Page #	Adequately Discussed?
Income Approach					
Select	10	0	Effective Gross Income and Operating Expenses: <ul style="list-style-type: none"> • Are the appraiser’s estimates of market rent supported by the subject’s recent leasing? • Are the terms of regulatory agreements adequately discussed and applied in the valuation (affordable housing), if applicable? • Rent Roll: <ul style="list-style-type: none"> – Is the rent roll current to the date of value and does it have sufficient detail to analyze recent leasing trends?(Sect 60.20) – Does the rent roll document appear to have been manually modified? • Vacancy and Lease-up: <ul style="list-style-type: none"> – Is the vacancy conclusion adequately supported? (Sect 60.14c and 60.17b) – Temporary market conditions, such as unusual vacancy, lease-up, or concessions, are adequately discussed and analyzed (S/S 60.27) • If there is commercial income (including comparable rents) or significant <i>Other Income</i>, is it adequately analyzed? 		
					Click here to answer ...
					Click here to answer ...
					Click here to answer ...
					Click here to answer ...
			Operating Expenses: <ul style="list-style-type: none"> • Operating expenses should be adequately supported by the expense comparables and the subject’s operating history per unit and as a percentage of EGI (excluding property tax and reserves per unit) (S/S 60.14c) 		Click here to answer ...
			<ul style="list-style-type: none"> • Appraisal discusses property tax assessment system of the local jurisdiction (S/S 60.12c) and discusses/analyzes any risk of reassessment (S/S 60.12c) 		Click here to answer ...

Observation	Potential Score	Actual Score	Appraisal Issues Being Reviewed	Page #	Adequately Discussed?
			<ul style="list-style-type: none"> The appraiser includes relevant tax comparables (either for assessment or tax amount) and the conclusions are bracketed by these comparables. (S/S 60.12c) 		Click here to answer ...
			<ul style="list-style-type: none"> Tax abatements are adequately addressed (S/S 60.22) 		Click here to answer ...
			<ul style="list-style-type: none"> The tax assessment value is similar to the appraised value conclusion. If not, an adequate explanation is provided 		Click here to answer ...
Select	5	0	Capitalization Rate Development and Conclusion:		
			<ul style="list-style-type: none"> Capitalization rate should be supported by the appraiser's most similar sales identified in the Sales Comparison Approach, or an explanation provided. 		Click here to answer ...
			<ul style="list-style-type: none"> Are the capitalization rates developed for the comparable sales calculated similarly (i.e., T-12, proforma, actual)? If not, does the appraiser provide an adequate explanation of how they considered these differences in their application to the subject's proforma NOI? 		Click here to answer ...
			<ul style="list-style-type: none"> For conventional properties: Are the five basic methods to develop a capitalization rate adequately supported, or is there an adequate explanation for omission? 		Click here to answer ...
			<ul style="list-style-type: none"> For SBL: Are the two required methods for developing capitalization rates adequately supported? 		Click here to answer ...
Select	5	0	Income Approach: General observations and conclusions:		
			<ul style="list-style-type: none"> Does the appraisal include three years and YTD operating statements as required by Freddie Mac Guide section 60.6(3) and (4)? If not, why not? ("...a recent change in ownership" is not a satisfactory rationale). (S/S 60.20) 		Click here to answer ...
			<ul style="list-style-type: none"> Does the appraiser primarily rely too heavily on the owner's budget in concluding to operating expenses or do they place material weight on comparables and the property's operating history (either by line-item or the totality of expenses)? 		Click here to answer ...
			<ul style="list-style-type: none"> Does the appraiser adequately support their discussion, data, and conclusions in the Income Approach? 		Click here to answer ...
			<ul style="list-style-type: none"> Does the subject have any unusual recent lease-up activity? That is, has the property leased to stabilized occupancy quickly in the past couple of months but has had extended vacancies in the months prior, without an adequate explanation in the appraisal report for the recent leasing? (S/S 60.27) 		Click here to answer ...

Observation	Potential Score	Actual Score	Appraisal Issues Being Reviewed	Page #	Adequately Discussed?
Sales Comparison Approach					
Select	10	0	Comparability of the Sales:		
			<ul style="list-style-type: none"> The sales are reasonably close to the subject and/or reasonably recent. If not, there is adequate discussion. 		Click here to answer ...
			<ul style="list-style-type: none"> From the descriptions, photos, and maps, do the sales appear comparable to the subject property? Does the appraiser's sales look to be of a similar investment class as the subject property? If not, is there an adequate explanation by the appraiser? 		Click here to answer ...
			<ul style="list-style-type: none"> Are sales outlines complete and with adequate support? (S/S 60.14b) 		Click here to answer ...
			Sales Comparison Approach Analysis		
			<ul style="list-style-type: none"> Are the adjustments in the sales grid are adequately explained and supported (S/S 60.14b), especially unusually large and/or precise adjustments, including "rule of thumb" type adjustments such as unit size or economies of scale? 		Click here to answer ...
			<ul style="list-style-type: none"> Has the appraiser considered "unit mix" as a comparative adjustment? 		Click here to answer ...
			<ul style="list-style-type: none"> Does the appraiser adequately support their discussion, data, and conclusions in the Sales Comparison Approach? 		Click here to answer ...
			Gross Income Multiplier Analysis:		
			<ul style="list-style-type: none"> If the appraiser developed a Gross Income Multiplier analysis, is it adequately structured and is it adequately supported? 		Click here to answer ...
Third-party reports and property inspection					
Select	5	0	Third-party Reports and Inspection:		
			<ul style="list-style-type: none"> Physical and Environmental Issues <ul style="list-style-type: none"> Are the property's environmental issues adequately discussed? (S/S 60.13) Is the property's physical condition and physical risk issues adequately discussed? (S/S 60.12f and (S/S 60.18) Does the appraiser's inspection of the units follow Freddie Mac guidelines? That is, did they inspect a sufficient number of units given the size of the property and its physical condition? Or, were they only allowed access to, say, two of the model units? 		Click here to answer ...

Observation	Potential Score	Actual Score	Appraisal Issues Being Reviewed	Page #	Adequately Discussed?
			<ul style="list-style-type: none"> - Do the appraiser's photos match the description of the property and its physical condition? 		
			<ul style="list-style-type: none"> • Renovations: <ul style="list-style-type: none"> - If the owner states that there have been renovations completed or proposed for the property, is there a scope of work in the appraisal report (i.e., a listing of the repairs, the amount spent, the time the renovations took, a discussion of any temporary vacancy or tenant relocation due to the renovation, etc.)? - If there is not a scope of the renovation work in the appraisal, is there an adequate explanation for its omission other than something like, "...it was not made available." 		Click here to answer ...
			<ul style="list-style-type: none"> • Is the Zoning adequately discussed (i.e., density, parking, rebuildability) (S/S 60.12g)? 		Click here to answer ...
			<ul style="list-style-type: none"> • Are shared access agreements are identified and adequately analyzed (if applicable) 		Click here to answer ...
			<ul style="list-style-type: none"> • Is there an unexplained difference between the date of the inspection (i.e., date of value) and the date the report was transmitted to the client? 		Click here to answer ...
			<ul style="list-style-type: none"> • Insurable Value: The construction class in the Insurable Value section matches the Improvement Description and Cost Approach (60.25) 		Click here to answer ...
Recent contract or sale of the property					
Select	5	0	<ul style="list-style-type: none"> • Does the subject property have a current purchase contract, listing, or sale? If so, was the appraiser provided with the appropriate documentation? 		Click here to answer ...
			<ul style="list-style-type: none"> • Is a current price or contract materially different than an acquisition price of within the past few years? <ul style="list-style-type: none"> - If so, is the appraiser's explanation of the difference adequate? - Have any renovations at the property and/or change in local market conditions been factored in? 		Click here to answer ...
Other Observations, Compliance, & Appraisers					
Select	5	0	General Observations:		

Observation	Potential Score	Actual Score	Appraisal Issues Being Reviewed	Page #	Adequately Discussed?
			<ul style="list-style-type: none"> Were there a high number of revised reports (i.e., more than two) before the appraisal was accepted by Freddie Mac Underwriting? 		Click here to answer ...
			<ul style="list-style-type: none"> Does the appraiser conclude to, or near, the aggressive end of the range of multiple valuation components, without an adequate explanation? 		Click here to answer ...
			<ul style="list-style-type: none"> Did the appraiser not address or “broad-brush” any known issues that might affect the final estimate of market value? 		Click here to answer ...
			Appraisers:		
			<ul style="list-style-type: none"> Is the appraiser (the primary and/or the secondary appraisers) certified/licensed in the state in which the property is located? Is/are they local? 		Click here to answer ...
			<ul style="list-style-type: none"> Does it appear that an appraiser trainee or an unlicensed appraiser has done the majority of the work on this appraisal report? (Guide section 60.4b) 		Click here to answer ...
			<ul style="list-style-type: none"> If applicable, are there the required conflict of interest disclosures between the appraiser and Optigo Lender (60.4)? 		Click here to answer ...
			Leased Fee vs. Fee Simple (Guide section 60.2):		
			<ul style="list-style-type: none"> The subject property and all the valuation scenarios (hypothetical or prospective valuations) are all dependent on modeling rental income from leased units; this is the definition of ‘leased fee’, and using ‘fee simple’ terminology is incorrect (Appraisal Institute). <p><u>Note:</u> The valuations in appraisal reports that get this basic terminology incorrect typically are not adequately supported by a 2-to-1 margin, so this is an item we score in our reviews.</p>		Click here to answer ...
			COVID-19 Considerations:		
			<ul style="list-style-type: none"> Was the description of the appraiser’s property appropriate for the location and any COVID-related stay-at-home restrictions? 		Click here to answer ...
			<ul style="list-style-type: none"> Was the appraiser’s explanation of the available market data adequate? <ul style="list-style-type: none"> Are sales included post-April 1, 2020? If not, is there an adequate explanation? Does the appraiser have alternative data and market discussion if there is not an adequate pool of available comparable sales and capitalization rate survey material? 		Click here to answer ...

Observation	Potential Score	Actual Score	Appraisal Issues Being Reviewed	Page #	Adequately Discussed?
			<u>Other:</u>		Click here to answer ...
Cost Approach (if applicable)					
Select	5	0	<ul style="list-style-type: none"> The Cost Approach is included for a relatively newer property or, if excluded, an adequate explanation is provided (S/S 60.14a) 		Click here to answer ...
			<ul style="list-style-type: none"> The comparable land sales have a similar highest and best use as the subject property. If not, is there an adequate explanation. 		Click here to answer ...
			<ul style="list-style-type: none"> If developed, the land valuation is reasonable and supported 		Click here to answer ...
Overall Score:	50	0	0%		

Number of appraisal versions delivered to Freddie Mac prior to loan funding: _____

Screenshot from Freddie Mac’s files (DMS) showing the appraisal activity for this loan:

Note: Multiple versions of an appraisal report submitted to Freddie Mac’s Underwriting might indicate that the Lender’s review and/or the appraiser’s internal production and review processes needs improvement.