



25 Ways to Improve Appraisal Review Scores

The following is a list of the 25 ways to improve appraisal review scores. To compile this list, we went through each appraisal review completed in 2018 and found the most common issues that were affecting overall review scores.

The common thread in most of the issues is that the appraiser does not tie together the data, observations, and research with his/her conclusions. Or, the appraiser might not sufficiently understand Freddie Mac's specific requirements for an adequately supported appraisal report. Typically, it would only require a couple/few additional sentences to walk the reader from Data Point A, Data Point B, and Data Point C to the appraiser's conclusions, resulting in an adequately supported valuation discussion.

If these items can be addressed, the additional points can help improve the overall scores in the reviews we complete for the OptigoSM lender audits.

Most Frequent Appraisal Issues Without Adequate Support (2018)			Total reviews in 2018: <u>137</u>		
Rank	Appraisal Review Item	Freddie Mac Guide Chapter	Potential # of points	Received no (0) points of 137 observations	% Not in Compliance
1	Easement discussions or statements are documented by a plat reference, title policy, or other documentation	60.12g	1	108	79%
2	The equity dividend rate in the Band of Investment should make sense, is adequately explained, and adequately supported	60.14c(4)	1	98	72%
3	Financial assumptions of the Band of Investment calculations should be supported	60.14c(4)	1	95	69%
4	Capitalization rate should be supported by the appraiser's most similar sales identified in the Sales Comparison Approach	Best Practices	3	88	64%
5	Replacement reserve should be supported by the property condition report or otherwise supported by market data	60.12f / 60.14c(4)	2	73	53%
6	Adjustments in the sales grid are adequately explained and supported	60.14b	2	61	45%
7	Historical income and expense statements should be added to the Addenda	60.20	1	50	36%
8	Insurable Value: The construction class in the Insurable Value section matches the Improvement Description and Cost Approach	60.25	1	50	36%
9	The tax assessment value is similar to the appraised value conclusion. If not, an adequate explanation is provided	Best Practices	2	39	28%
10	The appraiser includes relevant tax comparables (either for assessment or tax amount) and the conclusions are bracketed by these comparables	60.12c	2	32	23%
11	Operating expenses should be adequately supported by the expense comparables and subject's operating history per-unit and as a percentage of EGI (we do this analysis excluding property tax and reserves per unit)	60.14c	2	32	23%
12	Appraisal identifies the units inspected and a description of the condition of each unit	60.12b	1	30	22%
13	Zoning (i.e., density, parking, rebuildability)	60.12g	1	23	17%
14	Are sales outlines complete and with adequate support?	60.14b	2	21	15%
15	The appraised value should be leased fee	60.2	3	21	15%

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16	A net income multiplier analysis or adjustment is excluded	60.14b	3	20	15%
17	Properly discusses/analyzes any risk of reassessment	60.12c	3	19	14%
18	Adequate Seller supervision of the appraiser	60.7	1	17	12%
19	Correct Reliance/Intended User Language	60.12	1	15	11%
20	Management fee should be reasonable for this property type and the property size and supported by market data	Best Practices	2	14	10%
21	Appraisal discusses property tax assessment system of the local jurisdiction	60.12c	2	13	9%
22	Extraordinary Assumptions / Hypothetical Conditions	60.12	1	12	9%
23	A copy of the appraisal engagement letter should be in the Addenda	60.20	1	12	9%
24	Rent roll used in the appraisal should be current to the date of value and in the Addenda	60.20	3	11	8%
25	The indicated value from the Sales Comparison Approach is bracketed by the most similar sales	Best Practices	2	10	7%