



## K&M APPRAISAL

620 Maple Avenue Waukesha, WI 53186  
 Phone: 262.574.1349 Fax: 262.565.2452  
 Web Address: www.kmamc.com

### CLIENT SPECIFIC GUIDELINES

Please thoroughly review your appraisal PRIOR to submission. For your convenience, the criteria have been categorized by report section. If you do not agree with or understand any of the following criteria, please call K&M Appraisal at 262-574-1349 prior to submitting your appraisal report.

### GENERAL REQUIREMENTS

<p>Stop &amp; Notify K&amp;M Appraisal / Unique Property</p>	<p>If the subject is a unique or atypical property type (i.e., log home, geodesic dome, earth home, berm home, floating home, A-frame, modular, manufactured, low GLA, etc) please stop and notify K&amp;M Appraisal prior to writing the report if there are not at least two recent sales of similar construction/style or features available for comparison to the subject.</p>
<p>PRIOR SERVICES ON PROPERTY</p>	<p>Stop and Notify K&amp;M Appraisal – Per new USPAP requirements, please notify K&amp;M Appraisal immediately, prior to beginning the appraisal process, if you have provided ANY prior service(s) regarding the subject property within the past three years from the date of this order. Please be as specific as possible when describing the prior service(s) without disclosing any prior assignment results or other confidential information.</p> <p>* Once this disclosure has been made, the lender will determine if they consider acceptance of this new assignment to be a conflict of interest. If the client (through K&amp;M Appraisal) gives their consent for you to continue with this assignment, please* (con't) disclose within your completed report certification that you have performed a prior service regarding the subject property and that this info has been communicated to the Lender/Client in order to fully comply with the new USPAP requirements.</p> <p>* If your prior assignment required you to keep all information confidential, including the fact that a service was even performed, then you are required by USPAP to reject this new assignment because the necessary disclosures cannot be made.</p>
<p>Photos</p>	<p>Interior photos of all rooms noted within the Description of Improvements Section are desired.</p> <p>However, in order to pass QC, a photo of the subject's main living area, kitchen, and all bathrooms is the minimum requirement. Despite the minimum requirement, please provide photos of as many rooms as possible. If the subject includes a finished basement/attic/accessory unit, etc..., at least one interior photo depicting the basic quality and amenities of these areas should also be provided. Please make sure to avoid having any people or family portraits visible within your provided photos.</p>
<p>Multi-Family Properties</p>	<p>If the subject is a multi-family property, photos of each unit must be provided and labeled to indicate which unit they represent. If photos are not provided, detailed commentary is required as to why they were not included.</p>
<p>For Field Reviews</p>	<p>If the appraiser disagrees with the original value and/or selection of comparable sales, the review report requires the following:</p> <ul style="list-style-type: none"> <li>* An exterior inspection of the subject and the comparable sales.</li> <li>* A location map that shows the location of the subject property and of all comparable sales included in the original report and any additional sales used in the review report.</li> <li>* Clear, descriptive original photographs showing the front &amp; street scene of the subject property</li> <li>* Clear, descriptive photographs that show the front of each comparable sale included in the original report and any additional comparables added to the review report. (MLS photos are acceptable for comparable sales.)</li> <li>* Both pages of the form must be completed.</li> </ul>



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For Field Reviews	<p>If the appraiser agrees with the value and selection of comparable sales, the report requires the following:</p> <ul style="list-style-type: none"> <li>* An exterior inspection of the subject and the comparable sales.</li> <li>* A location map of the subject and original comparables.</li> <li>* Page 1 must be completed in its entirety and Page 2 only as appropriate/requested by the form.</li> </ul> <p>* Clear and descriptive photographs that show the front and street scene of the subject and the front of each comparable sale included in the original report.</p>
For Desktop Underwriter	<p>This review requires:</p> <ul style="list-style-type: none"> <li>* An exterior inspection of the subject from the street.</li> <li>* A street map that shows the location of the subject property.</li> <li>* A photograph that shows the front of the subject property. (If the exterior inspection reveals adverse physical deficiencies or conditions, or the subject property does not conform to the neighborhood, the lender is required to upgrade to a complete URAR appraisal. In that case, please contact K&amp;M Appraisal immediately.)</li> </ul>
For Desk Reviews	<p>If the appraiser disagrees with the original value:</p> <ul style="list-style-type: none"> <li>* The entire form must be completed or the review appraiser must provide specific and detailed commentary indicating why any part cannot be completed.</li> <li>* A location map is necessary only if the appraiser adds additional comparable sales, in which case a location map with all properties is required.</li> <li>* No inspection or photos are required.</li> </ul>
For Desk Reviews	<p>If the appraiser agrees with the original value:</p> <ul style="list-style-type: none"> <li>* Page 1 must be completed, but Pg 2 is not required. * No location map is required.* No inspection or photos are required.</li> </ul>
Disaster Area	<p>If appropriate, please include the following statement within your report: "There is no apparent damage to the subject property or any reduction in the subject's marketability or value due to any recent disaster"; Obviously, if the subject property has sustained damage or a loss in value and/or marketability due to a recent disaster, please include appropriate notations, photographs, commentary, and adjustments within your report.</p> <p>Commentary will be required regarding "repairs to correct issues identified".</p>

### SUBJECT SECTION

Listing History	<p>In addition to the industry's 12 month listing history for the subject, the client requires a full 36 month listing history for the subject property. Frequent listings and/or sales require explanation on each occurrence and should include the data source(s), offering prices, date(s), and an evidence that may indicate flipping.</p>
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### CONTRACT SECTION



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Contract of Sale	Contract of sale must be reviewed for purchase transactions.
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### NEIGHBORHOOD SECTION

Location Classification	<p>If the subject's location is noted as "Suburban" or "Urban" and ANY of the following conditions exist, the appraiser must provide commentary indicating why the location is not considered to be "Rural".</p> <ul style="list-style-type: none"> <li>* Any of the comparable sales are located greater than three miles from the subject.</li> <li>* The subject property is zoned agricultural or is located among agricultural land usage as evidenced by the map and/or photos (appraiser to verify no agricultural use to land or outbuildings. Appraiser must indicate if the subject is a working farm.</li> <li>* The subject is accessed via a gravel or dirt road.</li> <li>* The subject property includes well water and/or a septic system instead of public utilities.</li> </ul>
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### SITE SECTION

Outbuildings	Appraiser to comment on any property with large and multiple outbuildings. Indicate if subject is working farm, highest and best use as residential, and marketability.
Well and Septic	For private well and private septic appraiser must indicate if they are typical for the area.

### SALES COMPARISON APPROACH SECTION

Active Listings	Please provide at least two active listings and/or pending sales with their days on market (DOM) for all reports.
All Comps/Date of sale	At least two comparable sales must have closing dates within 90 days of the effective date of the appraisal. Additionally, at least two comparables must be verifiable through the Multiple Listing Service, (with MLS #'s included as evidence), as an arms-length transaction. If such comparables cannot be provided, please provide a detailed explanation as to why the requirements cannot be met, and if it has resulted in making an adjustment to the property value.
Comparable Section	If any of the provided comparables are REO/Bank/Foreclosure sales, please disclose which particular sale is REO/Bank/Foreclosure within the grid or within the commentary. Please comment why it was necessary to utilize distressed sales and why they are more relevant in the subject's current market. For example, what percentage of the recent sales within the market are REO/Bank/Foreclosure sales and are they driving the market?
Concessions	If the comparables provided have seller paid concessions reported and NO adjustments have been made to compensate for the concession, either an appropriate adjustment must be made to compensate for the market's response, or a comment must be provided to indicate why, in your opinion, an adjustment is not appropriate. Stating that concessions are typical within the market is not sufficient to explain the lack of an adjustment, as large sales concessions can be relatively typical in a particular segment of the market and still result in sale prices that reflect more than the value of the real estate. The adjustments must reflect the difference between what the comparables actually sold for with the sales concessions and what they would have sold for without the



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	concessions, so that the dollar amount of the adjustments will approximate the reaction of the market to the concessions.
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Date of Sale Adjustments	<p>Time of sale adjustments must reflect the difference in market conditions between the "contract date" of the comparables and the effective date of the appraisal, not the date of sale.</p> <p>For example, a comparable goes pending status on 1/8/2009 and closes on 3/6/2009, the time adjustment should go to the contract date (pending status) and not the closed date.</p>
Date of Sale/Time Adjustments	<p>If the subject is located in a market with declining or increasing property values, a date of sale adjustment should be given to each of the comparable sales in order to compensate for the change in marketing conditions since their respective selling dates. If no adjustment has been given, please provide specific and detailed commentary indicating why, in your opinion, an adjustment is not appropriate.</p>
Days On Market	<p>Days on market must be reported for the subject property and each comparable.</p>
Manufactured Homes	<p>Single, double, and triple wide manufactured homes are ineligible for financing for most clients.</p> <p>Please notify K&amp;M Appraisal immediately.</p>
Net/Gross/S-Line	<p>The comparable sales and additional listings must meet the following guidelines for the single line, net and gross percentage adjustments:</p> <ul style="list-style-type: none"> <li>* The dollar amount of the single line, net, and gross adjustments for each comparable sale should not exceed 10%, 15%, and 25% of the sales price of the comparable. If the adjustments exceed the typical percentages, the appraiser must comment on the reasons for not using a more similar comparable and why it was necessary to exceed the guidelines.</li> </ul>
New Construction	<p>All new and proposed construction appraisals must include at least 2 recent comparable sales that were exposed to the market after the completion of construction (i.e. Spec Homes and/or Re-sale transactions). These sales must have been marketed through the local MLS or via another reliable source where all necessary information (days on market, room count, interior finish materials, creative financing, seller incentives, etc...) can be verified by a disinterested third party</p>
New Projects & Developments	<p>The appraiser must use at least one current sale from the subject builder/developer within the subject's project and either:</p> <ul style="list-style-type: none"> <li>* One current sale from a competing builder/developer.</li> <li>* OR</li> </ul> <p>* A resale from within the subject property's development that has closed within the last 30 days. The appraiser must verify any sales information provided by the builder/developer by obtaining a copy of the HUD-1 Settlement Statement. To be viable comparable sales, comps from the builder/developer must have had sufficient market exposure and not be the result of combining a land sale with the contract construction cost of the improvements. If such comparable sales cannot be provided, please provide a detailed explanation as to why the requirements cannot be met, and if this has resulted in making an adjustment to the property value.</p>
Sales Price/List Price	<p>An adjustment should be made to all of the active listings to compensate for the typical sales price to list price ratio for the market</p>



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Ratio	segment. If a listing is not given an adjustment to compensate for the sales price to list price ratio, a specific detailed comment must be provided indicating why you feel the adjustment is not relevant.
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Unique Properties	If the subject is a unique or atypical property type (i.e., log home, geodesic dome, A-frame, modular, manufactured, low GLA, etc), the appraisal must include at least two recent sales of similar construction style and/or features for comparison to the subject. Please extend the data search into similar and competing markets if necessary to satisfy this requirement.
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### COST APPROACH SECTION

Cost Approach	The entire cost approach, including the estimated remaining economic life and opinion of site value, is needed for all non-condominium interior inspection appraisal reports. On exterior inspection reports for non-condominium properties, the estimated remaining economic life and opinion of site value must still be provided. For condominiums, only the estimated remaining economic life is necessary. It should be provided within the report commentary or addenda.
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### ADDENDUM SECTION

Listing History	In addition to the subject's 36 month listing history, the lender requires a 12 month listing history for all comparables utilized in the report.
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### ADDITIONAL FHA REQUIREMENTS

Well & Septic Connection	Indicate if the distances between the well and septic tank, well and property line, meet HUD's minimum standards.
Well & Septic Connection	For private well and private septic appraiser must indicate if public water and sewers are available to subject and if it is typical for the area.
Subject Photos	Photos of all sides of the home must be provided to meet FHA guidelines. Photos of any amenity given value should be provided.
Standard Comment	If applicable, please include the following comment within the report, "The subject meets all FHA/HUD minimum guidelines as outlined by Handbooks 4150.2 and 4905.1, and all applicable Mortgagee Letters."

MORTGAGEE LETTER 2009-09	<p>Per Mortgagee Letter 2009-09, FHA defines a declining market as "any neighborhood, market area, or region that demonstrates a decline in prices or deterioration in other market conditions as evidenced by an oversupply of existing inventory or extended marketing times."</p> <p>Whenever such conditions exist, the appraiser must provide the following:</p> <ul style="list-style-type: none"> <li>* Include a minimum of two active listings or pending sales on the appraisal grid of the applicable appraisal reporting form.</li> </ul>
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	<p>* Insure that active listings and pending sales are market tested and have reasonable market exposure to avoid the use of over-priced properties as comparables. Reasonable market exposure is reflected by typical marketing times for the neighborhood. The comparable listings should be truly comparable and the appraiser should bracket the listings using both dwelling size and sales price whenever possible.</p> <p>* Adjust active listings to reflect list to sale price ratios for the market. * Adjust pending sales to reflect the contract purchase price whenever possible or adjust pending sales to reflect list to sale price ratios.</p> <p>* Include the original list price, any revised list prices, and total days on the market (DOM). Provide an explanation for DOM that do not approximate time frames reported in the Neighborhood section of the appraisal reporting form or that do not coincide with the DOM noted in the Market Conditions Addendum.* Reconcile the adjusted values of active listings or pending sales with the adjusted values of the settled sales provided. If the adjusted values of the settled comparables are higher than the adjusted values of the active listings or pending sales, the appraiser must determine if a market condition adjustment is appropriate. The final value conclusion should not be based solely on the comparable listing</p>
Modular Homes	Modular homes must have at least one modular comparable included in the report.
Intended User	The intended user must indicate: LENDER/CLIENT/HUD for all FHA reports.
FHA Guidelines	The appraisal should be written to comply with all FHA guidelines as outlined by Handbook 4150.2 and all applicable Mortgage Letters (2005-02, 2005-48, 2005-34)
FHA Case #	FHA case numbers must be on all pages and addenda within the report. Every page of the file uploaded, must have the FHA case number provided.
Comparable Photos	FHA indicates a current photo must be provided to illustrate you inspected the comparables from the street. MLS photos are not sufficient for FHA reports, unless you have to enter private property to take the photo. For example, the comparable is located in a gated community the appraiser must take a photo of the gated area and also provide an alternate photo that is available. The alternate photo can be from the mls.
Attic and Crawl	Attic and crawl space must be inspected to insure FHA/HUD guidelines are met and indicate within the report they meet minimum FHA/HUD guidelines.

All USDA - Rural Development Appraisal	<p>If this report is for a USDA – Rural Development loan, the report must include all of these same FHA Additional Requirements. However, no FHA case number will be assigned/necessary.</p> <p>* Additionally, if applicable, please include the following statement in all USDA or Rural Development appraisal reports: “The subject property meets all FHA/HUD minimum guidelines as outlined by HUD Handbooks 4905.1 and 4150.2, and all applicable Mortgage Letters“. If not applicable, please make the appraisal report “subject to” any required repairs or inspections needed to bring the subject property into compliance with the minimum guidelines.</p> <p>* If applicable, please also include the following statement within all USDA or Rural Development appraisal reports: “The</p>
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signing appraiser who completed this appraisal report is currently an approved FHA roster appraiser". If you have received a request for a USDA or Rural Development appraisal and you are not an approved FHA roster appraiser, please notify K&M Appraisal prior to completing this assignment.

\* For all USDA or Rural Development appraisals on properties that are Proposed Construction or Under Construction, please include the appropriate USDA Thermal Certification within your appraisal report.