

## Section 4: Appraisal Analysis

### 4.1. Appraisal Reports (6/8/2012 4:43:43 PM)

To ensure compliance with the Appraiser Independence Requirements, all appraisals must be ordered through Provident Funding and all communication with the appraiser must be facilitated through Provident Funding's Appraisal Review Department.

The type of appraisal report required depends on the property type and occupancy. The AU Feedback Certificate will contain a Minimum Assessment Feedback (MAF) indicating the level of inspection required for a particular transaction. The appraisal report obtained must meet or exceed in detail the MAF. Resubmissions to the AU engine with any changes to the loan transaction may alter the MAF. Thus, it is essential that the MAF be rechecked after each submission to the AU engine.

The following transactions require a full appraisal, even if the MAF indicates a lesser form:

- Purchases of REO properties or purchases of properties whose most recent transaction was a foreclosure sale.
- Loans with LTV greater than 80%.
- Super Conforming loans.
- Jumbo Loans.

Loans receiving a 2075 MAF are required to have a 2055/466 or full appraisal.

#### Property Inspection Alternative (Loan Prospector Only)

On certain transactions, Loan Prospector will determine that the loan is eligible for the Property Inspection Alternative (PIA). With this determination, the Borrower is permitted to obtain a Form 2070 (Exterior Only) Inspection or for a small fee, not obtain any appraisal documentation.

The PIA option is only available for purchase and rate/term refinances secured by 1 unit primary residences and second homes, including condominiums and PUDs. In the instance, the PIA option is used for a purchase transaction, the net purchase price should be used as the appraised value.

If the Desktop Underwriter feedback indicates that an appraisal is not required for the transaction, then Provident Funding will require a minimum 2055 exterior-only inspection.

#### 4.1.1. Appraisal Report Forms (10/4/2012 12:36:13 AM)

The following is a list of the appraisal forms for the various property types:

Property Type	Primary Residence	Second Home	Investment Property
1 Unit Single Family/PUD	Form 1004/70 Form 2055 Form 2070	Form 1004/70 Form 2055 Form 2070	Form 1004/70 with Forms 1007/1000 and 998/216
Attached Condominium	Form 1073/465 Form 1075/466 Form 2070	Form 1073/465 Form 1075/466 Form 2070	Form 465 with Forms 1007/1000 and 998/216
2 to 4 Unit Property	Form 1025/72 with Form 998/216	NA	Form 1025/72 with Form 998/216

Note: Provident Funding does not accept Form 2075, even if allowed per the MAF.

#### Super Conforming loans

The minimum acceptable appraisal for a loan with a Super Conforming loan amount is a Form 70 appraisal. This form is required regardless of any MAF allowing a less comprehensive appraisal report.

An additional Field Review is required for loans with both 75% LTV/CLTV and greater and \$1 million property value or greater.

#### Jumbo Loans

The minimum acceptable appraisal for a Jumbo loan is a Form 70. If the loan amount is greater than \$1,500,000, a Field Review is required in addition to the Form 70. The broker must order the Field Review through PFLoans.com either at the time of the original appraisal order or once the Form 70 is complete.

#### 4.1.2. Appraisal Age Requirements (5/31/2012 5:08:47 PM)

The appraisal must be dated no more than 90 days from the funding date. If the appraisal is over 90 days and the property is NOT considered to be in a declining market (refer to 4.2.1), an appraisal form 442/1004D Appraisal Update is required and

must indicate that the subject property has not declined in value since the effective date of the original appraisal.

An appraisal (over 90 days old) is valid for 12 months from its effective date if an Appraisal Update dated within 90 days of funding indicates that the value of the property has not decreased since the effective date of the original appraisal. A minimum of two new comparables with pictures are required to support the Appraisal Update. The appraiser is also to provide a current photo of the property and state that there has been no change since the original report was completed. The Appraisal Update must be completed by the same appraiser that completed the original appraisal report.

If the appraisal is dated more than 90 days and the property is considered to be in a declining market, a new appraisal is required.

If the Appraisal Update indicates a decline in value, a new appraisal is required.

## 4.2. Reviewing the Appraisal (4/4/2011 7:38:05 PM)

### 4.2.1. Declining Markets (5/2/2012 10:25:36 AM)

A property is considered to be in a declining market when:

- Marked by the appraiser as a declining market; and/or
- Marked by the appraiser as an oversupply of homes for sale; and/or
- Marked by the appraiser as having a marketing time over 6 months; and/or
- Indicated in the AU Feedback Certificate.

Provident Funding reserves the right to perform an appraisal desk review in the event the property is located in a declining market or the appraised value is deemed excessive for the local market, inaccurate, or unsupported. A desk review may also be required as determined by the Appraisal Review Department.

### 4.2.2. Field Reviews and Second Appraisals (4/4/2011 7:41:55 PM)

The Appraisal Review Department may determine that a field review is needed to confirm the appraised value is not under estimated or over stated. In this instance, the Appraisal Review Department will order a field review at no cost to the broker or borrower. If the field review confirms the appraised value is accurate and supported, the appraisal report will be accepted. If the field review confirms the appraised value is excessive, another appraisal will be ordered at no cost to the broker or borrower.

### 4.2.3. Permits (5/7/2012 3:50:22 PM)

If the appraisal report reflects a conversion, renovation or addition to the subject property, the appraiser may need to provide confirmation that permits were obtained or the Borrower may need to provide copies of the permits in the following instances:

- The conversion of a garage into living space
- The conversion of non-living area to living area, regardless of whether or not the appraiser assigns the area value
- Any conversion, remodeling, or addition that required the alteration of, addition, or removal of electrical or plumbing work in a living area
- Any alteration, removal, or addition to the property that would require permits in accordance with local code

When required permits were not originally obtained for a conversion, renovation or addition to the subject property, retroactive/remedial permits must be provided.

### 4.2.4. Disputes to Value (5/3/2012 5:00:46 PM)

The broker may dispute the value of an appraisal by completing the Value Disputes Submission form found on PFLoans. The broker must complete this form in its entirety and attach to a case opened to the registered branch.