Reporting Market Conditions in a Residential Appraisal Report

Foreword

Appraisal reports communicate much more than just a value opinion. A well written appraisal report tells a story about a property, and that story has many components. One critical component is the market conditions as of the effective date of the appraisal. Lenders use appraisal reports to evaluate the relative risk associated with a loan. Accurate information about market conditions is an important part of that risk evaluation.

For lender-oriented appraisal work, the most common media used for appraisal reports are the Fannie Mae/Freddie Mac appraisal report forms, with form 1004 (the URAR) being the most common. Form 1004MC is used as an addendum to the 1004, providing support for the reported market conditions.

When completed properly, the 1004MC provides support for the "story" that is presented in other sections of the appraisal report. However, if the 1004MC is completely improperly, the result is often inconsistent and/or contradictory indications within a report.

Official instructions from Fannie Mae related to the 1004MC can be found in a variety of documents and other training media. The primary purpose of this publication is to present accurate instructions in a single source so that appraiser can have a clear understanding of what is expected in reports that are submitted to ServiceLink. The information herein is based on official publications and direct communications with Fannie Mae officials.

Several examples of correct and incorrect reporting are provided. The examples are all based on actual reports, but any data that could be used to identify the specific report has been redacted.

We sincerely hope that you find this publication useful, and we welcome any feedback that you wish to offer.

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Neighborhoods

What is a Neighborhood?

There are references to the term "neighborhood" throughout the 1004 form. The appraiser is asked to report: the *neighborhood* name, the *neighborhood* boundaries, the number of comparable sales in the *neighborhood* in the past year, etc. Therefore, it is critical for an appraiser to understand the term *neighborhood*.

The Dictionary of Real Estate Appraisal, Fifth Edition, provides the following widely-accepted definition of *neighborhood*:

> *A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.*

Note that this definition refers to land use<u>s</u> (plural). An area comprised solely of residential housing units would not be a neighborhood, because such an area would not include multiple land uses.

While it is quite common for appraisers to define a neighborhood based on subdivision boundaries, or distance parameters (e.g. one mile), such approaches are not consistent with the actual definition.

When identifying a neighborhood, the appraiser should consider other properties that complement the subject property. Think about people who would live in the subject property. Where would they buy groceries? Where would they bank? Where would they buy fuel? As such questions are considered, the appraiser begins to identify the neighborhood and the boundaries that should be reported in the NEIGHBORHOOD section of the URAR.

Note: Race and the racial composition of the neighborhood are not appraisal factors.									
Neighborhood Characteristics			**One-Unit Housing Trends**			**One-Unit Housing**		**Present Land Use %**	
Location ☐ Urban	☐ Suburban	☐ Rural	Property Values ☐ Increasing	☐ Stable	☐ Declining	PRICE	AGE	One-Unit	%
Built-Up ☐ Over 75%	☐ 25-75%	☐ Under 25%	Demand/Supply ☐ Shortage	☐ In Balance	☐ Over Supply	$ (000)	(yrs)	2-4 Unit	%
Growth ☐ Rapid	☐ Stable	☐ Slow	Marketing Time ☐ Under 3 mths	☐ 3-6 mths	☐ Over 6 mths	Low		Multi-Family	%
Neighborhood Boundaries						High		Commercial	%
						Pred.		Other	%
Neighborhood Description									
Market Conditions (including support for the above conclusions)									

The geographic area encompassed by a neighborhood can vary greatly in size. Neighborhoods in rural locations are typically larger than neighborhoods in suburban or urban locations. This is why distance alone is not a valid parameter for identifying a neighborhood.

Common Issue

Reported Neighborhood Boundaries Are Too Narrow or Too Wide
As noted earlier, some appraisers identify neighborhood boundaries based simply on subdivision boundaries or arbitrary distance parameters (i.e. within one mile of the subject property), rather than considering complementary land uses. Many neighborhoods are comprised of more than one subdivision, and many subdivisions are larger than a one mile radius. Defining neighborhood boundaries too narrowly can result in an appraiser omitting key data.

The neighborhood boundaries should <u>not</u> be artificially expanded just to increase the number of sales and/or listings that are reported to be "in the neighborhood." If a neighborhood has very limited market activity, then that should be communicated accurately in the appraisal report. However, if data is very limited, then an appraiser should consider whether that is truly the result of limited activity, or if it is due to defining the neighborhood too narrowly.

Using Different Neighborhood Boundaries in Different Sections of the Report
The neighborhood boundaries presented in the NEIGHBORHOOD section should be used consistently throughout the report. For example, when responding to the questions at the top of page two of the URAR regarding the number of comparable sales and listings in the neighborhood, the results should correspond to the neighborhood area defined on page one. Likewise, the data presented in the grid on the 1004MC should reflect sales and listings of comparable properties that are located within the neighborhood boundaries reported on page one. Failure to consistently use the same neighborhood boundaries throughout the report can result in conflicting data, undermining the overall credibility of the appraisal.

Neighborhood Trends

The appraiser is asked to report the *One-Unit Housing Trends* in the NEIGHBORHOOD section of the 1004.

In any neighborhood there may be a variety of property types that appeal to different market segments. It is possible for each market segment to experience different market trends. For example, condominium prices within a neighborhood might be trending in a way that differs greatly from detached homes in the same neighborhood. Or, the trends for waterfront properties may be very different from trends for non-waterfront properties.

In such cases, should the appraiser report the trends for the neighborhood as a whole, or should the appraiser report the trends for the properties that specifically compete with the subject property?

This question can be answered by examining the instructions printed on the 1004MC:

Note that these instructions state that the appraiser ___**must**___ use the information in the 1004MC as the basis for the trends reported in the NEIGHBORHOOD section. Because the data in the 1004MC is focused on those properties that compete directly with the subject, the trends reported in the NEIGHBORHOOD section should be the trends for properties that compete with the subject (i.e. the subject's sub-market), and <u>not</u> the trends for the neighborhood as a whole.

While this is contrary to the way that many appraisers have been trained, it is logical. The mortgage loan is being placed with a specific home used as collateral – not the entire neighborhood. Hence, it is logical to focus on the trends for the subject property and other properties that compete with the subject property.

Common Issues

"Tweaking" the Predominant Value

Some clients require additional commentary if the subject's value is above or below the predominant price for the neighborhood. As a result, some appraisers opt to simply report the subject's appraised value as the predominant price for the neighborhood in order to avoid having to comment on a variance between the subject's appraised value and the predominant price. This is an unacceptable practice that undermines credibility. The predominant price in the neighborhood should be reported accurately, regardless of whether it is higher or lower than the subject's reported value.

General Inconsistency

If the NEIGHBORHOOD section indicates that prices are either increasing or decreasing, then the expectation is that the comparison approach adjustment grid will contain corresponding adjustments for the increase or decrease. Conversely, if the NEIGHBORHOOD section indicates stable prices, then market condition adjustments would not be expected in the comparison approach.

If the NEIGHBORHOOD section indicates over supply or under supply, this should be supported by the analysis of the months of housing inventory on the 1004MC.

The marketing time reported in the NEIGHBORHOOD section should be supported by the days-on-market data that is provided for each comparable and by the data reported in the 1004MC.

Supply and Demand (Top of Page Two on URAR)

At the top of page two of the URAR, the appraiser provides information about the number of comparable sales in the neighborhood over the past year and the number of comparable properties currently offered for sale.

This section of the URAR existed prior to the release of the 1004MC in 2009. The data in this section is intended to provide a "snapshot" of supply and demand for <u>comparable</u> properties <u>in the subject's neighborhood</u>.

When conducting the searches required to provide this data, the geographic area searched should be consistent with the neighborhood boundaries reported in the NEIGHBORHOOD section of the URAR.

An appraiser should always run the query for comparable sales and listings using independent criteria such as location, style, bedroom count, GLA, etc... Price should **not** be a primary search parameter. Searching by price range infers a predetermined range of value for the subject property rather than an objective analysis of data.

The appraiser should further filter the results by removing non-comparable properties before reporting the query results in ranges. Ask, "Would I, or could I, have used this sale or listing to value the subject?" If not, do not include it in the ranges.

Common Issues

Expanding Search Area Due to Limited Data

If there is little activity involving comparable properties within the neighborhood, some simply expand the search area to avoid reporting that there are very few (or no) comparable listings and/or sales within the subject's neighborhood. Please, do **NOT** do this.

If the number of comparable sales/listings within the neighborhood is very limited, report the actual results. The fact that this section of the report indicates a small number of comparable sales/listings can provide additional support for the need to use comparables in the comparison approach that exceed expected parameters related to date of sale, distance, etc.

If the search parameters are expanded to avoid reporting small numbers in this section of the report, this can lead to a report with contradictory indications.

Example:

Uniform Residential Appraisal Report				File No. Sample _
There are **12** comparable properties currently offered for sale in the subject neighborhood ranging in price from $ 219,900				to $ 254,500 .
There are **24** comparable sales in the subject neighborhood within the past twelve months ranging in sale price from $ 218,500				to $ 262,200 .
FEATURE	SUBJECT	COMPARABLE SALE NO. 1	COMPARABLE SALE NO. 2	COMPARABLE SALE NO. 3
123 Main Street		415 Brown Ct	216 Green Circle	312 Orange Drive
Address Anytown, PA 15108		Anytown, PA 15108	Bigtown, PA 15169	Smallville, PA 15303
Proximity to Subject		1.25 miles NW	6.03 miles SE	10.03 miles E

In this case, discussion with the appraiser revealed that Comparable Sale No. 1 was actually the only sale of a comparable home in the subject's neighborhood in the past year. Therefore, the report should have indicated that there was only one comparable sale in the neighborhood in the past twelve months.

If the data been entered correctly, then the lender would have had an expectation that the use of distant sales would be necessary, due to the lack of sales within the neighborhood. Because the data was not reported correctly, the lender questioned why it would be necessary to use sales that are so distant when the report indicates that there were twenty-four sales of comparable properties in the subject's neighborhood.

In this example, failure to present the data in a consistent manner resulted in the need for a report revision to explain how the data was reported and address the lender's concern.

Including Properties that are Not Comparable and/or Not in the Subject's Neighborhood
The report should indicate data for comparable properties in the subject's neighborhood, not all properties.

Uniform Residential Appraisal Report	File #
There are **comparable** properties currently offered for sale in the subject neighborhood ranging in price from $	to $.
There are **comparable** sales in the subject neighborhood within the past twelve months ranging in sale price from $	to $.

Some reports appear to indicate that the appraiser is reporting all transactions, not just those involving homes that would compete with the subject. In some cases, it appears that the data reported includes properties outside the subject's neighborhood.

Example:

There are **413** comparable properties currently offered for sale in the subject neighborhood ranging in price from $ 79,900	to $ 1,249,000 .
There are **967** comparable sales in the subject neighborhood within the past twelve months ranging in sale price from $ 58,500	to $ 1,049,000 .

While it is possible that such a large number of sales and listings could exist within a neighborhood, it is highly improbable that properties over such a wide price range would all be comparable to the subject property. Reporting data in this manner opens the door for questioning the credibility of other data within the report.

Reporting Search Parameters Rather than Results

The prices ranges reported in this section should reflect the <u>results</u> of searches for data, not the parameters used to search for the data. Searching by price range infers a predetermined range of value for the subject property. Furthermore, searching by price ranges can cause an appraiser to overlook comparable properties that are outside the range that is searched.

Example of Incorrect Reporting:

| There are | 14 | comparable properties currently offered for sale in the subject neighborhood ranging in price from $ | 500,000 | to $ | 600,000 | . |
| There are | 16 | comparable sales in the subject neighborhood within the past twelve months ranging in sale price from $ | 500,000 | to $ | 600,000 | . |

In this case, the appraiser used price ranges as a parameter to search for comparable data and reported those ranges on page 2.

Example of Report Revised after Proper Search:

| There are | 14 | comparable properties currently offered for sale in the subject neighborhood ranging in price from $ | 504,900 | to $ | 599,900 | . |
| There are | 18 | comparable sales in the subject neighborhood within the past twelve months ranging in sale price from $ | 496,000 | to $ | 589,000 | . |

After coaching was provided, the appraiser modified the search and reported the results rather than the search parameters used. Note the difference in the number of comparable sales reported. Searching by price range had led to the omission of two sales that were comparable to the subject, but had sale prices slightly below the price range that was searched initially.
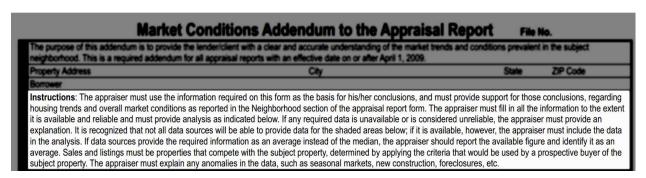
Form 1004MC

Overview

The 1004MC was introduced because of concern that appraisers were not adequately analyzing and reporting market conditions. This form provides a template for the reporting of certain prescribed information, while still allowing an appraiser to include any other information necessary to understand market conditions.

Since the 1004MC was released in 2009, the primary focus has been on the data grid presented in the top third of this form. However, in some locations the number of comparable sales and listings available are not sufficient to provide credible support for the analysis of market trends. Therefore, while it is important to understand the correct way to complete the grid on the 1004MC, it is equally important to understand what to do when the data in the grid alone is insufficient for credible trend analysis.

Instructions

The instructions provided on the 1004MC should not be overlooked. The instructions provide fundamental guidance on the role that the form plays in the entire report and state what to do if certain information is unavailable or is only available as an average.

Market Conditions Addendum to the Appraisal Report   File No.

The purpose of this addendum is to provide the lender/client with a clear and accurate understanding of the market trends and conditions prevalent in the subject neighborhood. This is a required addendum for all appraisal reports with an effective date on or after April 1, 2009.

Property Address	City	State	ZIP Code
Borrower			

Instructions: The appraiser must use the information required on this form as the basis for his/her conclusions, and must provide support for those conclusions, regarding housing trends and overall market conditions as reported in the Neighborhood section of the appraisal report form. The appraiser must fill in all the information to the extent it is available and reliable and must provide analysis as indicated below. If any required data is unavailable or is considered unreliable, the appraiser must provide an explanation. It is recognized that not all data sources will be able to provide data for the shaded areas below; if it is available, however, the appraiser must include the data in the analysis. If data sources provide the required information as an average instead of the median, the appraiser should report the available figure and identify it as an average. Sales and listings must be properties that compete with the subject property, determined by applying the criteria that would be used by a prospective buyer of the subject property. The appraiser must explain any anomalies in the data, such as seasonal markets, new construction, foreclosures, etc.

As discussed earlier, the instructions state that the information on the 1004MC **must** be used as the basis for the housing trends reported in the NEIGHBORHOOD section of the report. Note that the instructions do **not** say that the trends reported in the NEIGHBORHOOD section must be supported by the data in the grid on the 1004MC. Rather, the instructions refer to the entire 1004MC form. This distinction is necessary because there is often not enough data in the grid alone to provide reliable trend indications.

If the data in the grid is insufficient for trend analysis, the appraiser must consider additional information.

The following is from a Fannie Mae publication titled, *Appraisal and Property Report Policies and Forms Frequently Asked Questions (FAQs)*, which is available at:

https://www.fanniemae.com/content/faq/appraisal-property-report-faqs.pdf

> **What should the appraiser do if there is not enough data to present a meaningful analysis?**
>
> In those situations, the appraiser must complete the form with the information he or she has for the defined neighborhood/area—the lack of data may speak to what is occurring in that area. Additional analysis can be addressed in the summary/conclusion section of the form on data in nearby areas for competitive properties. In any event, the appraiser must provide support for his or her conclusions regarding housing trends as noted in the Neighborhood section of the appraisal report.

If there is limited comparable data within the subject's neighborhood, that data should be reported, even if it is insufficient for trend analysis. The report should specifically note that the data in the 1004MC grid is insufficient for credible trend analysis. The appraiser should then analyze additional information that is sufficient to indicate trends. Additional data that one might consider could include things such as:

- Analysis of data in other nearby neighborhoods
- Analysis of a broader data set within the subject's neighborhood (i.e. all sales rather than just comparable sales)
- Consideration of market studies from local, regional or national sources
- Any other relevant data

Regardless of the data used in the trends analysis, the instructions clearly state that support for the trends reported <u>must</u> be included within the report itself.

It is recognized that some of the data requested in the 1004MC grid is not available in all areas. In some cases the data may be reported as an average rather than as a median. In either case, an explanation must be provided.

Common Issue

Failure to Support Trends when there is Limited Comparable Data in Subject's Neighborhood
The most common error in completing the 1004MC is failure to support trends when there is limited data in the 1004MC data grid. Consider this example:

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Total # of Comparable Sales (Settled)	6	3	1
Absorption Rate (Total Sales/Months)	1.00	1.00	0.33
Total # of Comparable Active Listings	3	3	3
Months of Housing Supply (Total Listings/Ab.Rate)	3.0	3.0	9.1
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Median Comparable Sale Price	162,500	114,800	95,000
Median Comparable Sales Days on Market	127	27	57
Median Comparable List Price	108,250	92,500	229,000
Median Comparable Listings Days on Market	175	71	47
Median Sale Price as % of List Price	96%	100%	100%
Seller-(developer, builder, etc.)paid financial assistance prevalent? ☐ Yes ☒ No			

The commentary in this report correctly noted that there were not enough sales or listings to provide a statistically meaningful trend analysis. However, the appraiser did not go on to

provide any other data or information to explain how the trends indicated in the NEIGHBORHOOD section of the report were supported. This is in direct conflict with the instruction that support for the reported trends must be included in the 1004MC.

The Market Data Grid on 1004MC

The data reported in this area should be based on comparable properties that are located within the subject's neighborhood.

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months	
Total # of Comparable Sales (Settled)				[
Absorption Rate (Total Sales/Months)				[
Total # of Comparable Active Listings				[
Months of Housing Supply (Total Listings/Ab.Rate)				[
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months	
Median Comparable Sale Price				[
Median Comparable Sales Days on Market				[
Median Comparable List Price				[
Median Comparable Listings Days on Market				[
Median Sale Price as % of List Price				[
Seller-(developer, builder, etc.) paid financial assistance prevalent? ☐ Yes ☐ No				[

Any property that is not comparable or is not located in the subject's neighborhood should not be included. Determination of what properties are "comparable" is based on an appraiser's training, judgment and experience. It is impossible to provide definitive parameters to use in all cases. For example, in some cases, a one story home may be comparable to and compete with a two story home. In other cases, a two story home might not be considered comparable to a one story home.

Line 1 – Total # of Comparable Sales (Settled)

On this line the appraiser should report the total number of closed sales of comparable properties within the neighborhood for each of the three time periods. This information is usually readily available via examination of the closing dates for the sales.

Common Issue

Data Inconsistent with Date Reported on Page Two
The most common issue related to this line is reporting data that conflicts with the information reported at the top of page two. Both sections of the report address the same fundamental data – the number of sales of comparable properties that have occurred within the neighborhood in the year prior to the effective date. The difference is that on page two only the total for the year is reported, while in the 1004MC grid the data is broken down by the time period during which the sales occurred.

The total of the three entries on the first line of the 1004MC grid should equal the number of sales reported on page two of the URAR.

When these numbers do not match, it is an indication that the parameters used for each section are different. The same parameters should be used because the same basic question is being answered in both sections of the report.

Line 2 – Absorption Rate (Total Sales/Months)

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months	
Total # of Comparable Sales (Settled)				
Absorption Rate (Total Sales/Months)				
Total # of Comparable Active Listings				
Months of Housing Supply (Total Listings/Ab Rate)				
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months	
Median Comparable Sale Price				
Median Comparable Sales Days on Market				
Median Comparable List Price				
Median Comparable Listings Days on Market				
Median Sale Price as % of List Price				
Seller-(developer, builder, etc.) paid financial assistance prevalent? ☐ Yes ☐ No				

The appraiser should report the result of dividing the number of comparable sales in the neighborhood for each time period by the number of months in the time period. For the *7 – 12 Months* period, the number of sales should be divided by six. For the other two columns the number of sales should be divided by three.

The result will reflect the typical number of comparable homes sold within the subject's neighborhood per month. The higher the absorption rate the greater the sales activity of similar homes in the neighborhood.

The absorption rate is used in conjunction with the number of available comparable homes to gauge the months of housing inventory that currently exists (based on historic performance).

Line 3 – Total # of Comparable Active Listings

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Total # of Comparable Sales (Settled)			
Absorption Rate (Total Sales/Months)			
Total # of Comparable Active Listings			
Months of Housing Supply (Total Listings/Ab Rate)			
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Median Comparable Sale Price			
Median Comparable Sales Days on Market			
Median Comparable List Price			
Median Comparable Listings Days on Market			
Median Sale Price as % of List Price			
Seller (developer, builder, etc.) paid financial assistance prevalent? ☐ Yes ☐ No			

On this line the appraiser should report the total number of active listings as of the last day in each time period. For the time period *Current – 3 Months*, this will be the total number of active listings as of the effective date of the appraisal. If this line is not reported correctly, then the calculation of the *Months of Housing Supply* on the next line will be incorrect as well.

Common Issues

Reporting the Cumulative Listings throughout the Time Period
When the 1004MC was first introduced, appraisers were instructed to report the cumulative listings that were active throughout the entire time period. However, Fannie Mae Announcement 2010-09 modified the instructions as follows:

> ***Market Conditions Addendum to the Appraisal Report** (Form 1004MC)*
>
> In Form 1004MC, in order to provide the most accurate depiction of the "Months of Housing Supply" as of the effective date of the appraisal, the "Total # of Comparable Active Listings" should be based on a specific point in time. For example, when completing the "Current – 3 Months" column for "Total # of Comparable Active Listings," the number should reflect the listings on the most recent date in the 3-month period (which is also the effective date of the appraisal), and not the cumulative number of listings for the entire 3-month time period. Then, when completing the "Months of Housing Supply," the number for the "Total # of Comparable Active Listings" is divided by the absorption rate, which provides an accurate depiction of the existing housing stock as of the effective date of the appraisal. (Using a cumulative number of listings during the "Current – 3 Month" time period may result in an artificially high number for the "Months of Housing Supply.")

The complete document may be found at this URL:
https://www.fanniemae.com/content/announcement/sel1009.pdf

In the *Current – 3 Months* column the entry should reflect the number of comparable listings in the subject's neighborhood as of the effective date of the appraisal. The other two columns should report the number of comparable listings as of the last day in each period, if available. This information is not available in many MLS systems, which is why these fields are gray and designated as optional by Fannie Mae. Note that some clients require completion of these

fields. Various entities offer software to assist in compiling and reporting this information. Refer to the discussion of software tools later in this publication for more information on that topic.

Inconsistent Data When Compared to Page Two

The most common issue related to this line is the presentation of data that conflicts with the data reported at the top of page two of the URAR. The third column on this line and the top of page two address the same fundamental data – the number of listings of comparable properties in the subject's neighborhood as of the effective date. Hence, the number of listings reported in the *Current – 3 Months* column must equal what is reported on page two.

Reporting Based on Days on Market

Another common error is placing entries in each column based on how long ago a current listing was placed on the market.

Example of Incorrect Reporting:

Page Two

1004MC

In this example of incorrect reporting, the appraiser intends to communicate that on the effective date of the appraisal there were six active listings. Two were listed within the last three months, three were listed 4-6 months ago, and one was listed 7-12 months ago.

If done correctly, in the column labeled *Current – 3 Months* the entry would be "6," not "2."

The length of time that comparable properties are on the market is addressed by data on line six and line eight. The length of time that properties are on the market should have no effect on the entries on line three.

For each time period, the appraiser should report the total number of active listings of comparable properties in the subject's neighborhood on the last day of that period, without regard to how long those properties have been on the market.

If a property is an active listing on the last day of multiple time periods, then it should be counted in each time period. For example, suppose a comparable home in the subject's neighborhood was listed for sale eleven months prior to the effective date of the appraisal, was on the market continuously, and was still an active listing on the effective date of the appraisal. Such a listing would be included in the total number of comparable active listings in all three time periods.

If the entries on this line are based on when a property was placed on the market rather than the total number of listings, the result will be that the *Months of Housing Supply* reported on the next line will be incorrect.

Line 4 – Months of Housing Supply (Total Listings/Ab. Rate)

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Total # of Comparable Sales (Settled)			
Absorption Rate (Total Sales/Months)			
Total # of Comparable Active Listings			
Months of Housing Supply (Total Listings/Ab.Rate)			
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Median Comparable Sale Price			
Median Comparable Sales Days on Market			
Median Comparable List Price			
Median Comparable Listings Days on Market			
Median Sale Price as % of List Price			
Seller-(developer, builder, etc.) paid financial assistance prevalent? ☐ Yes ☐ No			

This line should report the results of dividing the total listings on the last day of each period (line three) by the absorption rate during that period (line two).

This number is a projection of how long it would take current inventory to be sold if activity continued at its current level.

The historic listing information required to complete the entries in the first two columns is not available in many MLS systems, which is why these fields are gray and designated as optional by Fannie Mae. Note that some clients require completion of these fields. Various entities offer software to assist in compiling and reporting this data. Refer to the discussion of software tools later in this publication for more information on that topic.

Example:

Assume that the *Current-3 Months* column indicates six sales and eighteen listings. The absorption rate would be two per month (6 ÷ 3=2). At that rate, the eighteen listings would indicate nine months of supply, and correct reporting would be as follows:

Current – 3 Months
6
2.00
18
9.00

Assuming that there is sufficient data, the results reported on this line should correlate with the indication provided in the NEIGHBORHOOD section related to Demand/Supply.

One-Unit Housing Trends					
Property Values	☐ Increasing		☐ Stable		☐ Declining
Demand/Supply	☐ Shortage		☐ In Balance		☐ Over Supply
Marketing Time	☐ Under 3 mths		☐ 3-6 mths		☐ Over 6 mths

Common Issue

Incorrect Reporting of Number of Listings

Incorrect reporting of the number of current listings is the most common cause for an error in calculating and reporting the months of housing supply. Refer to the section on *Total # of Comparable Active Listings* for further discussion of that issue.

Line 5 – Median Comparable Sale Price

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Total # of Comparable Sales (Settled)			
Absorption Rate (Total Sales/Months)			
Total # of Comparable Active Listings			
Months of Housing Supply (Total Listings/Ab.Rate)			
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Median Comparable Sale Price			
Median Comparable Sales Days on Market			
Median Comparable List Price			
Median Comparable Listings Days on Market			
Median Sale Price as % of List Price			
Seller-(developer, builder, etc.) paid financial assistance prevalent? ☐ Yes ☐ No			

For each time period, the appraiser should report the median price for the sales that occurred during that time period (as reported on the first line).

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Total # of Comparable Sales (Settled)			
Absorption Rate (Total Sales/Months)			
Total # of Comparable Active Listings			
Months of Housing Supply (Total Listings/Ab.Rate)			
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Median Comparable Sale Price			
Median Comparable Sales Days on Market			
Median Comparable List Price			
Median Comparable Listings Days on Market			
Median Sale Price as % of List Price			
Seller-(developer, builder, etc.) paid financial assistance prevalent? ☐ Yes ☐ No			

Common Issue

Median Sale Price Reported on 1004MC is Outside Price Range Reported on Page Two
The most common error noted on this line is the reporting of a median price that is outside the range of prices reported at the top of page two.

Example of Reporting Error:
Page Two of URAR

| There are | 11 | comparable sales in the subject neighborhood within the past twelve months ranging in sale price from $ | 400,000 | to $ | 600,000 |

1004MC

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Total # of Comparable Sales (Settled)	5	2	4
Absorption Rate (Total Sales/Months)	0.83	0.67	1.33
Total # of Comparable Active Listings			17
Months of Housing Supply (Total Listings/Ab.Rate)			12.78
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Median Comparable Sale Price	526,500	684,700	752,900

If the sales prices for comparable properties in the subject's neighborhood over the past year ranged from $400,000 to $600,000, as reported on page two, then the median prices on the 1004MC <u>must</u> fall within that range. It is mathematically impossible for the median price to fall outside the range of the data set.

If one (or more) of the median sale prices reported on the 1004MC grid is outside the range of prices reported on page 2, then that is often an indication that different parameters were used for the two searches. The sales data at the top of page two and the sales data reported in the 1004MC grid should both reflect comparable properties located within the subject's neighborhood. Therefore, the search parameters used should be the same, and the results should be reported consistently.

Line 6 – Median Comparable Sales Days on Market

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Total # of Comparable Sales (Settled)			
Absorption Rate (Total Sales/Months)			
Total # of Comparable Active Listings			
Months of Housing Supply (Total Listings/Ab.Rate)			
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Median Comparable Sale Price			
Median Comparable Sales Days on Market			
Median Comparable List Price			
Median Comparable Listings Days on Market			
Median Sale Price as % of List Price			
Seller-(developer, builder, etc.) paid financial assistance prevalent? ☐ Yes ☐ No			

For each time period, the appraiser should report the days on market for the sales that occurred during that time period (as reported on the first line).

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Total # of Comparable Sales (Settled)			
Absorption Rate (Total Sales/Months)			
Total # of Comparable Active Listings			
Months of Housing Supply (Total Listings/Ab.Rate)			
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Median Comparable Sale Price			
Median Comparable Sales Days on Market			
Median Comparable List Price			
Median Comparable Listings Days on Market			
Median Sale Price as % of List Price			
Seller-(developer, builder, etc.) paid financial assistance prevalent? ☐ Yes ☐ No			

This data should be consistent with the marketing time reported on page one.

One-Unit Housing Trends			
Property Values	☐ Increasing	☐ Stable	☐ Declining
Demand/Supply	☐ Shortage	☐ In Balance	☐ Over Supply
Marketing Time	☐ Under 3 mths	☐ 3–6 mths	☐ Over 6 mths

If this data is not consistent with the indication provided on page one of the URAR, then appropriate commentary must be provided.

This information can also be used in developing the opinion of exposure time for the subject property, as required by USPAP.

Line 7 – Median Comparable List Price

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months	
Total # of Comparable Sales (Settled)				
Absorption Rate (Total Sales/Months)				
Total # of Comparable Active Listings				
Months of Housing Supply (Total Listings/Ab.Rate)				
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months	
Median Comparable Sale Price				
Median Comparable Sales Days on Market				
Median Comparable List Price				
Median Comparable Listings Days on Market				
Median Sale Price as % of List Price				
Seller-(developer, builder, etc.) paid financial assistance prevalent? ☐ Yes ☐ No				

For each time period, the appraiser should report the median list price for the listings that are active as of the last day in each time period (as reported on the third line).

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months	
Total # of Comparable Sales (Settled)				
Absorption Rate (Total Sales/Months)				
Total # of Comparable Active Listings				
Months of Housing Supply (Total Listings/Ab.Rate)				
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months	
Median Comparable Sale Price				
Median Comparable Sales Days on Market				
Median Comparable List Price				
Median Comparable Listings Days on Market				
Median Sale Price as % of List Price				
Seller-(developer, builder, etc.) paid financial assistance prevalent? ☐ Yes ☐ No				

The historic listing information required to complete the entries in the first two columns is not available in many MLS systems, which is why these fields are gray and designated as optional by Fannie Mae. Note that some clients require completion of these fields. Various entities offer software to assist in compiling and reporting this data. Refer to the discussion of software tools later in this publication for more information on that topic.

Common Issues

Using Both Sales and Listings for the Calculation

The median list price reported for each time frame should reflect <u>only</u> the listings reported for the corresponding time frame. A common error is to include both the listings and the sales that occurred during the corresponding time frame. The correct methodology for completing these fields has been confirmed through direct correspondence with Fannie Mae

Many who use both listings and sales for the calculation do so because they are not calculating the *Median Sale Price as a % of List Price* correctly. Refer to the section on calculating the *Median Sale Price as a % of List Price* for additional information.

Median Comparable List Price is Outside Range Reported on Page Two

The number of comparable listings in the subject's neighborhood reported on line three of the 1004MC data grid should be the number of listings on the last day in each period. Therefore, the number of listings reported in the *Current – 3 Months* column should be the number of active listings as of the effective date of the appraisal. Given that, the median list price reported in the *Current – 3 Months* column <u>must</u> fall within the range of list prices reported at the top of page two.

Example of Incorrect Reporting

Page 2

There are	17	comparable properties currently offered for sale in the subject neighborhood ranging in price from $	400,000	to $	600,000

1004MC

Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Median Comparable Sale Price	525,500	684,700	752,900
Median Comparable Sales Days on Market	117	63	84
Median Comparable List Price	531,200	689,900	759,500

If there are seventeen current listings of comparable properties in the subject's neighborhood, and the asking prices range from $400,000 to $600,000, then it is mathematically impossible for the median list price for the current comparable listings in the subject's neighborhood to be $759,500.

Line 8 – Median Comparable Listings Days on Market

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Total # of Comparable Sales (Settled)			
Absorption Rate (Total Sales/Months)			
Total # of Comparable Active Listings			
Months of Housing Supply (Total Listings/Ab.Rate)			
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Median Comparable Sale Price			
Median Comparable Sales Days on Market			
Median Comparable List Price			
Median Comparable Listings Days on Market			
Median Sale Price as % of List Price			
Seller-(developer, builder, etc.) paid financial assistance prevalent? ☐ Yes ☐ No			

For each time period, the appraiser should report the days on market for the listings reported on line three above.

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Total # of Comparable Sales (Settled)			
Absorption Rate (Total Sales/Months)			
Total # of Comparable Active Listings			
Months of Housing Supply (Total Listings/Ab.Rate)			
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Median Comparable Sale Price			
Median Comparable Sales Days on Market			
Median Comparable List Price			
Median Comparable Listings Days on Market			
Median Sale Price as % of List Price			
Seller-(developer, builder, etc.) paid financial assistance prevalent? ☐ Yes ☐ No			

The historic listing information required to complete the entries in the first two columns is not available in many MLS systems, which is why these fields are gray and designated as optional by Fannie Mae. Note that some clients require completion of these fields. Various entities offer software to assist in compiling and reporting this data. Refer to the discussion of software tools later in this publication for more information on that topic.

Line 9 – Median Sale Price as % of List Price

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months	
Total # of Comparable Sales (Settled)				
Absorption Rate (Total Sales/Months)				
Total # of Comparable Active Listings				
Months of Housing Supply (Total Listings/Ab Rate)				
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months	
Median Comparable Sale Price				
Median Comparable Sales Days on Market				
Median Comparable List Price				
Median Comparable Listings Days on Market				
Median Sale Price as % of List Price				
Seller-(developer, builder, etc.) paid financial assistance prevalent? ☐ Yes ☐ No				

The appraiser must analyze the sales that occurred in each time period, calculate the Sale Price as a % of List Price for each of those sales, and calculate the median of those results.

Example of Correct Calculation:

Assume that the following data represents five comparable sales that occurred during one of the applicable time periods:

Sale #	Sale Price	List Price	SP as % of LP
1	$195,000	$199,900	97.5%
2	$185,000	$189,900	97.4%
3	$190,000	$209,900	90.5%
4	$198,000	$204,900	96.7%
5	$186,000	$199,900	93.0 %

The *Median Sale Price as a % of List Price* for this time period 96.7%.

If there are a large number of comparable sales in the subject's neighborhood in the past year, manual calculation of the *Median Sale Price as a % of List Price* for the three different time periods can take a significant amount of time. Various entities offer software to assist in compiling and reporting this information. Refer to the discussion of software tools later in this publication for more information on that topic.

Common Issues

Simply Dividing Median Comparable Sale Price by Median Comparable List Price
This entry should not be calculated by simply dividing the data on line five by the data on line seven. The following was published by Fannie Mae and can be found at:

https://www.fanniemae.com/content/faq/appraisal-property-report-faqs.pdf

8. **Is the Median Sale Price as % of List Price determined by dividing the Median Comparable Sale Price by the Median Comparable List Price from the preceding data on the form, or is it based only on comparables for sold properties?**

The Median Sale Price as % of List Price is to be determined by analyzing the comparables that have sold and settled during the specific time frame, not by using the data from the lines above this section on the form.

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The correct methodology is to take each of the sales reported on line one, calculate the *Sale Price as a % of List Price* for each sale, then derive the median of those results, as demonstrated in the example above.

Simply dividing median comparable sale price by median comparable list price does not provide an accurate reflection of how the typical sale price of a property compares to the list price of that same property. The median comparable list price and the median comparable sale price are not calculated using the same data set. One is based on the sales that occurred during the time period and one is based on the active listings as of the last day in each period.

Data is Inconsistent with Adjustments made to Comparable Listings
If the comparison approach in the appraisal report includes comparable listings, then the adjustment for Sale Price as a % of List Price that is applied to the comparable listings should be consistent with the data presented on this line in the 1004MC. If the adjustments are not consistent with the percentages indicated on this line in the 1004MC, then appropriate explanatory comments must be provided.

Line 10 – Seller (developer, builder, etc.) paid financial assistance prevalent?

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Total # of Comparable Sales (Settled)			
Absorption Rate (Total Sales/Months)			
Total # of Comparable Active Listings			
Months of Housing Supply (Total Listings/Ab Rate)			
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Median Comparable Sale Price			
Median Comparable Sales Days on Market			
Median Comparable List Price			
Median Comparable Listings Days on Market			
Median Sale Price as % of List Price			
Seller-(developer, builder, etc.) paid financial assistance prevalent? ☐ Yes ☐ No			

On this line the appraiser must indicate whether seller paid financial assistance is prevalent. While only a YES or NO response is provided on this line, related commentary should be provided in the text field immediately below this line.

Overall Trends

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months	Overall Trend		
Total # of Comparable Sales (Settled)				☐ Increasing	☐ Stable	☐ Declining
Absorption Rate (Total Sales/Months)				☐ Increasing	☐ Stable	☐ Declining
Total # of Comparable Active Listings				☐ Declining	☐ Stable	☐ Increasing
Months of Housing Supply (Total Listings/Ab.Rate)				☐ Declining	☐ Stable	☐ Increasing
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months	Overall Trend		
Median Comparable Sale Price				☐ Increasing	☐ Stable	☐ Declining
Median Comparable Sales Days on Market				☐ Declining	☐ Stable	☐ Increasing
Median Comparable List Price				☐ Increasing	☐ Stable	☐ Declining
Median Comparable Listings Days on Market				☐ Declining	☐ Stable	☐ Increasing
Median Sale Price as % of List Price				☐ Increasing	☐ Stable	☐ Declining
Seller (developer, builder, etc.) paid financial assistance prevalent? ☐ Yes ☐ No				☐ Declining	☐ Stable	☐ Increasing

For each line item in the 1004MC data grid, there are corresponding boxes for the appraiser to indicate the overall trend for the data reported on each line. The boxes are arranged so that indicators in the far left column reflect positive change, indicators in the far right column reflect negative change, and indicators in the center column reflect stability.

Common Issue

Relying Only on 1004MC Data Grid for Trends
In selecting the overall trend, first consideration should be given to the corresponding data that is presented on that line in the 1004MC data grid. However, if the availability of comparable properties in the subject's neighborhood is limited, then the data may be insufficient to determine the trend.

Example:

Inventory Analysis	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Total # of Comparable Sales (Settled)	1	1	1
Absorption Rate (Total Sales/Months)	0.17	0.33	0.33
Total # of Comparable Active Listings	1	0	2
Months of Housing Supply (Total Listings/Ab.Rate)	5.88	N/A	6.06
Median Sale & List Price, DOM, Sale/List %	Prior 7–12 Months	Prior 4–6 Months	Current – 3 Months
Median Comparable Sale Price	175,000	180,000	191,000

Looking at this data, there is a clear pattern of increase in the *Median Comparable Sale Price*. However, there is only one comparable sale reported in each time period. This is clearly not sufficient data for trend analysis.

In such a case, the appraiser must augment the data in the 1004MC data grid with additional information that can be used to evaluate the trend in median sale price. The nature of the data that is considered is at the discretion of the appraiser, and might include things such as:

- Analysis of data in other nearby neighborhoods
- Analysis of a broader data set within the subject's neighborhood (i.e. all sales rather than just comparable sales)
- Consideration of market studies from local, regional or national sources
- Any other relevant data

Any additional data that is used to support the appraiser's findings related to overall trends must be summarized in the report. If there is sufficient room, comments may be included in the narrative sections of the 1004MC, or in an addendum.

As noted earlier, support for the conclusions <u>must</u> be included in the report.

Seller Concession trends for the past 12 Months

Median Comparable List Price				☐ Increasing	☐ Stable	☐ Declining
Median Comparable Listings Days on Market				☐ Declining	☐ Stable	☐ Increasing
Median Sale Price as % of List Price				☐ Increasing	☐ Stable	☐ Declining
Seller-(developer, builder, etc.) paid financial assistance prevalent? ☐ Yes ☐ No				☐ Declining	☐ Stable	☐ Increasing
Explain in detail the seller concessions trends for the past 12 months (e.g., seller contributions increased from 3% to 5%, increasing use of buydowns, closing costs, condo fees, options, etc.).						
Are foreclosure sales (REO sales) a factor in the market? ☐ Yes ☐ No If yes, explain (including the trends in listings and sales of foreclosed properties).						

The appraiser should provide a discussion of any observed trends in seller paid concessions. This includes trends in closing costs paid by the seller, prevalence of buydowns, pre-payment of HOA fees, etc.

Common Issue

Inconsistency

The response to line ten and the comments provided in the narrative section should be consistent with information found elsewhere in the report. For example, if seller paid financial assistance is said to not be prevalent, and if the commentary also says that that concessions are not common, then one would not expect to find an indication in the comparison approach adjustment grid that the comparables all had significant concessions.

Are Foreclosure sales (REO sales) a Factor in the Market?

Are foreclosure sales (REO sales) a factor in the market? ☐ Yes ☐ No If yes, explain (including the trends in listings and sales of foreclosed properties).
Cite data sources for above information.

The presence of a high percentage of foreclosures and/or REO sales in the neighborhood should be discussed. Common comments included in this section include:

- The percentage of sales in the past year that involved an REO property
- The number of current REO listings
- Whether or not REO properties are affecting prices of other properties

Common Issue

Inconsistency with Comparables Used in Comparison Approach

If the 1004MC form indicates that REO sales are not a factor in the market, then a reader would not expect to see REO sales used in the comparison approach.
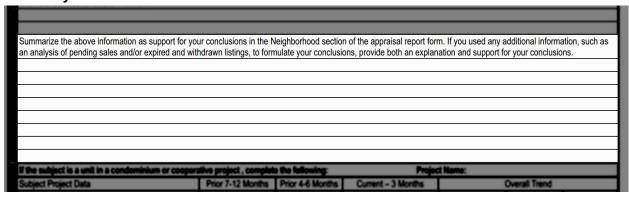
If REO properties are used in the comparison approach, then this section of the 1004MC should provide adequate commentary about the role REO properties play in the overall market.

Cite Data Sources for Above Information

Cite data sources for above information.

The data sources used to provide information on the 1004MC form should be cited.

Summary of Information

Summarize the above information as support for your conclusions in the Neighborhood section of the appraisal report form. If you used any additional information, such as an analysis of pending sales and/or expired and withdrawn listings, to formulate your conclusions, provide both an explanation and support for your conclusions.					
If the subject is a unit in a condominium or cooperative project , complete the following:				Project Name:	
Subject Project Data		Prior 7-12 Months	Prior 4-6 Months	Current – 3 Months	Overall Trend

In this section the appraiser should provide a brief summary of the conclusions related to market conditions. This is not a place for boilerplate or generic commentary. Comments in this section should be specific to the data analyzed for the particular appraisal assignment.

Also, if there is room, this section can be used to report any data that was analyzed in addition to the sales and listings reported in the data grid above. If this field does not provide sufficient room, then an addendum should be used.

Condominium/Cooperative Section

If the subject is a unit in a condominium or cooperative project , complete the following:				Project Name:					
Subject Project Data	Prior 7-12 Months	Prior 4-6 Months	Current – 3 Months	Overall Trend					
Total # of Comparable Sales (Settled)				☐ Increasing		☐ Stable		☐ Declining	
Absorption Rate (Total Sales/Months)				☐ Increasing		☐ Stable		☐ Declining	
Total # of Active Comparable Listings				☐ Declining		☐ Stable		☐ Increasing	
Months of Unit Supply (Total Listings/Ab. Rate)				☐ Declining		☐ Stable		☐ Increasing	
Are foreclosure sales (REO sales) a factor in the project? ☐ Yes ☐ No If yes, indicate the number of REO listings and explain the trends in listings and sales of foreclosed properties.									
Summarize the above trends and address the impact on the subject unit and project.									

(left margin: CONDO / CO-OP PROJECTS)

Signature

If the subject property is located in a condominium or cooperative development, then this section of the 1004MC must be completed.

Responses in this section should be based only on comparable units in the same project as the subject.

Common Issue

Failure to Complete Both 1004MC Data Grids
If the subject property is in a condominium or cooperative, both data grids on the 1004MC must be completed. The upper grid should be completed using all comparable properties in the subject's neighborhood, while the lower grid is completed using only comparable units in the subject's project.

Project Name Does Not Match Primary Form
The project name that is identified in this section of the 1004MC should exactly match the project name that is provided on the main form. Any discrepancy will result in a report revision request.

Condo/Co-Op Section has More Data than Neighborhood Grid Above
The grid at the top of the 1004MC should be populated using comparable properties within the neighborhood. The grid at the bottom of the 1004MC should report only units in the subject's project. Hence, the lower grid should never have more data points than the upper grid.

Software Tools

Appraisers use a variety of software tools to aid them in compiling the data and performing the calculations necessary to complete the 1004MC. The most common are:

- Third party solutions such as SMART and DataMaster
- 1004MC "wizards" built into a local MLS service
- Spreadsheets

Third Party Solutions

SMART is the most comprehensive market analysis tool that is readily available to the residential appraiser. This software does far more than generate the entries required for the 1004MC data grid. It is a comprehensive analytical engine that can greatly increase an appraiser's awareness of what is truly going on in the market. It works by analyzing data that is selected by the appraiser. SMART is available at no charge to ServiceLink appraisers.

Many appraisers also use DataMaster. This software is similar to SMART in many ways, but it does not work with as many different MLS systems.

For more information on SMART (Statistical Market Analysis in Real Time)
http://www.smarterappraising.com/

For more information on DataMaster:
http://www.datamasterusa.com/

MLS Wizards

Many appraisers rely on 1004MC "wizards" that are built into the local MLS system. Such solutions tend to be very simple to learn, because they are based on a user interface that is already familiar to the appraiser.

While these MLS software tools are appealing, there are two common issues noted in such systems. Many of them do not allow sufficient control over the data that is analyzed. The 1004MC data grid should report comparable properties located in the subject's neighborhood. Hence, the appraiser must be able to control the search area so that the "neighborhood" searched corresponds with the "neighborhood" described in the appraisal report.

It has also been noted that some MLS systems do not perform all the required calculations in the correct manner. Known issues include MLS systems that report all listings over a time period rather than just those active on the last day in that period. As was noted earlier, Fannie Mae changed the instructions for completing that section of the 1004MC, and some MLS systems have not been updated to reflect that change.

Another known issue is that some MLS systems do not calculate the *Sale Price as a % of List Price* correctly.

Spreadsheets
Though not as popular, some appraisers use spreadsheet programs (such as Excel) to analyze raw data that is exported from the local MLS. Many such spreadsheets can be found on the Internet using common search engines, and many are available free of charge. For a person with adequate training on the use of spreadsheets, this can be a viable option.

Appraiser Responsibility
Before using any software tools, the appraiser should be trained in the proper use of the tool and take the time to conduct tests to ensure that the software is performing correctly. The fact that a software tool is used to help analyze market data does not absolve an appraiser from the responsibility to ensure that the data is reported correctly and accurately.

Resources

Fannie Mae Announcement 08-30
https://www.fanniemae.com/content/announcement/0830.pdf

Appraisal and Property Report Policies and Forms Frequently Asked Questions (Updated March 2009)
https://www.fanniemae.com/content/faq/appraisal-property-report-faqs.pdf

Fannie Mae Training Video
http://fanniemae.articulate-online.com/7778703690
Note: This video was made immediately after the 1004MC was introduced. It does not reflect the change made by Fannie Mae with regard to the reporting of listing for each time period.

SMART
http://www.smarterappraising.com

DataMaster
http://www.datamasterusa.com/