



A Stewart Company

New Construction Requirements & Instructions

Please do not inspect without confirming with the sales office.

1: Include base price and options.

2: Include base price and options of comparables.

3: The National Home Builders Association has recently reported that there has been a 170% increase in materials in the past 12 months. Although cost does not always translate to value, it is an imperative piece of information that must be considered and determine if market condition adjustments are appropriate. Below are instructions from the Fannie Mae Selling Guide. Please note that time adjustments should be based on contract dates and not the sales dates of the comparables.

Also, note that sales and contracts are supportable data in developing time adjustments. Pending sales under contract are good indicators of market direction and help support time adjustment.

Date of Sale and Time Adjustments

The date of sale and the time adjustment (market conditions) are critical elements in determining an accurate value because the appraisal is based on a specific date in time (effective date of appraisal). The comparable sales being considered must be analyzed by the appraiser to determine if there have been any changes in market conditions **from the time the comparable went under contract to the effective date of the appraisal**. This analysis will determine whether a time adjustment is warranted. Adjustments may be either positive or negative depending on the market changes over the time period analyzed. Time adjustments should be supported by other comparables (such as **sales, contracts**) whenever possible; however, in all instances the appraiser must provide an explanation for the time adjustment in the appraisal report.

When completing Fannie Mae's appraisal report forms, the appraiser should provide the date of the sales contract and the settlement or closing date. Only the month and year need to be reported. For example, appraisers may use "s04/10" or "c02/10" where "s" reflects the settlement or closing date, and "c" reflects the contract date. If the exact date is necessary to understand the adjustments, it must be explained elsewhere in the report or in an addendum. If the contract date is unavailable to the appraiser in the normal course of business, the appraiser must enter the abbreviation "Unk" for unknown, in place of the contract date.

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4: See Fannie Mae's requirements for new construction developments and required comparables. A comparable from within the subdivision and outside of the subdivision is required.

Additional Requirements for New (or Recently Converted) Condos, Subdivisions, or PUDS

If the subject property is located in a new (or recently converted) condo, subdivision, or PUD, then it must be compared to other properties in the neighborhood as well as to properties within the subject subdivision or project. This comparison should help demonstrate market acceptance of new developments and the properties within them. **The appraiser must select one comparable sale from the subject subdivision or project and one comparable sale from outside the subject subdivision or project. The third comparable sale can be from inside or outside of the subject subdivision or project, provided it is a good indicator of value for the subject property.** Two of the sales must be verifiable from reliable data sources, other than the builder. Sales or resales from within the subject subdivision or project are preferable to sales from outside the subdivision or project provided the developer or builder of the subject property is not involved in the transactions.

In the event there are no closed sales inside a new subject project or subdivision because the subject property transaction is one of the first units to sell, the appraiser may use two pending sales in the subject project or subdivision in lieu of one closed sale. When the appraiser is using two pending comparable sales in lieu of a closed sale, the appraiser must also use at least three closed comparable sales from projects or subdivisions outside of the subject property's project or subdivision.

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5: Fannie Mae allows verification of sales from the builders. Builders often list one property on MLS to generate interest with general information, and this listing is continued to be used throughout the development of the project. Please ensure that you are interviewing the sales office to obtain the most recent data available with the most recent closed and pending sales.

To meet the requirement that the appraiser utilize one comparable sale from inside the subject subdivision or project, the appraiser may need to rely solely on the builder of the property he or she is appraising, as this data may not yet be available through typical data sources (for example, public records or multiple listing services). In this scenario, it is acceptable for the appraiser to verify the transaction of the comparable sale by viewing a copy of the settlement statement from the builder's file.

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