FREQUENTLY ASKED QUESTIONS

IMPLEMENTING NEW FANNIE MAE APPRAISAL FORMS

NOVEMBER 1, 2005 UPDATE

1. Q: Who is changing forms and what are the deadlines?

A: Fannie Mae has announced that 11 appraisal forms will be involved in the change effective November 1, 2005. Freddie Mac has announced they will adopt the same forms and require the new forms effective January 1, 2006. Both Fannie Mae and Freddie Mac are now accepting either the old or new appraisal forms.

FHA has instructed appraisers to continue to use old forms through October 31, 2005. Beginning November 1, 2005, FHA will accept either the old or new forms; but, any new form delivered at that time will be required to have an *effective date of value* as of November 1, 2005 or after. Beginning January 1, 2006, FHA will accept only the new forms.

2. Q: What Fannie Mae appraisal forms are being changed or added?

A: See table below.

<table>
<thead>
<tr>
<th>New Form #</th>
<th>New Form</th>
<th>Inspection</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1004</td>
<td>URAR Single-family</td>
<td>Interior</td>
<td>Revises the primary &quot;Uniform Residential Appraisal Report&quot; (URAR) form.</td>
</tr>
<tr>
<td>1004C</td>
<td>Manufactured Home Appraisal Report Manufactured home</td>
<td>Interior</td>
<td>Combines old Forms 1004 and 1004C (manufactured home addendum). The new Form 1004C will now be a stand-alone appraisal</td>
</tr>
<tr>
<td>1004D</td>
<td>Appraisal Update and/or Completion Report One-to-four-unit</td>
<td>Interior or Exterior</td>
<td>Combines two old forms and serves two purposes: 1) for an Appraisal Update recertification), but, the form’s scope only allows the appraiser to address whether the value has declined (i.e., a <em>value increase is not allowed</em>); and, 2) for a Completion Report (certification), replacing old Satisfactory Completion Certificate</td>
</tr>
<tr>
<td>Form Number</td>
<td>Description</td>
<td>Change Notes</td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>-------------</td>
<td>--------------</td>
<td></td>
</tr>
<tr>
<td>1025</td>
<td>Small Residential Income Property Appraisal Report - Two- to four-unit</td>
<td>Interior</td>
<td>Replaces old Form 1025 for Multi-family use.</td>
</tr>
<tr>
<td>1073</td>
<td>Individual Condominium Unit Appraisal Report - Condominium Unit</td>
<td>Interior</td>
<td>Replaces old Form 1073.</td>
</tr>
<tr>
<td>1075</td>
<td>Exterior-Only Inspection Individual Condominium Unit Appraisal Report - Condominium Unit</td>
<td>Exterior</td>
<td>New exterior-only product for Condos. (Note: This form number is being reused, but with a different property type. The old Form 1075 is used with a Coop.)</td>
</tr>
<tr>
<td>2000</td>
<td>One-Unit Residential Appraisal Field Review Report - One-unit (Single-family, Condominium or Co-op.)</td>
<td>Exterior</td>
<td>Replaces old Form 2000 for field reviews involving one-unit properties.</td>
</tr>
<tr>
<td>2055</td>
<td>Exterior-Only Inspection Residential Appraisal Report - Single-family (can be in a PUD)</td>
<td>Exterior</td>
<td>Old Form 2055 allows for an interior or exterior inspection, while the new form is an exterior-only product. The old Form 2055 allows use with a Condo, while the new forms provide separate Condo and Coop exterior-only reports. There is no exterior-only Multi-family form.</td>
</tr>
<tr>
<td>2090</td>
<td>Individual Cooperative Interest Appraisal Report - Cooperative Unit</td>
<td>Interior</td>
<td>Replaces old Form 1075.</td>
</tr>
<tr>
<td>2095</td>
<td>Exterior-Only Individual Cooperative Interest Appraisal Report - Cooperative Unit</td>
<td>Exterior</td>
<td>New exterior-only product for Co-ops.</td>
</tr>
</tbody>
</table>

3. Q: What are the primary changes in the new appraisal forms?

A: Per the previous table, report development will be changed for several property types. Yet, the primary change with most of the new forms involves only reorganization and expanded commentary areas. Overall, the new forms present more consistent layouts. If the assignment involves a purchase transaction and a new form, then contract and sales information will always be disclosed and analyzed in the same part of each applicable form. A greater emphasis will be placed on listing/transfer history for the subject property, as well as the comparables. There are minimal changes to the information that is required by each new form. (For example, the revised 1004-Single Family does not
require a statement regarding topography, but there is space to comment if topography is an issue.)

4. Q: What are some specific changes in the new appraisal forms?
   A: See summation below.

   • Elimination of the old combined Form 2055-I & E. All reports will either be designated for use as full appraisals or as limited (exterior-only) appraisals. The old 2055-E will now be simply a 2055. (The old 2055-I option will no longer be available.)
   • Elimination of the old, infrequently-used, Form 2065 (Qualitative Analysis Appraisal Report). (The 2075 will still be in use, involving a Property Inspection Report.)
   • Elimination of the cost and income approaches to value in most instances, even on full appraisals. (Lincoln Appraisal Group will have some supplemental will have some supplemental requirements in this regards) New Form 1004C for Manufactured Homes will always require a Cost Approach. · Elimination of listing comparables on the Form 1025 (Small Residential Income Property Appraisal Report). · Addition of specific “exterior-only” reports according to property type. There are now separate exterior-only appraisals for SFRs/PUDs, Condominiums and Cooperatives. Two new exterior-only forms will be available for Condominiums and Cooperative Interests: Forms 1075 and 2095, respectively. (Note: The 2055 is now exclusively for single-family use, which can involve a PUD.) · New Form 1004C will be a stand-alone appraisal report for Manufactured Homes, incorporating the data requirements of the old Manufactured Home Appraisal Report Addendum. (Note: Manufactured Housing will always require an interior inspection.) · New Form 1004D (new Freddie Mac Form 442) will serve both as an appraisal update and a completion report (certification). (This eliminates the old Form 442 and the need to recertify value via a 2055.) There is no provision for a value increase on this new form.)
   • New Form 2000A will be a second field review appraisal form, specifically for 2-4 units (i.e., a new multi-family field review form). (Note: The old Form 2000 is now for one-unit residential appraisal field review use only, involving single-family, condo or co-op properties.)
   • Other: Old Addendum Form 1004B (Definitions, Statement of Limiting Conditions and Appraiser’s Certification) was one of Fannie Mae’s initial “test” forms for revision and use, but was subsequently omitted. Its content was simply added to each of the new forms as applicable.

5. Q: Will there be any impact on Turn-Times and Fees?
   A: Testing by Lincoln Appraisal Group’s Appraisers evidence only nominal initial impact on turn-time, if any. After some repetition, any differences should be insignificant. Therefore, fees for all forms, will remain the same.

6. Q: How will the client know what form to order?
   A: The drop-down order list has been changed accordingly on our website. All appraisals will be completed on the appropriate from by the appraiser. Any faxed

7. Q: What are Lincoln Appraisal’s supplemental completion requirements for the new forms?
A: Lincoln's supplemental completion requirements for the new forms basically involve:
   · Cost Approach required for New Form 1004 if the Subject’s actual age is ten (10) years or less. (Note: Fannie Mae always requires a Cost Approach for new Form 1004C.)
   · Site Value required for New Forms 1004, 1025 and 2055. (Note: A site value will also be required as part of the Cost Approach requirement for new Form 1004C.)
   · Additional photographs, as applicable.

8. Q: What should the CLIENT do to prepare for the new forms?
A: The client might want to consider the following:
   • Becoming competent in the use of the new forms. Possible resources are:
     i. Attending a Seminar covering the new forms.
     ii. Reading available publications on completing the new forms, such as:
     iii. Researching Internet websites, such as:
        1. Fannie Mae: http://www.efanniemae.com/index.jsp
        3. FHA/HUD: http://www.hudclips.org/cgi/index.cgi
        5. Real Estate/Appraisal Trade Association websites, as applicable

9. CALL Lincoln Appraisal Group at Toll Free (877)696-LINC with any questions.