Multifamily Seller/Servicer Guide

Chapter 60

Appraiser and Appraisal Requirements

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60.1 General requirements; Additional Requirements (06/24/25)

For all multifamily purchase programs and products, the Seller/Servicer must submit a written Appraisal on the Property with the full underwriting package submission or in connection with certain Special Servicing requests. The Appraisal must comply with the requirements in this chapter and must take into account the additional resources, guidance and FAQs available at mf.freddiemac.com/lenders/uw/appraisals. For questions or feedback, contact the Multifamily Appraisal team at Multifamily_Appraisals@freddiemac.com.

a. Appraisal requirements (05/22/25)

The Appraisal must be:

- In a narrative format
- Ordered by the Seller/Servicer; and
- Completed by and signed by an appraiser approved by the Seller/Servicer

Appraisals ordered by and/or prepared for anyone other than the Seller/Servicer will not be accepted.

To support the evaluation of the Mortgage loan, the Appraisal must:

- Contain transparent and credible data analysis in a concise but comprehensive report format; and
- Be supported by the Seller/Servicer's selection of well-qualified appraisers and the Seller/Servicer's critical review of the Appraisals

Note, effective for Mortgage loans taken under Seller Application on or after February 20, 2023, Seller/Servicers must also comply with the policies set forth in the *Additional Appraisal Requirements Memorandum*. To the extent there is any conflict between the foregoing Memorandum and the requirements of this chapter, the provisions of the foregoing Memorandum govern.

b. Purpose of Appraisal (05/22/25)

Appraisals must:

- Estimate the as-is market value of the Property as of the effective date (see Section 60.9);
- Identify the interests and estate being valued (as defined in the current edition of The Appraisal of Real Estate, published by the Appraisal Institute); and
- Be subject to stated assumptions and limiting conditions as of the effective date.

Note, the leased fee interest should be valued when the Property is subject to tenant-occupant leases (for any length of time) and there is no ground lease. The leasehold interest should be valued if all or part of the Property is subject to a ground lease, whereby the Borrower is the ground lessee. The fee simple interest should be valued when there are no tenant-occupant leases or ground leases in place at the Property.

Although other valuation scenarios may be appropriate for a particular Appraisal as outlined in Sections 60.24 through 60.31, at minimum, all Appraisals must provide the as-is market value.

60.2 Appraiser Independence Requirements (06/24/25)

The Freddie Mac Appraiser Independence Requirements provided in this chapter herein set forth standards to safeguard the independence, objectivity and impartiality of appraisers and other Independent Parties (as defined below) throughout the valuation process. The valuation process must not be directed or influenced in any way by Conflicted Appraisal Parties (as defined below). Compliance with these Appraiser Independence Requirements is the responsibility of the Seller/Servicer.

Additional information can be found in the *Appraiser Independence Requirements FAQs.*

For purposes of these Appraiser Independence Requirements, the term "Independent Party" refers to the appraisal company, any entity or person related to the appraiser, appraisal company, or any other party that is part of the appraisal process.

For the purposes of these Appraiser Independence Requirements, the term "Conflicted Appraisal Parties" refers to:

1. All members of the Seller/Servicer's Mortgage origination staff, including any person who is an immediate supervisor of origination staff;
2. Any person who is compensated on a commission basis upon the successful closing of a Mortgage, including but not limited to, mortgage brokers, loan production staff and real estate agents.

Seller/Servicer personnel involved in the underwriting, credit risk management or closing of the Mortgage who are not under the supervision of production or loan origination staff are not considered Conflicted Appraisal Parties.

For purposes of this chapter, any reference to Independent Parties or Conflicted Appraisal Parties will be deemed to include any Freddie Mac employee or contractor.

a. General requirements (04/18/24)

No person is allowed to influence or attempt to influence the development, reporting, result, or review of an Appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or any other manner including, but not limited to:

1. Withholding or threatening to withhold timely full or partial payment to an Independent Party;

2. Withholding or threatening to withhold future business from or demoting or terminating or threatening to demote or terminate an Independent Party;

3. Expressly or impliedly promising future business, promotions, or increased compensation to an Independent Party;

4. Conditioning the ordering of an Appraisal or the payment of an appraisal fee, salary or bonus on the opinion, conclusion, or valuation to be reached by, or on a preliminary value estimate requested from, an Independent Party;

5. Requesting from or providing to an Independent Party any of the following:

    - Comparable sales prior to engaging the Independent Party to perform an Appraisal;

    - An anticipated, estimated, encouraged, or desired value or value range for the Property, with the exception that a copy of the sales contract for purchase transactions may be provided to an Independent Party that has been engaged to complete an Appraisal;

    - An anticipated, estimated, encouraged, or desired targeted loan ratio (*i.e.*, debt coverage ratio, loan to value, etc.), expense conclusions or income conclusions;

6. Providing stock or other financial or non-financial benefits to an Independent Party or any entity or person related to the Independent Party;

7. Establishing a list of approved Independent Parties or adding an Independent Party to an exclusionary list of disapproved Independent Parties designated to perform Appraisals for specific loan production staff, loan officer or mortgage broker, except as otherwise provided in subsection b.5 below;

8. Directing an Independent Party to perform an Appraisal using a specific scope of work that is contrary to what the Independent Party has determined is necessary to produce credible results; or

9. Any other act or practice that impairs or attempts to impair an appraiser's independence, objectivity, impartiality or compliance with any law or regulation, including, but not limited to, the Truth-in-Lending Act (TILA) and Regulation Z, or the Uniform Standards of Professional Appraisal Practice (USPAP).

b. Independent Party engagement (05/22/25)

Sections 60.2(b)1, 2, 3 and 5 below may be implemented immediately but are only required for Mortgage loans taken under Seller Application as of **September 2, 2024**.

1. The Seller/Servicer must separate its sales and Mortgage origination functions from its appraisal functions. An agent or employee of the Seller/Servicer involved in the Seller/Servicer's sales or Mortgage origination function must not be involved in the operations of the Seller/Servicer's appraisal functions.

   If absolute lines of independence between the Seller/Servicer's appraisal functions and its Mortgage origination process cannot be achieved due to staffing limitations, the Seller/Servicer must clearly demonstrate within its written policies that it has prudent safeguards in place to isolate its appraisal functions from influence or interference by its Mortgage origination process.

2. Conflicted Appraisal Parties are prohibited from:

   - Ordering, managing, or defining the scope of work for an Appraisal;
   - Selecting, retaining, recommending, or influencing the selection of any appraiser and/or appraisal firm for a particular Appraisal or for inclusion on a list or panel of appraisers approved or forbidden to perform Appraisals for the Seller/Servicer; or
   - Having any substantive communications with an appraiser relating to or having an impact on valuation

   Notwithstanding the foregoing, any party, including any Conflicted Appraisal Party, may request an Independent Party to provide additional information or explanation about the basis for a valuation, or to correct factual errors in an appraisal report.

3. Any person involved in substantive Appraisal review or in the selection of Independent Parties for inclusion on a list of approved Independent Parties must:

   - Be appropriately trained and qualified, and
   - Complete all Freddie Mac required Appraisal training

4. Seller/Servicer leadership responsible for managing Appraisal ordering and review functions must complete all Freddie Mac required Appraisal training.

5. For training requirements that are applicable, see the *Additional Appraisal Requirements Memorandum* as referenced in Section 60.1(a).

6. The Seller/Servicer or any third-party specifically authorized by the Seller/Servicer (including, but not limited to, appraisal companies and correspondent lenders) will be responsible for selecting, retaining and providing for payment of all compensation to the appraiser. The Seller/Servicer must not accept any Appraisal completed by an appraiser selected, retained, or compensated in any manner by the Borrower or any other third party (including mortgage brokers, loan production staff and real estate agents) unless specifically permitted by the Freddie Mac loan documents. For the sake of clarity, the foregoing does not prohibit the Borrower from reimbursing the Seller/Servicer for the cost of the Appraisal, or for paying for the cost of the Appraisal at closing if such payment is shown on the settlement statement.

7. The Seller/Servicer may maintain lists of approved Independent Parties only if:

   - The Seller/Servicer has in place a written policy that requires such lists for bona fide administrative or quality control purposes; and
   - Any employee or vendor of the Seller/Servicer involved in the selection of Independent Parties for such lists must be wholly independent of the Seller/Servicer's

Mortgage origination staff and process and of the appraiser and the Independent Parties.

c. Reporting Appraisal misconduct (06/13/24)

Section 60.2(c)2 below may be implemented immediately but is only required for Mortgage loans taken under Seller Application as of **September 2, 2024**.

1. If the Seller/Servicer has a reasonable basis to believe an Independent Party is violating State licensing requirements, applicable laws or is otherwise engaging in unethical conduct, the Seller/Servicer must promptly refer the matter to Freddie Mac and the applicable State appraiser certifying and licensing agency or other regulatory body.

2. The Seller/Servicers engagement for Appraisals with Independent Parties must provide a notice that if the Independent Party has a reasonable basis to believe a Conflicted Appraisal Party or Seller/Servicer is violating Appraiser Independence Requirements, the Independent Party should promptly refer the matter to either the Freddie Mac *Investigation Unit* or the *Multifamily Appraisals* team.

d. Compliance; Policies (06/13/24)

This Section 60.2(d) may be implemented immediately but is only required for Mortgage loans taken under Seller Application as of **September 2, 2024**.

The Seller/Servicer must adopt written policies, procedures and disciplinary rules and implement adequate training programs to ensure compliance with these Appraiser Independence Requirements. Additionally, the Seller/Servicer must ensure that any third parties involved in the appraisal functions including, but not limited to, appraisal management companies or correspondent lenders, involved in the origination of a mortgage or the sale and delivery of a Mortgage to Freddie Mac are also in compliance with these Appraiser Independence Requirements.

60.3 Market value definition (09/28/18)

Appraisers must use the definition of market value set forth below, which conforms to the definition of market value adopted in the Uniform Standards of Professional Appraisal Practice (USPAP). The Appraisal must be completed in accordance with the definition below, as defined within the Financial Institutions Reform, Recovery, and Enforcement Act ("FIRREA") of 1989:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of the title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.

2. Both parties are well informed or well advised, and acting in what they consider their best interests.

3. A reasonable time is allowed for exposure in the open market.

4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.

5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

60.4 Appraisers (09/28/18)

Freddie Mac does not select or approve specific appraisers for Freddie Mac's Multifamily programs or products. The Seller/Servicer selects and approves appraisers and is responsible for maintaining an active file on each appraiser's qualifications. The file must be updated annually and is subject to inspection by Freddie Mac.

The appraiser may not be involved or affiliated with any individual or institution involved in the Mortgage submission other than the Seller/Servicer. Appraisers who are staff appraisers of the Seller/Servicer must be independent of the lending, investment and collection functions of the Seller/Servicer.

In those instances where the appraiser and/or the appraisal firm is affiliated with or related to the Seller/Servicer, Appraisals performed for Freddie Mac's Multifamily programs and products must include statements of disclosure from both the Seller/Servicer and from the appraiser that:

- Are signed and dated on the same date as the Appraisal,
- Describe the nature of the relationship between the appraiser and the Seller/Servicer (or other entity),
- State that there is no conflict of interest between these firms, and
- State that there are no fees, payments or compensation between the firms other than that disclosed in the engagement letter between the appraiser and the Seller/Servicer (or other entity), or, if there is compensation in addition to the appraisal fee, provide a description of those fees, payments or compensation

The disclosure from the Seller/Servicer must be included with the Appraisal as an attachment in the Addenda or following the report's Letter of Transmittal. The disclosure from the appraiser must also be included

- As a statement in the Letter of Transmittal of the Appraisal, and
- In the appraiser's Certification, as required by the Uniform Standards of Professional Appraisal Practice (USPAP).

a. Appraiser qualifications (09/28/18)

For Appraisals submitted for Small Balance Loan (SBL) program Properties, at least one of the appraisers signing the Appraisal must meet all of the requirements outlined in 1-10 below. For all other Properties, each appraiser signing the Appraisal must meet the requirements outlined in 1-10 below.

1. Be a certified general appraiser under the appraiser certification requirements of the State in which the Property is located (or a certified appraiser if that State does not confer the designation of certified general appraiser)

2. Appear on the State roster in good standing under the requirements of Title XI of FIRREA

   For all programs and products, if the Appraisal Subcommittee of the Federal Financial Institutions Examination Council has disapproved the licensing and certification requirements of the State in which the Property is located, pursuant to Title XI of FIRREA, the Seller/Servicer must contact the *Applicable Freddie Mac Multifamily Regional Office* for instructions. The TAH Seller/Servicer must contact the *Multifamily TAH Underwriter*.

3. Be actively and regularly engaged in the appraisal of multifamily properties

4. Have at least three consecutive years of income property appraisal experience

5. Have completed at least two multifamily Appraisals in the past year in the geographic market area where the Property is located

6. Be knowledgeable concerning current real estate market conditions and financing trends in the geographic market area where the Property is located

7. Be experienced in appraising multifamily properties with complexity and characteristics similar to those of the Property (such as the number of units and type of property—garden, mid-rise, high-rise, etc.)

8. Have a working knowledge of construction costs, materials, methods and standards in the geographic market area where the Property is located

9. Have a strong educational background in appraising income properties

   Appraisers must have completed successfully several courses relating to income properties. These courses must have been completed through a nationally recognized appraisal organization or accredited college or university.

10. Have insurance meeting the requirements of Section 11.5.

b. Conditions for an appraisal trainee to co-sign (06/30/15)

An appraisal trainee may co-sign an Appraisal if the appraisal trainee is currently registered as an appraisal trainee in the State in which the Property is located and the Appraisal clearly and prominently:

- States that the appraisal trainee is an appraisal trainee or equivalent job title,

- Identifies the appraisal trainee's trainee license or certification identification number in the Appraisal, preferably in the Letter of Transmittal and in the Certification, and

- States, in the Letter of Transmittal, the appraisal trainee's specific role in the appraisal project and describes in which parts of the appraisal process the trainee had a contribution and the extent of that contribution. The statement must specifically address whether or not the trainee inspected the Property.

All appraisers that sign the Certification in the Appraisal must take professional responsibility for the appraisal trainee's content, conclusions, and discussions within the Appraisal.

c. Unacceptable appraisers (07/01/14)

The Seller/Servicer must send written notification immediately to the *Applicable Freddie Mac Multifamily Regional Office* if the Seller/Servicer, for cause, discontinues the use of any appraiser who has completed Appraisals within the past 12 months for Mortgages purchased or credit enhanced by Freddie Mac. A TAH Seller/Servicer must send written notification immediately to the *Multifamily TAH Underwriter*.

In addition, Freddie Mac reserves the right to refuse to accept Appraisals completed by any specific appraiser. Freddie Mac will maintain the Multifamily Restricted Vendor List. If an appraiser appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that appraiser for Multifamily Mortgages offered to Freddie Mac until notified otherwise by Freddie Mac. The decision to place a third-party vendor on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.

The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable appraisers do not prepare Appraisals for Multifamily and will constitute "Confidential Information" as defined in Section 2.8.

d. Representations to third parties by appraisers and appraisal services (09/08/04)

Appraisers and appraisal services may not represent themselves to third parties as being Freddie Mac-approved appraisers or appraisal services.

60.5 Appraiser scope of work, certification and signatures (02/27/25)

a. Certification (06/16/22)

The appraiser must attach all of the following to the Appraisal:

- All assumptions and limiting conditions

- A certification that states that the report complies with the requirements of the USPAP, promulgated by the Appraisal Standards Board of the Appraisal Foundation, that are in effect at the time of certification, including USPAP's requirements that the Appraisal was conducted in compliance with all relevant laws, including the Fair Housing Act and Equal Credit Opportunity Act

- A certification that states that the Appraisal complies with the current version of the FIRREA of 1989, including its Title XI regulations

b. Scope of work and signing the Appraisal (02/27/25)

There are requirements in this Section 60.5(b), announced in the February 27, 2025 Bulletin, that are effective for Mortgage loans under Seller Application on or after **June 2, 2025** and for conversion packages delivered on or after **June 2, 2025** that require an updated Appraisal**.**

For all Properties, (i) all persons signing the Appraisal and/or the Appraisal's Certification must have reviewed and approved the Appraisal, and (ii) at least one of the persons signing the Appraisal must meet all of the following requirements:

- Comply with the requirements in this chapter including, with the exception of appraisal trainees, being a Certified General Appraiser in the State in which the Property is located (or that State's equivalent licensing classification that also meets Freddie Mac's minimum appraiser experience requirements)
- Inspect the Property in accordance with the requirements set forth in Section 60.12(b) (other than the appraisal trainee co-signer requirement)
- Complete the final selection and adjustments of land, rent, expense and sales comparables
- Complete the final development of the appraiser's proforma and capitalization rate selection in the Income Approach
- Complete the final reconciliation and value conclusion
- Accept full responsibility for the contents, analyses and conclusions of the Appraisal

Each person signing the appraisal report and/or the Appraisal's Certification will be deemed to have accepted full responsibility for the contents, analyses and conclusions of the Appraisal.

Refer to Section 60.4(b) for requirements regarding the co-signing of an Appraisal by an appraisal trainee.

60.6 Information provided to appraiser by the Seller/Servicer (06/24/25)

To reduce the need for administrative revisions to the Appraisal following submission of the Appraisal to Freddie Mac for non-valuation related property identification or classification issues, the Seller/Servicer must provide the appraiser with accurate Property identification prior to submission of the Appraisal to Freddie Mac, including:

- Specific requirements for the Mortgage loan program for which the appraisal will be used (*i.e.*, Small Balance Loans, Seniors Housing, Students Housing, Green Up, Mod Rehab, Conventional, etc.)

- For appraisals in the Small Balance Loans (SBL) program, the Seller/Servicer must ensure that the appraiser complies with the page limit described in Section 60.11
- Current property ownership
- Property address
- Property zip code
- Complete legal description (see Section 29.1)
- Accounting of the Property's unit inventory, including management's use of units for offices, model units, down/off-line units and commercial space

The Seller/Servicer must provide the appraiser with the following additional information on the Property:

1. Survey, if available (see Section 29.4)
2. Rent roll dated within 30 days before the Appraisal's effective date of the as-is value, certified by the Borrower as accurate and correct, and containing, at a minimum:
    - Unit number
    - Unit type, name, or description and/or unit design (i.e., 2BR/1BA, 1BR/1BA/Den, commercial)
    - Unit size in square feet
    - Lease commencement date
    - Contract rent
    - Concessions, if any
    - Additional fees or charges (i.e., pet fees and garage fees)
3. Income and Expense Statements for the previous three calendar or fiscal years, as applicable, certified by the Borrower as complete and accurate
4. Year-to-date Income and Expense Statement, certified by the Borrower as complete and accurate
5. Copies of executed commercial leases, amendments and attachments, if applicable
6. Property condition report as soon as available but prior to the Seller/Servicer's transmittal of the Appraisal to Freddie Mac if there are issues identified by the consultant that could materially affect the value of the Property. If the Seller/Servicer and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

Draft versions of the property condition report are acceptable to meet these time constraints but if the final version is materially different than the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

7. Environmental report as soon as available but prior to the Seller/Servicer's transmittal of the Appraisal to Freddie Mac if there are issues identified by the consultant that could materially affect the value of the Property. If the Seller/Servicer and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

   Draft versions of the environmental report are acceptable to meet these time constraints but if the final version is materially different than the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

8. Copy of ground leases, if applicable

9. Copy of current sales contracts, if applicable

10. Final architectural plans and specifications, if the Property is to be built

11. Copies of shared access agreements or easements

12. Regulatory agreements such as HAP contracts or other agreements that might affect the Property's rents or expenses

13. For SBL Properties, evidence of capital expenditures or construction costs as described in Section 55SBL.2

14. Any other information that the Seller/Servicer knows may affect the value of the Property

60.7 Seller/Servicer supervision of appraisers (02/27/25)

The Seller/Servicer must evaluate and select appraisers based on qualifications and quality of the appraisal product. The Seller/Servicer must collect information and documentation from appraisers and applicable regulatory authorities to ensure that each appraiser completing Appraisals for multifamily Mortgages offered to Freddie Mac complies with the requirements set forth in this chapter.

Each file must contain sufficient information to document and demonstrate that the appraiser meets the qualification requirements in Section 60.4(a), including:

1. The appraiser's resume

2. Letters of reference from current and/or past clients

3. Documentation showing that the appraiser possesses the certified general classification or certified classification in good standing in accordance with applicable State law

4. Copies of Appraisal sample(s) if appropriate under the ethics provision of USPAP

5. An original certificate(s) of liability insurance meeting the requirements of Section 11.5

Each file must document that the appraiser complies with the requirements of this chapter and that the Seller/Servicer verified the experience information provided by the appraiser to the Seller/Servicer.

Effective as of June 2, 2025, the Seller/Servicer must ensure that any appraisal firm engaged by the Seller/Servicer for a Freddie Mac Mortgage agrees to adopt and maintain security measures sufficient to protect and safeguard its Electronic Signature from loss, theft and unauthorized or improper disclosure or use.

The Seller/Servicer must design an internal management control system to ensure compliance with the requirements set forth in this chapter. If the Seller/Servicer identifies a problem area, the Seller/Servicer must take appropriate action to correct the problem. The Seller/Servicer must keep written records of any activity under this internal control system and provide them to Freddie Mac upon request.

60.8 Non-Discrimination (12/14/23)

The appraiser must describe the Property and the neighborhood in factual, unbiased and specific terms. The appraiser may not consider any information about the geographic area, neighborhood, occupants, owners or prospective owners of the Property that involves the following prohibited factors ("Prohibited Factors"):

- Race
- Color
- Religion
- National origin
- Sex, sexual orientation, and gender identity
- Marital status
- Age
- Receipt of income derived from any public assistance program
- Exercise of any federally protected civil right
- Familial status
- Disability

As a matter of corporate policy, Freddie Mac reserves the right to reject any Mortgage supported by an Appraisal that makes reference to Prohibited Factors or incorporates subjective terminology or veiled language that may indicate underlying bias or discrimination.

60.9 Effective date of Appraisal (04/18/24)

For additional requirements that are applicable, see the *Additional Appraisal Requirements Memorandum* as referenced in Section 60.1(a).

The effective date of the most current Appraisal must be within six months before the date on which the Mortgage's full underwriting package is delivered to Freddie Mac. The Seller/Servicer also must submit all other Appraisals completed on the Property in the past three years, if available to the Seller/Servicer and appropriate under the ethics provision of USPAP. See also Section 60.10.

60.10 Revised and updated Appraisals (04/22/25)

1. For Mortgage **loans taken under Seller Application on or after June 2, 2025** or for conversion packages delivered on or after June 2, 2025 that require an updated Appraisal, an Appraisal Revision Summary (see Freddie Mac template as an example) detailing the changes between the initial Appraisal delivered to the Seller/Servicer and the Appraisal delivered in the full underwriting package to Freddie Mac must be provided if there is any of the following:

   - More than a two percent increase in value between the two versions of the Appraisal;
   - Change to the income approach (*e.g.*, changes to income, rent comparables, vacancy, expense(s), expense comparables, and/or capitalization rates)
   - Change to the sales comparison approach (*i.e.*, adding or removing sales comparables and/or changes to the adjustment grid)

   If the Appraisal is revised during the underwriting process to trigger any of the above conditions, the Appraisal Revision Summary must be updated to detail the change(s) between the Appraisal delivered in the full underwriting package and the final Appraisal accepted by Freddie Mac.

2. If Freddie Mac receives an Appraisal with an effective date that is more than six months before the date on which the full underwriting package is delivered to Freddie Mac, the Seller/Servicer must obtain an updated Appraisal from the appraiser. For the updated Appraisal, the appraiser must, at minimum:

   - Reinspect the Property,
   - Resurvey the rental comparables, and
   - Review the market for any additional sales comparables or changes in capitalization rates

The documentation that provides the updated Appraisal must clearly indicate the steps that the appraiser performed for the updated Appraisal and discuss the changes, if any, between the original Appraisal and the updated Appraisal.

A letter or abbreviated report such as the Restricted Report from the appraiser stating general conclusions (for example, that the value of the Property has not decreased since the original Appraisal) is not acceptable.

In addition to these requirements, the report must comply with the requirements and advice provided in USPAP for an update of a prior Appraisal.

60.11 Appraisal form (06/24/25)

Freddie Mac expects that the Appraisal will be in a narrative format written to comply with the Appraisal development and report content requirements of the USPAP.

Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program must be 50 pages or less. Addenda to these Appraisals are not included in the 50-page count.

Effective with underwriting packages delivered to Freddie Mac on or after August 1, 2019, appraisals submitted to Freddie Mac for Mortgage loan origination in the Targeted Affordable Housing Express (TAHX) program and with an appraisal effective date of value on or after August 1, 2019 must be 75 pages or less. Addenda to these appraisal reports are not included in the 75-page count.

The page count for SBL and TAHX Appraisals begins with the Title Page of the report and ends with the page prior to the Addenda of the appraisal report.

Addenda material can include:

- Insurable replacement cost
- Assumptions and Limiting Conditions
- Appraiser's Certification / Signature
- Subject Photos
- Comparable sales outlines
- Comparable rental outlines
- Rent roll
- Historical financials
- Floor plans

- Site plans / Plat / Survey
- Qualifications of the appraiser and state Certification certificate
- Engagement letter

The Seller/Servicer may contract with the appraiser for an SBL Appraisal that is exempt from the 50-page length limitation or for a TAHX Appraisal that is exempt from the 75-page length limitation under limited circumstances, such as when:

- The Property is located in a tertiary market which requires additional discussion by the appraiser
- The Property has substantial repairs that need to be evaluated and discussed by the appraiser
- There are environmental issues reported by the third-party consultant that need to be evaluated and discussed by the appraiser

If the page-length limit is exceeded, Form 6011, Waiver of the Page Limit for SBL and TAHX Appraisals, executed by Seller/Servicer's Chief Underwriter or Deputy Chief Underwriter, must be submitted with the Appraisal in the underwriting package. The Seller/Servicer must also upload the completed Form to the Third-Party Report section of Freddie Mac's Document Management System (DMS).

Regardless of the report format, the appraiser must comply with all applicable Freddie Mac, federal, and State appraisal development and reporting requirements.

60.12 Appraisals (06/24/25)

When the Seller/Servicer delivers an Appraisal to Freddie Mac, the Seller/Servicer is deemed to make the warranties regarding the Appraisal set forth in Section 5.4. The Seller/Servicer must review each Appraisal in detail for its completeness, accuracy, appraising logic and adherence to the requirements of this chapter. The Seller/Servicer must ensure that the Appraisal submitted to Freddie Mac incorporates corrections and/or resolution of any material errors or omissions found during the Seller/Servicer's review of the Appraisal. If required by Freddie Mac, the Seller/Servicer must provide to Freddie Mac a copy of its review of the Appraisal concurrent with the transmittal of the Appraisal to Freddie Mac.

Each Appraisal must:

- Comply with and state its compliance with the USPAP in effect as of the date of the Appraisal
- Comply with and state its compliance with the current version of the FIRREA, including its Title XI regulations
- Disclose any steps taken by the appraiser to comply with the competency provision of the USPAP, if required; and
- Specifically disclose any extraordinary assumptions and/or hypothetical conditions, or explicitly state the lack of any such conditions

The Seller/Servicer must direct the appraiser to include the following language verbatim in the letter of transmittal above the appraiser's signature and/or on the appraiser's Certification page above the appraiser's signature:

"This report is for the use and benefit of, and may be relied upon by,

a) the Seller/Servicer, Freddie Mac and any successors and assigns ("Lender");

b) independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;

c) governmental agencies having regulatory authority over Lender;

d) designated persons pursuant to an order or legal process of any court or governmental agency;

e) prospective purchasers of the Mortgage; and

f) with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:

- any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
- any initial purchaser or subsequent holder of such debt and/or securities;
- any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
- any indenture trustee;
- any rating agency; and
- any institutional provider from time to time of any liquidity facility or credit support for such financings

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities."

The appraiser must perform the functions stated in this section and in Sections 60.13 through 60.19 to ensure the completeness of each Appraisal.

a. Completeness (06/16/22)

The Appraisal must adequately describe the geographic area, neighborhood, rental competition, sales comparables, site and improvements. Generally, regardless of report format, the Appraisal must demonstrate a market value supported by the reconciliation of the three recognized approaches to value: Income Approach, Sales Comparison Approach, and Cost Approach.

For appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program, if the Property is more than five years old, the appraiser must include both the Income Approach and Sales Comparison Approach. However, Freddie Mac will not require a Cost Approach or a separate analysis of land value.

For all other Properties, the appraiser must thoroughly explain and support the exclusion of any of the three approaches to value.

If the Property is not operating at stabilized operations, appropriate consideration must be given in each of the approaches to value.

The appraiser must consider, analyze and report all information that appropriately and lawfully influences value even if not specifically requested by the Seller/Servicer or, Freddie Mac.

b. Inspection (05/22/25)

The inspection requirements for Appraisals are as follows:

1. At least one appraiser signing the report must have made both an interior and exterior inspection of the Property.

2. Interior inspection must include common areas, community amenities, a sample of unit interiors and commercial suites. The specific units and their unit type (bed/bath count, floor plan name or commercial suite/name) must be identified.

3. Exterior inspection must include residential unit exteriors and any accessible areas that are subject to nonresidential leases as defined in Sections 8.11(a) and 8SBL.11(a).

4. Any description of completed or ongoing capital improvements or construction at the Property referenced in the appraisal must be visually inspected (if possible) and validated against any evidence provided by the Seller/Servicer. If the appraiser observes any recent or ongoing capital improvements or construction during their inspection, it should be noted and analyzed in the appraisal.

5. Be sufficiently detailed to adequately incorporate property-specific physical and economic characteristics into the discussions, analyses, and valuation conclusion. This is important since the Seller/Servicer's delivery of the property condition and environmental reports to the appraiser is optional under certain circumstances (see Sections 60.12(e) and 60.13).

6. Report the extent of the appraiser's due diligence and describe any property condition or environmental concerns that affect the Property's value or marketability observed during

the appraiser's inspection or known to the appraiser through third-party reports, regulatory authorities, or geographic competency.

It is not acceptable to only state that the appraiser is not qualified to detect or did not notice any property condition and/or environmental concerns and thus has made no observations during their inspection of the Property.

7. Depending on the Property size, the inspection must meet the following requirements, although the appraiser may inspect more units at their discretion:

Residential Total Units	Residential Unit Inspection Requirements			Commercial Inspection
	Min.[1]	Down[2]	Vacant[3]	
< 25	2	ALL	ALL, up to 5 vacant units	Representative sample; describe level of finish
25 to 50	3	ALL	ALL, up to 5 vacant units	
> 50	5	ALL	ALL, up to 15 vacant units	

[1] The minimum number of residential units that must be inspected. For Properties with more than 50 residential units, at least one unit of each unit type must be inspected and the marketability of each unit type's floor plan, amenities, and level of finish must be discussed.

[2] All down units must be inspected, regardless of the number, to determine and comment on the amount of repairs/renovations necessary to make the units ready for occupancy.

[3] All vacant units must be inspected unless the total number of residential units required for inspection exceeds the specified amount, in which case, the appraiser may sample the vacant units but must state how the sample was selected. The state of readiness for occupancy must be reported for each vacant unit inspected.

Note: These are the minimum inspection requirements, however, the appraiser must use their professional judgment to determine the appropriate number of units to inspect in order to produce credible assignment results.

c. Tax information (06/24/25)

The appraiser must consider, analyze and report property tax and assessment requirements of the jurisdiction where the Property is located. The appraiser must verify that the Property has been fully or partially assessed and provide the most recent assessment date and the next scheduled assessment date of the Property. The appraiser must consider, analyze, adequately support and report any effect on value due to future scheduled assessments, property tax abatements or other property tax benefits.

Property tax comparables must be part of the discussion of the Property's appropriate level of tax liability. The appraiser should identify the taxing jurisdiction of each of the property tax comparables and include in the discussion any differences in valuation methodology, tax rates, and/or reassessment schedules between these and the Property's taxing jurisdiction.

The risk of the Property's reassessment must be considered and appropriately analyzed and reported. Any adjustment to the capitalization rate must have adequate support and discussion. Additional guidance can be found at *Property Taxes in an Appraisal*.

d. Sales and other concessions (09/28/18)

1) The Seller/Servicer must provide to the appraiser and the appraiser must consider, analyze and report any

- Current or expired sales contracts, option contracts, contracts for deed, master lease and/or listings of the Property known to the appraiser, and the contract or listing price.
- Sales of the Property within the past three years

The appraiser must analyze and discuss any material difference between the final appraised value and any recent sale, contract, option and/or master lease of the Property.

2) The appraiser must identify the current owner of the Property as described in the local land records

3) If the Property is subject to a current sales contract, the appraiser must identify the potential purchaser

4) If available to the appraiser, the appraiser must report:

   a. How long the Property was on the market
   b. Number of offers
   c. The owner rationale for selecting the buyer's offer

e. Property condition report (10/14/16)

The appraiser must consider how the results of the property condition report or the appraiser's observations during property inspection affect the value of the Property.

If there are issues identified by the consultant that could materially affect the value of the Property, prior to the Seller/Servicer's transmittal of the Appraisal to Freddie Mac, the Seller/Servicer must provide the appraiser with the property condition report ordered by the Seller/Servicer as part of the Mortgage loan transaction process. For expediency, the report can be delivered to the appraiser in draft form, as long as the appraiser notes in the Appraisal report that it was provided with a draft property condition report. If the final version is materially different from the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

If the Seller/Servicer and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

The appraiser must derive the Property's market value in as-is condition on the date of value. Therefore, even if an escrow account with cash or insurance proceeds has been established to address a Property condition issue, the appraiser must still consider that issue's effect on market value since the availability of cash to the Property owner for repairs or renovations should not affect the Property's market value.

If provided with a third-party property condition report, the appraiser must:

- Identify the engineering/consulting firm that prepared the property condition report, the effective date of the report, and whether it was a final version or a draft
- Report the conclusions and recommendations of the property condition report
- Consider the incremental cost to cure, maintain, or operate the Property due to the physical condition factor(s) and incorporate them into the value of the Property
- Use the property condition report as the starting point for its estimate of Replacement Reserve deposits unless the appraiser otherwise documents and discusses an alternative reserve figure in the Appraisal

If not provided with a third-party property condition report, the appraiser must do all of the following:

- Apply the observations regarding Property condition or obsolescence from the appraiser's property inspection
- Consider the incremental cost to cure, maintain, or operate the Property due to the physical condition factors and incorporate them into the value of the Property
- Base its estimate of Replacement Reserves on specific market evidence or other substantive basis

In addition, the appraiser must provide market data, analysis, and discussion to support any opinion of the effect or non-effect on value of an identified physical condition issue. If there is an issue identified in the property condition report, it is not acceptable for the appraiser to merely state that there is not a loss in value; the appraiser needs to discuss why the appraiser has drawn that conclusion.

f. Zoning and other legal issues (06/25/20)

1. For all Mortgages, the appraiser must consider, support, and discuss how zoning and other legal issues (including shared access agreements, easements, and compliance with local rent control statutes) affect the value of the Property.

   The appraiser must, reference the authoritative zoning source in the Appraisal, comparing the Property to competing properties, and addressing at a minimum:

   - Parking ratio compliance

- Density compliance
- Rebuildability restrictions in the event of substantial damage or casualty loss to the Property

2. If a Mortgage meets either of the following conditions, a third-party zoning consulting report might not be part of the underwriting package, so it is important that the Freddie Mac underwriter and the appraiser have pertinent information regarding the Property's compliance with local zoning regulations and other legal considerations on the Property and the effect these regulations or issues have on the Property's market value:

   - The Mortgage
     - Is a non-SBL Mortgage with an initial principal balance of $20 million or less, or is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are $25 million or less in the aggregate, and
     - Is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage.

   Furthermore, if the Mortgage meets any of the above conditions, the appraiser must include an opinion as to the legality of the zoning of the Property. The Property is either:

   - Legal
   - Legally non-conforming
   - Illegal
   - Other, with explanation

   The preferred method is for the appraiser to provide a quote or reference from an appropriate local zoning office official or employee as to the concluded zoning status (i.e., "Ms. Johnson, XYZ County Zoning employee stated in an email on XYZ date that the subject property is legally non-conforming…"). Without such a quote or reference, the appraiser must provide its professional opinion as to the legality of the zoning of the Property, (i.e., "Based on the subject's actual use, its developed density, parking ratio, (and whatever else that might be appropriate), it appears that the subject property is legally non-conforming.")

   The appraiser cannot merely state that they are not experts in this field or that the client should consult a legal expert. Freddie Mac is requiring that the appraiser use its professional expertise to either consult the appropriate local governmental authority or to render a professional opinion on the legality of the zoning of the Property although it is acceptable for the appraiser to provide a disclaimer around its professional opinion.

   The following chart, or a similarly constructed chart containing this information, must be completed for and included in each Appraisal for which a zoning report is not submitted:

General Zoning Information

Property Name			
Property Jurisdiction			
Existing Zoning Classification			
Date of Existing Zoning Ordinance			
Special permitting or condition(s): (i.e., site plan approval, PUD, or other variance)			
Category	**Actual**	**Required**	**Conforming Status**
Current use			
Minimum Lot Size			
Maximum Density/ Permitted Units			
Minimum Parking Required			
Additional Zoning Compliance Information (if a survey or other materials are available):			
Minimum Lot Width/Frontage			
Maximum Height			
Setbacks:			
Front/Street			
Side			
Rear			
Landscape buffers			
Appraiser's Conclusion on Conformity:			
Other information pertinent to the Property's zoning classification:			
Reconstruction clause, including rebuildability threshold:			

If the Property is legally non-conforming or illegal, the appraiser must discuss whether the subject can be rebuilt to its current configuration and, if not, analyze the effect on market value in the Sales Comparison Approach, the Cost Approach, and in the Income Approach. If the Property is not subject to a rebuildability requirement, the appraiser must state so.

60.13 Environmental reports (12/14/23)

The appraiser must consider how the results of the environmental report or the appraiser's observations during the property inspection affect the value of the Property.

If there are issues identified by the environmental consultant that could materially affect the value of the Property, then prior to the Seller/Servicer's transmittal of the Appraisal to Freddie Mac, the Seller/Servicer must provide the appraiser with the environmental report ordered by the Seller/Servicer as part of the Mortgage loan transaction process and any other environmental reports on the Property retained by the Seller/Servicer. For expediency, the environmental report can be delivered to the appraiser in draft form, as long as the appraiser notes in the appraisal report that the appraiser was provided with a draft. If the final version is materially different from the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

If the Seller/Servicer and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

The appraiser must derive the Property's market value in as-is condition on the date of value. Therefore, even if an escrow account with cash or insurance proceeds has been established to address an environmental issue, the appraiser must still consider that issue's effect on market value. The availability of cash to the Property owner to correct an environmental issue should not affect the Property's market value.

If provided with a third-party environmental report, the appraiser must:

- Identify the environmental consulting firm that prepared the report and the effective date of the report, and whether it was a final version or draft
- Report the conclusions and recommendations of the environmental report
- Consider the incremental cost to cure, maintain, or operate the Property due to the environmental factor(s) and incorporate them into the value of the Property
- Report any known or observed environmental conditions that affect the Property's value or marketability observed during the appraiser's site inspection or known to the appraiser through third-party reports, regulatory authorities, or geographic competency.
- Analyze and discuss how the identified environmental conditions affect the value and marketability of the Property based on market data relating to increased risk and uncertainty, environmental stigma, reduced occupancy and rent levels, limitations on property use, cost of remediation, and any other relevant characteristics or environmental risk factors.

If not provided with a third-party environmental report, the appraiser must do all of the following:

- Apply the observations regarding environmental issues from the appraiser's property inspection
- Consider the incremental cost to cure, maintain, or operate the Property due to the environmental factor(s) and incorporate them into the value of the Property

In addition, the appraiser must provide market data, analysis, and discussion to support any opinion of the impact or non-impact on value of an identified environmental issue. If there is an issue identified in the environmental report, it is not acceptable for the appraiser to merely state that there is not a loss in value; the appraiser must discuss why it has drawn that conclusion.

60.14 Valuation methodology (06/24/25)

Since the Appraisal must, at minimum, estimate the as-is leased fee market value of the Property, appropriate adjustments are required to any analysis of fee simple data within the Appraisal. Examples include:

- Capitalization rates extracted from comparable sales must be consistently applied to the Property based upon actual or pro forma income. When appropriate, an adjustment must be made to reflect the Property's leased fee ownership interests being appraised.

- The traditional Cost Approach is typically developed as a fee simple value; as such, the methodology must be appropriately adjusted to reflect the Property's leased fee ownership interest.

a. Cost approach (07/01/14)

If developed, the cost approach conclusion must reflect the leased fee ownership interest in the Property (or leasehold interest if the Property is subject to a ground lease), and the appraiser must include proper adjustments for any items adverse to the Property's marketability, such as deferred maintenance, physical deterioration and functional and economic obsolescence. The Appraiser must specifically describe the estimates of accrued depreciation and entrepreneurial profit. The estimated land value must indicate the market value of the land, recognizing its highest and best use.

If the cost approach is omitted in the Appraisal, the appraiser must adequately provide a Property-specific explanation for its omission. Generic statements such as “investors typically do not consider the cost approach when they purchase this type of property” or “there is difficulty estimating depreciation due to current market conditions” are not acceptable and miss the point of the benefits of a cost approach analysis.

If the appraiser uses cost comparables as part of the estimate of replacement cost, it must include sufficient descriptions including, where appropriate, a photograph of the comparable properties to allow the reader of the Appraisal to adequately understand the construction similarities between those comparables and the Property.

b. Sales comparison approach (04/18/24)

For additional requirements that are applicable, see the *Additional Appraisal Requirements Memorandum* as referenced in Section 60.1(a).

The appraiser must support the value indicated by the sales comparison approach by analyzing the sales of at least four comparable properties.

The appraiser may use the Property as a comparable sale as long as the appraiser provides four additional comparables to the Property.

The sales comparables must be physically and locationally similar to the Property and must have been sold recently. The appraiser must make proper adjustments, when necessary, to the sales comparables for such items as real property rights conveyed, financing terms, conditions of sale, date of sale, location, physical characteristics and amenities. The appraiser must adequately explain those adjustments.

If there is an absence of recent comparable improved sales, the appraiser must consider that absence in estimating the market value. Current contracts and competitive property listings can be helpful to round out the appraiser's analysis if they are indicative of the state of the current market. The weight given to a contract or listing might be different from the weight given to the actual sales transactions, and the appraiser must discuss these differences in the Appraisal.

For each comparable used, the appraiser must identify the primary data source(s) used to verify comparable sales data, for example, whether the comparable property's financial and transaction information was gathered as part of the site visit or obtained from an earlier written appraisal by the appraiser's firm, a sales brochure, an individual associated with the sale, or a combination of sources. If the appraiser obtained the comparable property's information from an individual, the appraiser must identify the name, company and title of the individual, if available.

The appraiser may use a multiplier, either a potential gross rent multiplier or an effective gross income multiplier if the multiplier is customarily used in the Property's market area. The appraiser must derive the multiplier from recent sales of comparable properties in the market area of the Property. The appraiser must properly analyze the multiplier based on the overall quality and reliability of the gross income the Property has produced or is reasonably expected to produce. If the appraiser develops a valuation from a multiplier analysis, it should be reported in the Income Approach (See Income Approach requirements in Section 60.14(c) for additional information.).

The appraiser must not apply an adjustment to the comparable sales for differential net operating income or develop a net income multiplier for the sales since these methodologies duplicate the techniques or value indicators used in direct capitalization in the Income Approach. The Sales Comparison Approach must focus on similarities and differences that affect value, which may include variations in property rights, financing terms, market conditions, and physical characteristics and the causes of income variation, not just that net operating income of the comparable is different than the Property's (either on a per-unit basis or applying a net income multiplier). The appraiser must discuss and adjust for the causes of the differences in NOI, not just note that a difference exists.

The appraiser must refrain from adjusting the comparable properties' sale prices for expenses, costs, or renovation that are to be incurred by the buyer after the date of the sale transaction since these costs and expenditures are not typically part of the transaction/consideration price for the property.

c. Income approach (06/24/25)

For additional requirements and guidance that are applicable, see the *Additional Appraisal Requirements Memorandum*, as referenced in Section 60.1(a), *Capitalization Rate Guidance*, and *Development of Capitalization Rates: Proforma vs. T-12*.

The appraiser must derive the value based on the following:

1. Forecasted gross income must consider historical and current rents of the Property, and rents currently obtained from comparable units (similar in amenities, location, size, type, style and quality) adjusted for market concessions, rent abatements, discounts and the like. The influence and limitations of rent control, rental concessions, historical trends and other relevant factors must be reviewed and analyzed relative to the forecasted gross income of the Property.

   The appraiser must analyze and discuss the difference, if any, between the Property's actual recent contract rents and the appraiser's estimate of the Property's market rents, and their impact on the value of the Property. If the appraiser's estimate of market rent is dissimilar to the recent leasing at the Property, an adequate discussion and explanation of the variance must be provided.

2. Estimated vacancy and collection loss must consider historical and current data of the Property, rental comparables in the market area and anticipated changes of regional market conditions.

3. Forecasted expenses and Replacement Reserves must be comparable with the historical data of the Property and with known and verified expenses in the market area, measured, at a minimum, on a per-unit basis and as a percentage of effective gross income. The forecasts must consider future changes in expense or reserve levels.

   The identification of the expense comparables must include the following:

   - Number of units
   - Age (year built and/or renovated)
   - Physical condition
   - Location and the time period of the expenses

4. Capitalization Rate must be based on factors reflecting the investment characteristics of knowledgeable investors for properties similar to the Property.

   The Capitalization Rate must be developed using each of the following (3) techniques. Exclusion of any of these techniques must be explained.

   - **Extraction from comparable sales with analysis of the comparables' variations**, if any, from the Property's economic and physical characteristics. Capitalization Rates extracted by pro forma income or with actual income must be reported and reconciled consistently with the appraiser's estimate of the Property's income.

   - **Personal surveys and interviews with local market participants** for insight into the Property's submarket and investment considerations, dated within two months before the effective date of value, including the date of survey (month/year is sufficient) and, if not confidential, the name, title and company of the individual surveyed. If these items are confidential, the appraiser must provide a description of the position or background of the individual.

- **Published sources** (preferably more than one published data source, and preferably a source that focuses on the Property's local market, not general national data).

If the following techniques are utilized by local market participants and appraiser peers, they should also be included to develop and support the Capitalization Rate.

- **Band of Investment model** (also known as mortgage equity technique) with specific reference to the sources of the financial data assumptions.

- **Debt coverage ratio model** with specific reference to the sources of the financial data assumptions.

Development of Capitalization Rates from Ackerson or Ellwood methodologies is not appropriate.

5. When a multiplier analysis is developed, the appraiser should adequately analyze and discuss the comparability of the comparable sales' multipliers in terms of expense ratios and expenses per unit. Additionally, comparability of operating expenses should be analyzed and discussed both with and without inclusion of real estate taxes since taxes may vary materially between the Property's taxing jurisdiction and that of the comparable sale. This variability may have a material effect on the observed multiplier and comparability with the Property.

   Development of a multiplier analysis for the valuation of the Property does not exempt the appraiser from adequately analyzing and discussing the Property's operating expenses as required by Section 60.14(c)(3).

   For Properties with more than 30 units, a multiplier analysis is not recommended; the appraiser should develop a direct capitalization approach.

   A net operating income multiplier is not acceptable.

6. Discounted cash flow analysis (DCF) is typically redundant and not required for a multifamily property unless the Property is not functioning at stabilized operations and/or occupancy.

   - If developed, the cash flow period for the DCF must reflect the period necessary to achieve stabilized operations, unless local practice dictates otherwise, and may be developed with monthly, quarterly, or annual cash flows, depending on the time period of unstabilized property operations.

   - In lieu of, or as a supplement to, a DCF analysis for an unstabilized property, the appraiser can consider the present value of lost revenue, operating expenses, and necessary repairs, renovations, alterations as adjustments to value.

   - Key assumptions used to develop the DCF must be adequately discussed and supported including rent and expense changes, discount rate, reversionary/terminal capitalization rate, and absorption period.

7. The Property's value can be developed with either a multiplier analysis or direct capitalization analysis; it is not a requirement to include both methodologies.

60.15 Area information (06/16/22)

The appraiser must report and accurately explain appropriate and lawful positive or negative factors about the Property's neighborhood, including all relevant adverse influences that affect the Property's market value.

The appraiser must

- Consider, analyze and report current and prospective regional economic trends, such as population, employment concentration and diversification, changes in supply and demand, and housing development

- Explain how regional economic trends affect appraised value

In describing the Property's market, the appraiser should emphasize the Property's neighborhood and submarket influences. Regional, State, and metropolitan market descriptions are not necessary for Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program and should be eliminated from these Appraisal reports unless there is a specific market influence on the Property that transcends the immediate neighborhood. In these instances, the appraiser should describe those larger influences with specificity, and inclusion of "boilerplate" market, metropolitan, or regional descriptions in the report is discouraged.

60.16 Rental competition (09/28/18)

The appraiser must identify the primary data source for each rental comparable, such as the name and telephone number of the contact person.

The appraiser must use at least four rental comparables. The appraiser must include current rental competition that affects the Property's economic performance, for each rental comparable. The appraiser must identify and describe projects under construction, planned or proposed, that will likely affect the Property's economic performance.

60.17 Income and vacancy (09/08/04)

a. Market feasibility analysis (09/08/04)

The appraiser must include a market feasibility analysis if the Property is new construction or if the Property has recently undergone major rehabilitation. The market feasibility analysis can be included as a section of the Appraisal or it can be a separate report. The market feasibility analysis must

- Consider, analyze and report the Property's current rental competition and future rental competition, including a review of projects under construction, planned or proposed that may affect the Property's economic performance

- Explain the expected stability and longevity of the Property's current rent levels and occupancy

- Support forecasted rent levels and occupancy
- Analyze rental concessions and absorption rates

b. **Vacancy (09/08/04)**

If the appraiser forecasts a vacancy percentage that is higher or lower than the current vacancy percentage, the appraiser must adequately explain the reasons for the difference in the current vacancy and forecasted vacancy. One-line explanations, such as "the market is improving," "the property has updated units" or "the competition is becoming stronger," are unacceptable.

c. **Rental factors (09/08/04)**

The appraiser must consider, analyze and report rental concessions, rental discounts and rental abatements of the Property and market area and explain how these factors affect the Property's economic performance. If the appraiser does not know of any rental concessions, rental discounts or rental abatements, the appraiser must state this fact in the Appraisal.

The appraiser must consider, analyze and report any rent control or rent stabilization of the Property or market area and explain how these factors affect the Property's economic performance.

d. **Seasonal and cyclical influences (09/08/04)**

The appraiser must consider, analyze and report seasonal and cyclical influences that may affect annual rental income and occupancy of the Property.

e. **Income (09/08/04)**

The appraiser may include income from sources other than residential units when calculating total gross income if such income is supported by at least three years' historical operations, is common in the market and is expected to continue in the future. Such other sources include commercial space, laundry, parking, cable television, vending and application fees.

60.18 Improvements (09/30/20)

The appraiser must report and explain any building, health and fire code violations at the Property that are known to the appraiser and explain how the code violations affect appraised value. If the appraiser does not know of any known violations, the appraiser must state so in the Appraisal.

The appraiser must report and explain any deferred maintenance known to the appraiser at the Property and explain how the deferred maintenance affects appraised value.

If the Appraisal is subject to the completion of repairs or replacements, the appraiser must report the appraised value before required repairs are completed ("as is" value) and report the appraised value after the required repairs are completed ("as completed") value. The appraiser must estimate the cost to complete the needed repairs.

If the Appraisal indicates the presence of any defects or conditions with respect to the Property, such as dampness, infestation or abnormal settlement, the appraiser must describe the effects of these deficiencies on the appraised value and marketability of the Property.

For SBL Properties, the appraiser must review any information provided by the Seller regarding major past renovations or construction and identify any effect on the appraised value and marketability of the Property.

The appraiser must:

- Estimate the cost to complete the required repairs and any accompanying entrepreneurial profit, if applicable, and
- Estimate the prospective date that repairs are to be completed, and
- Analyze and describe any prospective vacancy issues resulting from the repair process, and
- Estimate the prospective date that lease-up due to repairs is estimated to be completed, and
- Adequately describe, analyze, and discuss the effect of the repairs on market value

The appraiser may rely on the data, discussion, and conclusions of the property condition report and the environmental report in analyzing and reporting on the property's improvements.

60.19 Commercial space and other nonresidential leases (02/17/22)

For Appraisals of Properties containing commercial space and other nonresidential leases as defined in Section 8.11(a) or Section 8SBL11(a), the appraiser must include a rental analysis containing at least three comparable rentals for each type of tenant.

For each comparable commercial and other nonresidential lease, the appraiser must provide:

1. Name of the tenant
2. Type of business
3. Address or unit number(s)
4. Leased square feet
5. Annual prospective contractual rent for each of the next three years
6. Concessions (if any)
7. Lease commencement date
8. Length of lease
9. Renewal option, if any

10. Any other material lease terms

Property lease abstracts must contain, at a minimum, the following basic data, as applicable:

1. Term
2. Lease commencement date
3. Lease expiration date
4. Exact name of tenant
5. Type of business
6. Base square footage
7. Core or conversion factors
8. Calculation of gross rent
9. Calculation of percentage rent
10. Calculation of expenses
11. Expense stop
12. Reimbursement of expenses
13. Option to purchase clause

For Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program, the depth and detail of information required in this section may not be available to the appraiser. In these instances, the appraiser must use its best efforts to comply with the intent and scope of this section. If the appraiser varies from the requirements of this section, there must be an explanation of the variance in the Appraisal Report.

For all Properties that contain commercial space, the appraiser must segregate rental income, vacancy and collection loss, operating expenses and Replacement Reserves attributed to commercial rental space from rental income, vacancy and collection loss, operating expenses and Replacement Reserves attributed to residential rental space. If the appraiser is unable to segregate commercial space and residential rental space, the appraiser must explain why the space cannot be segregated. Separate values for the commercial space and residential space are not required but must be provided if the commercial space can be marketed and sold separately from the residential space.

The appraiser must provide data that support the appraiser's estimate of the property's commercial vacancy rate, a discussion of tenant rollover risk, and cost of tenant improvements to re-lease the space.

60.20 Attachments to the Appraisal (06/24/25)

The appraiser must attach the following, if applicable, to the Appraisal:

1. A copy of any current sales contracts, option contracts, contracts for deed or listings of the Property

2. A legible, certified current rent roll provided to the appraiser by the Seller/Servicer, legible Income and Expense Statements for the past three calendar or fiscal years (as applicable), if available, and legible year-to-date Income and Expense Statements for the Property, all dated within 30 days before the Appraisal's effective date of the as-is value.

3. Color photographs of the Property's exterior, interior common areas, typical unit interiors, surrounding area, rental comparables, sales comparables and commercial rental comparables. The date and source of each photograph (i.e., the appraiser's original photograph, photocopied from the internet, and photo scanned from a marketing brochure) must be clearly identified in the Appraisal

   - Unless otherwise identified within the Appraisal, the photographs of the sales comparables must be reflective of the property at the time of sale.

   - Unless otherwise identified within the Appraisal, the photographs of the Property must be reflective of the Property as of the effective date of the appraisal value.

4. Maps showing the location of the Property relative to the location of the land comparables, current rental comparables, future rental comparables and sales comparables

5. If the Property contains commercial space, legible copies of all executed commercial leases, riders and amendments

6. A complete legal description of the Property (see Section 29.1)

7. A survey or recorded plat of the Property, if available (see Section 29.4)

8. If the Property is subject to ground leases, a copy of all ground leases

9. Any other information that ensures the completeness of the Appraisal

10. The appraiser's qualifications and the supervising or review appraiser's qualifications

11. A copy of the complete, signed engagement letter and a copy of any other communications about the scope of the Appraisal between the appraiser and the Seller/Servicer

Freddie Mac will also accept a market study incorporated into the Appraisal.

60.21 Insurable Value (07/01/14)

Insurable value must be provided in all Appraisals.

The Replacement Cost is the cost to reconstruct a Property of an equal number of units with equal quality of building materials with equal utility that would be acceptable to the typical investor and tenant in the market in which the Property is located. Replacement Cost is not the cost to construct a replica of the Property.

For insurance purposes, the Replacement Cost may not include goodwill or other intangibles such as value/cost of the land, a deduction for depreciation, cost of site improvements, (e.g., driveways, parking lots, sidewalks, or landscaping), or cost to reconstruct the foundation(s).

60.22 Student Housing Appraisal requirements (06/16/22)

In addition to the other requirements of this chapter, the following requirements apply to Appraisals of Student Housing Properties. The Appraisal must be prepared by an appraiser who has experience in valuing Student Housing Properties, as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal.

The appraiser must consider the following:

- Trends in student population or enrollment,
- Changes in the supply of on- or off-campus housing, whether sponsored by the school or planned and built by private developers (such as dormitories, for-profit or not-for-profit apartments, and fraternity or sorority housing),
- Distance from the Student Housing Property to the school, and available transportation,
- Any school policies affecting student residency (for example, requirements for freshmen and sophomores to live on campus), and
- Changes to school-sponsored amenities, whether on- or off-campus.

Freddie Mac requires the use of comparable properties that were purchased, developed or leased for student housing. If comparable student housing properties are not available in the local market, the appraiser may use comparable regional student housing properties. The appraiser must evaluate the comparable property and the school it serves with the Student Housing Property based on the factors described above: student population trends, supply of student housing, distance and transportation between school and housing, amenities, school policies affecting student residency and so forth. These requirements apply to building sales, land sales and rental comparables.

If comparable local or regional student housing properties are not available, non-student housing may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-student housing to the Student Housing Property.

60.23 Collateral evaluation for tax abatement (07/01/14)

For all Appraisals of a Property with a tax abatement, the preferred Freddie Mac valuation methodology is as follows:

- First, full, stabilized real estate taxes are used to calculate the NOI that is used to determine the property value with full taxes.

- Next, the present value of the tax savings over the term of the tax abatement is determined using a discount rate supported fully by the appraiser.

- The present value of the tax savings is then added to the property value with full taxes to determine the value of the Property with the tax abatement.

Note: If local practice is different from the Freddie Mac preferred methodology, the appraiser may use the local methodology, provided that any differences in technique are fully discussed in the Appraisal.

The appraiser must demonstrate in the Appraisal that the tax abatement is likely to continue for its stated term. This can be accomplished by a variety of methods including a review and discussion within the Appraisal of the tax abatement agreement and/or documented conversation and confirmation of the tax abatement by the Appraiser with the local property tax authority or tax abatement-granting agency.

60.24 Affordable Housing and Targeted Affordable Housing Appraisal requirements (12/14/23)

In addition to the other requirements of this chapter, the following requirements are for Appraisals of affordable housing properties:

1. The Appraisal must be prepared by an appraiser who has experience in valuing affordable housing properties, as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal and also retained in the Seller/Servicer's files.

2. The appraiser must consider and analyze factors that affect the supply and demand of affordable housing in the subject's market area, including the following:

   - Demand:

     - Trends in household income, especially related to Area Median Income (AMI) tranches applicable to the subject's affordable rental structure
     - Trends in occupancy of competing/similar affordable housing properties and market rent properties in the subject's market area
     - Proximity to public/mass transportation
     - Other statistical or researched demand factors that might have an effect on affordable housing occupancy, rents, expenses, or investment in the subject's market area

   - Supply:

     - Proposed, ongoing, and recent changes in the supply of affordable housing properties within the Property's market area
     - Supply considerations could include research from governmental records, news sources, press releases, or primary/secondary data sources on proposed construction,

material renovation projects, re-purposed competing properties, construction starts, ‘Grand Openings’ and the like in the subject’s market

- Other statistical or researched supply factors that might have an effect on affordable housing occupancy, rents, expenses, or investment in the subject’s market area

3. Freddie Mac requires the use of comparable properties that were purchased, developed or leased as affordable housing. If comparable affordable housing properties are not available in the local market, the appraiser may use comparable regional affordable housing properties. These requirements apply to building sales, land sales, rental comparables and capitalization rate comparables.

4. If a sufficient number of comparable local or regional affordable housing properties are not available for analysis, non-affordable housing may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-affordable housing to the affordable housing Property, including marketing time and information derived from the most recent U.S. Census for the location of the Property, such as employment statistics and population, but excluding any information that references the Prohibited Factors noted in Section 60.8.

5. If the Property has restricted units, the appraiser must include an estimate of market value with the restricted units in place and an estimate of hypothetical market value without the restricted units. For Appraisals directly ordered by Freddie Mac for asset management purposes, the appraiser must also opine, describe and support if the highest and best use of the Property is to phase out restricted rents in favor of non-restricted rents, and, if so, develop an estimate of market value considering the time period necessary to phase in non-restricted rents.

   In the Appraisal, the appraiser must document the source of the Property’s restricted rent roll and provide adequate support, analysis and discussion for the continuation of the restricted rents. If the appraiser concludes that the restricted rents will expire or not continue, the appraiser must use the appropriate methodology to value the Property considering the likelihood of the restricted rents expiring.

6. If the Property has HUD Project-based Section 8, the appraiser must include the following values:

   - The value using the project-based contract rents, and

   - The value using the lower of market, project-based contract rents, or achievable LIHTC rents (if applicable) for each type of unit

7. If the Property has not achieved stabilized operations, the appraiser must develop both an “as-is” and an “as-stabilized” value.

8. If the Property is to be built and is collateral for a Forward Commitment, the appraisal must meet the requirements of Section 60.30.

60.25 Seniors Housing Appraisal requirements (12/14/23)

In addition to the other requirements of this chapter, the following requirements apply to Appraisals of Seniors Housing Properties:

1. The Appraisal must be prepared by an appraiser who has experience in valuing seniors housing properties (i.e., independent living properties and assisted living properties) as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal and also retained in the Seller/Servicer's files.

2. The appraiser must consider the following:

   - Demand:

     - Trends in the target service area of the subject property indicative of the depth of residency eligibility such as senior population growth or retraction, changes/trends in income and/or net worth of individuals eligible for residency in the subject property, and other factors of seniors housing demand
     - Trends in occupancy of competing/similar seniors housing properties and market rent properties in the subject's market area
     - Other statistical or researched demand factors that might have an effect on seniors housing occupancy, rents, expenses, or investment in the subject's market area

   - Supply:

     - Proposed, ongoing, and recent changes in the supply of seniors housing properties within the property's market area.
     - Supply considerations could include research from governmental records, news sources, press releases, or primary/secondary data sources on proposed construction, material renovation projects, re-purposed competing properties, construction starts, 'Grand Openings' and the like in the subject's market area
     - Other statistical or researched supply factors that might have an effect on seniors housing occupancy, rents, expenses, or investment in the subject's market area

3. Freddie Mac requires the use of comparable properties that were purchased, developed or leased as seniors housing. If comparable seniors housing properties are not available in the local market, the appraiser may use comparable regional seniors housing properties. These requirements apply to building sales, land sales, rental comparables, and capitalization rate comparables.

4. If a sufficient number of comparable local or regional seniors housing properties are not available for analysis, non-seniors housing properties may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-senior housing to the Senior Housing Property including, but not limited to, marketing time and information obtained from the most recent U.S. Census, such as employment statistics and population, but excluding any information that references the Prohibited Factors noted in Section 60.8.

5. If the Property has restricted units, the appraiser must include an estimate of market value with the restricted units in place and an estimate of hypothetical market value without the restricted units. In addition to the hypothetical value if leased at non-restricted rents, the appraiser must opine and support its opinion if the Highest and Best Use of the property is to phase out restricted rents in favor of non-restricted rents, and, if so, develop an as-is estimate of market value considering the time period necessary to phase in non-restricted rents.

   In the Appraisal, the appraiser must document the source of the Property's restricted rent roll and provide adequate support, analysis and discussion for the continuation of the restricted rents. If the appraiser concludes that the restricted rents will expire or not continue, the appraiser must use the appropriate methodology to value the Property considering the likelihood of the restricted rents expiring.

The Appraisal will clearly and prominently report the total market value of the Property as well as an allocation for contributory business value, personal property and/or other non-real estate items. The appraiser will clearly, adequately and comprehensively discuss the value segregation process and provide market-derived data for the value allocations, including, where applicable, surveys of market participants, comparable sales data and authoritative sources for the appraiser's allocation methodology.

60.26 Manufactured Housing Communities value (07/01/14)

In addition to the requirements in this chapter, specific appraiser and Appraisal requirements for Manufactured Housing Communities can be found in Section 22.5.

60.27 Appraisals for lease-up programs (09/25/15)

Freddie Mac has two types of lease-up offerings: Acquisition Lease-Up and Refinance Lease-Up.

For Properties to be specifically underwritten in either of these two programs, the Appraisal must provide the as-is value of the Property as of the effective date of the Appraisal report (i.e., the current date) and the prospective as-stabilized value as of the prospective future date of stabilized operations for the Property. The Freddie Mac Underwriting Value is based on the prospective as-stabilized value.

The Seller must provide guidance to the appraiser should these values be required.

60.28 Appraisals for Moderate Rehabilitation (Mod Rehab) Mortgages and Preservation Rehabilitation Mortgages (02/28/20)

1. For a Mod Rehab Mortgage, the appraiser must provide the following two values of the Property based on all applicable approaches to value:

   - As-is market value

   - Hypothetical as-if renovated and stabilized today market value

2. For a Preservation Rehabilitation Mortgage, the appraiser must provide the following five values of the Property based on all applicable approaches to value:

- As-Is market value with current restricted rents (i.e., rents in-place on the date of value).

- As-Is market value with the proposed restricted rents that will be in-place subsequent to or concurrent with origination of the Mortgage but prior to construction completion. This is a hypothetical value and does not assume that the renovations are completed on the date of value; just that the proposed restricted rents are in place.

- As-is market value without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.

- Hypothetical as-if renovated and stabilized at current market value with restricted rents that will be in-place when the Property is renovated and stabilized. This is a hypothetical value.

- Hypothetical as-if renovated and stabilized at current market value without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.

The as-is market value is the market value of the Property as of the day of the appraiser's inspection, assuming no renovation work has been done. Standard appraisal approaches and industry best practices in accordance with this chapter apply. This value provides a baseline to determine how much additional value the renovation project might generate.

The hypothetical as-if renovated and stabilized current market value assumes that all planned renovations are complete and the Property has achieved stabilized operations as of the date of the appraiser's inspection. This valuation scenario should not simply add the renovation budget total to the as-is market value, as this calculation might not be indicative of actual contributory value of the planned renovation.

The as-is market value and hypothetical as-if renovated and stabilized current market value are imperative to the credit and underwriting analysis of the Freddie Mac transaction. The Seller/Servicer must provide the appraiser with the pre-construction analysis report, as described in Chapter 63, and the appraiser must provide its opinion on all of the following:

- The specific elements of the renovation that would or might affect market value

- The time needed to complete the planned renovations

- The time needed to achieve stabilized operations after completion of the planned renovations

The appraiser must analyze the effects of the renovation on each of the approaches to value used in the appraisal report. For example, by installing new stainless steel energy saving appliances, the rent might increase, utility expense might decrease, Replacement Reserves might increase and/or the capitalization rate might change due to investor's perception of the quality of the renovations, causing an impact to the appraiser's income approach and change in market value.

The appraiser must provide rents, property taxes, operating expenses, and capitalization rates data from properties that have recently experienced renovations similar to the subject or are comparable to the proposed renovated Property. If these benchmarks are not available in the local market, the appraiser must explain the extent of research to obtain this type of data and provide an adequate discussion about how these items might impact the value from the as-is market value scenario.

The appraiser must provide separate sales and rent comparables for the as-is market value and the hypothetical as-if renovated and stabilized current market value, as the renovation might promote the Property into a higher class of property.

60.29 Appraisals for Mortgages with a Green Up® or a Green Up Plus® loan option (10/12/17)

If the Seller/Servicer requests a Prospective As-Improved Market Value, the Appraisal must include both an As-Is Market Value and Prospective As-Improved Market Value.

- The As-Is Market Value is the market value of the Property, assuming no Green Improvements have been completed. Standard appraisal approaches and industry best practice per this chapter apply. This value provides a baseline to determine how much additional value the Green Improvements might generate.

- The Prospective As-Improved Market Value must assume that all Green Improvements are completed as of the current date of value.

To develop the Prospective As-Improved value, the appraiser must review the list of Green Improvements that the Borrower has committed to execute at the Property, and consider the contribution of these Green Improvements to the Property's prospective market value. The appraiser should not merely add the projected cost of the Green Improvements to the As-Is value and consider this a complete valuation.

The appraiser must consider how rents, expenses and the capitalization rate will be affected by the Green Improvements and the time it will take to implement the Green Improvements.

The appraiser must reference Form 1106, Green Assessment, including the date of the report and a summary of the report's conclusions and recommendations.

Freddie Mac prefers that the Prospective As-Improved Market Value be supported by comparable sales that also had a similar scope of Green Improvements as well as by the appraiser's survey of investors, lenders, property owners and/or brokers familiar with capitalization rates and investor considerations of Green properties.

In addition, Freddie Mac recommends that the appraiser complete the "Valuation of Sustainable Buildings – Commercial" professional development program offered through the Appraisal Institute. A registry of appraisers who have completed this training can be found at the Appraisal Institute's website.

60.30 Appraisals for Forward Commitment Mortgages (12/17/19)

1. For a Forward Commitment Mortgage, the Appraisal must include the following valuation types:

   a. As-Is current market value

b. Hypothetical current restricted value as-if renovated/constructed and stabilized today, with current restricted rents. This is a hypothetical value.

c. Hypothetical current market value as-if renovated/constructed and stabilized today, without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.

d. All other requirements of Chapter 60

2. A new or updated Appraisal will not be required at Conversion for a Forward Commitment Mortgage except if:

e. A request has been made for a loan amount in excess of the original committed amount, or if

f. The Forward Commitment has been extended to a maturity date that is one year beyond the original Forward Commitment Maturity Date, or if

g. The appraisal is dated more than 48 months prior to the date the Conversion package is submitted.

60.31 Ground leases (12/12/24)

Freddie Mac purchases Mortgage loans on the leasehold interest in a subject property; i.e., the ownership interest receiving the monthly rent from the property's tenants. It is important, then, that the appraiser adequately model the financial impact of the ground lease payments on the multifamily operations component and consider all aspects of the valuation risk associated with that ground lease on the subject property.

a. Valuation conclusions (12/12/24)

At a minimum, Freddie Mac requires the appraiser provide an as-is estimate of the leasehold market value of the subject Property on the date of value (See Section 60.1(b)).

If the Ground Lessor will not join in the Mortgage (unsubordinated ground lease), the appraiser must also provide an as-is estimate of the leased fee market value of the subject Property on the date of value.

Additionally:

- If the ownership interests will be separated by a ground lease after the date of value, the appraisal must provide both the as-is market value of the property as a whole as well as the hypothetical market value of the leasehold interest of the subject improvements subject to the ground lease, on the same/current date of value as the as-is value

- The appraisal's ground lease value might be the same or different from the negotiated terms between the ownership entities so Freddie Mac requires that the appraisal support the market value of the ground lease, not the investment value to a specific user or owner

- Copies of ground leases and amendments, even if only in draft form, must be provided to the appraiser (See Section 60.6), and the appraiser must include them in the Addenda to the appraisal report (See Section 60.20(8)).

b. Sale of other multifamily properties that were subject to ground leases (04/15/21)

For a valuation of the leasehold ownership interests, the appraisal must include sales of other multifamily properties that were also subject to ground leases, where available, as the basis for the Sales Comparison Approach and for the capitalization development in the Income Approach.

Additionally:

- These sales should be as similar to the subject as possible, both physically and in terms of its lease characteristics

- The search for comparable leasehold sales can be local, regional or national, depending on the transaction and property characteristics. The appraiser must discuss the scope of the search used for the comparable leasehold sale transactions.

- If these types of transactions are not available to the appraiser, the appraiser must provide transparency in the report of how they adapted leased fee transactions to the leasehold valuation of the subject property. (See Sections 60.14(b) and 60.14(c)).

c. Additional data and analysis requirements (04/15/21)

In addition to the requirements above:

- The appraisal must comply with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) regarding the value of an assemblage and not merely add the components together to derive the value of the whole.

- If the appraiser concludes that there is a value enhancement due to the separation of the ownership estates, the appraisal must explicitly provide an adequate discussion, analysis, and data to support their opinion of the incremental value of the bifurcation of the ownership

- The format of the appraisal's cash flow model would be dependent on the structure of the ground lease payments (e.g., regular cash flows, a lump sum or irregular series of cash flows)

d. Report documentation (04/15/21)

For the subject property's ground lease and for any ground lease or leasehold comparables, the appraiser must provide sufficient transactional information so the transaction can be validated, including, where available:

- Name of Ground Lessor and name of Ground Lessee
- Date of lease execution
- Public record reference of the deed or lease, if applicable, including parcel identification(s) for the land component and the building component
- Description of the site's improvements at the time of lease commencement
- Length and terms of lease and extensions, if any
- The structure of the lease payments
- Identification of any related-party transaction, a sale-leaseback, purchase option, or prior financing history between the parties
- Reversion: What does the ground lease require when the lease expires?
- Indicated capitalization rate, rate of return, and/or discount rate (IRR) from the transaction
- With whom this transactional information was verified