

## **Appraisal Update and/or Completion Report Fannie Mae Form 1004D/Freddie Mac Form 442**

Recently, OREA has experienced an increase in public inquiry calls regarding the Fannie Mae Form 1004D/Freddie Mac Form 442, most commonly referred to as the Appraisal Update and/or Completion Report. Appraisers from across the state have been calling and asking for guidance regarding an appraisal update. The number one question associated with the summary appraisal update section of the form is: “Is this a new assignment?”

The short answer is, emphatically yes. The intended use of the appraisal update section of the form states: “...for the lender/client to evaluate the property that is the subject of this report to determine if the property has declined in value since the date of the original appraisal for a mortgage finance transaction.” As the appraiser is being requested to make a determination that the subject property has or has not declined in value since the effective date of the original appraisal, an appraisal is being performed.

The 2016-2017 edition of USPAP defines the word appraisal as:

- (noun) the act or process of developing an opinion of value; an opinion of value. {page 1}
- (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services. {page 1}

The ASB provides further commentary regarding the above definition:

*Comment: An appraisal must be numerically expressed as a specific amount, as a range of numbers, or as a relationship (e.g. **not more than, not less than**) to a previous value opinion or numerical benchmark (e.g. assessed value, collateral value). {page 1}* (Bold added for emphasis)

By default, the appraiser is obligated to meet the minimum guidelines set forth in USPAP when asked to provide an update to a previously completed appraisal. **As noted above, a statement that a property’s value has or has not declined in value since the date of the original appraisal would constitute a new appraisal.**

Please also keep in mind that forms are not necessarily USPAP compliant. The licensed appraiser, however, is obligated to meet all the minimum criteria set forth in USPAP when utilizing any form in the completion of an appraisal assignment, including the Appraisal Update and/or Completion Report form. The appraiser must take all steps necessary to meet the minimum criteria set forth in USPAP!

Further clarification and reference material available on appraisal updates can be found in the following areas of the 2016-2017 edition of USPAP:

- Advisory Opinion 3 (A0-3) Subject: Update of a Prior Appraisal Located on page 82 thru 84
- FAQ 199 Located on page 302
- FAQ 200 Located on page 303
- FAQ 202 Located on page 303
- FAQ 203 Located on page 304
- FAQ 268 Located on page 339

- FAQ 269 Located on page 339

For clarification regarding FHA and appraisal updates see the following website:

<http://portal.hud.gov/hudportal/HUD?src=/groups/appraisers>

The Certification of Completion portion of the form does not report a value conclusion and is not an appraisal. But this portion of the form contains an Appraiser's Certification and is completed by a person acting as an appraiser, which constitutes appraisal practice. All services performed as a part of appraisal practice must comply with certain portions of USPAP that generally include the Definitions, the Preamble, the Ethics Rule, the Competency Rule, and the Jurisdictional Exception Rule.

Further clarification and reference material relevant to appraisal practice and the Certification of Completion report may be found in the following areas of the 2016-2017 edition of USPAP:

- Advisory Opinion 21 (AO-21) Subject: USPAP Compliance on page 140 thru 147
- FAQ 26 located on page 220
- FAQ 30 located on page 222
- FAQ 148 located on page 279
- FAQ 234 located on page 321