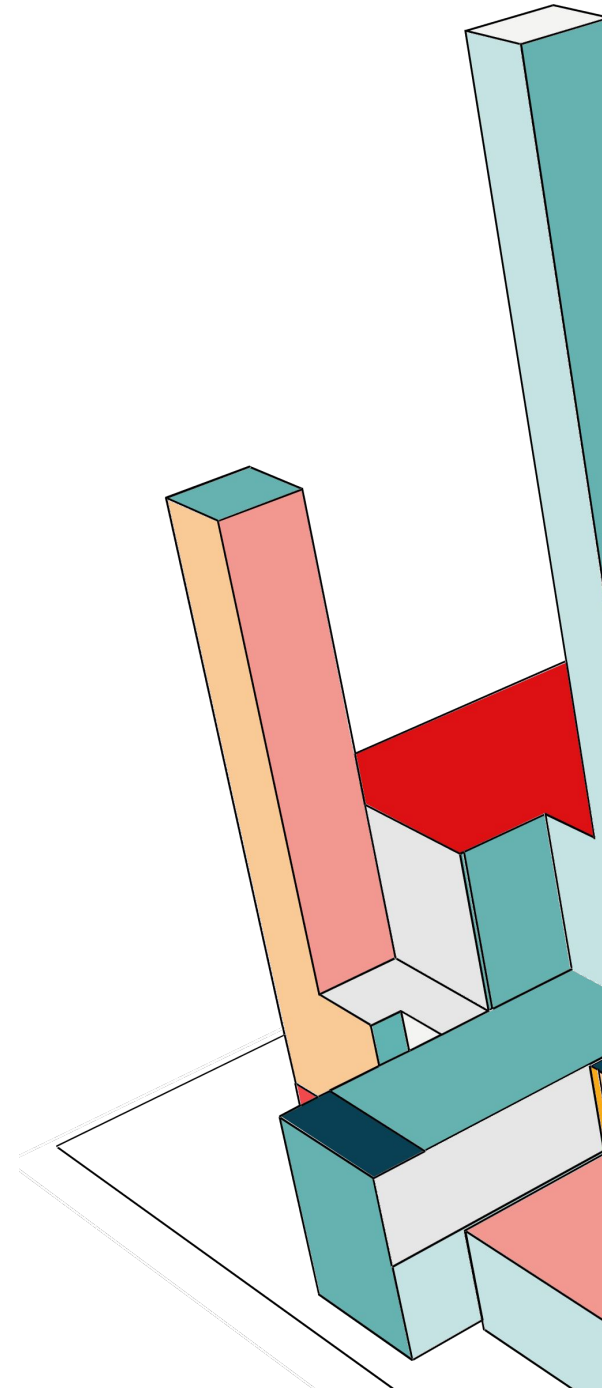


SUBJECTIVE LANGUAGE IN APPRAISAL REPORTS

AGENDA

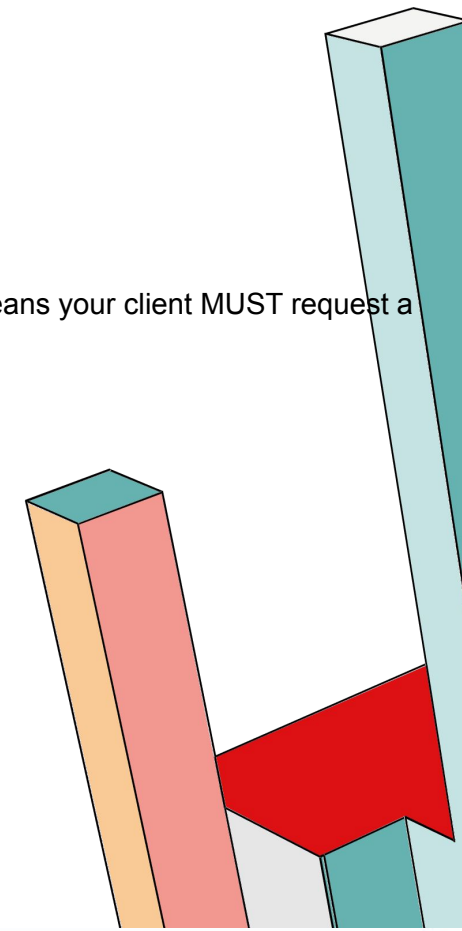
- Definition
- Bias versus subjective
- Examples
- Solutions
- Q&A



THIS IS NOT NEW JUNE 2023 ANNOUNCEMENT OF ENFORCEMENT

January 26, 2024, Freddie Mac converted the “warning flag” messages regarding subjective and/or potentially biased words or phrases to “fatal flag”. This means your client MUST request a revision to your appraisal in order to obtain a “successful” SSR report.

- January 26, 2024, Freddie Mac converted the “warning flag” messages regarding subjective and/or potentially biased words or phrases to “fatal flag”. This means your client MUST request a revision to your appraisal in order to obtain a “successful” SSR report.
- Appraisals were always required to avoid biased and subjective language



MSG ID ^	CATEGORY	DETAILS	LCA SEVERITY ^
FRE4611	Compliance	Re-gentrification was located in IMPROVEMENTS ADDITIONAL FEATURES. Please ensure these subjective words/phrases are excluded from the appraisal report and resubmit.	Fatal

THE TRIAL PERIOD: AI LEARNING



In the beginning, there were stories widely circulated complaining about “trigger words” that were unavoidable in appraisal reports. Words such as “white” or “indian” that show in the address, county or legal description or even the borrower’s name.

The programs have been continually monitored to add AI intelligence to identify when these words are a part of necessary identifiers and no longer trigger flags on appraisals.

THE TRIAL PERIOD: AI LEARNING



Uniform Residential Appraisal Report

File #

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.			
Property Address	City	State	Zip Code
Borrower	Owner of Public Record	County	
Legal Description			
Assessor's Parcel #	Tax Year	R.E. Taxes \$	
Neighborhood Name	Map Reference	Census Tract	
Occupant <input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant	Special Assessments \$	<input type="checkbox"/> PUD	HOA \$ <input type="checkbox"/> per year <input type="checkbox"/> per month
Property Rights Appraised <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)			
Assignment Type <input type="checkbox"/> Purchase Transaction <input type="checkbox"/> Refinance Transaction <input type="checkbox"/> Other (describe)			
Lender/Client	Address		
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input type="checkbox"/> Yes <input type="checkbox"/> No			
Report data source(s) used, offering price(s), and date(s).			

THE TRIAL PERIOD: AI LEARNING



responsible for the unauthorized use of this report.

LEGAL DESCRIPTION: SECTION 12 TOWNSHIP 27 RANGE 04 QUARTER NW MARTHAS LANDING CONDOMINIUM
BLDG B UNIT B-208 TGW ASSIGNED PARKING & TGW EQ & UNDIV 1.00% INT IN COM AREAS & FACS AS DESC IN DECL
REC UND AFN200507010626 AMD BY AF NOS 200509090649, 200602170423, 200712070247, 200801080483,
201212260370

123 **Morman St** will NOT trigger a fatal flag

Vs

123 **Morman** WILL trigger a fatal flag

“BIASED WORDS” AND “SUBJECTIVE WORDS” WHAT IS THE DIFFERENCE

The term "biased language" refers to [words](#) and phrases that are considered prejudiced, offensive, and hurtful. Biased language includes expressions that demean or exclude people because of age, sex, race, ethnicity, social class, or physical or mental traits.

The term “subjective” refers to [words](#) and phrases that are based on opinion, personal beliefs or feelings rather than based on facts.



MUCH ADO ABOUT NOTHING?

The Fannie Mae June 2023 Appraiser update shows some specific examples within appraisal reports.

“THE U.S. GOVERNMENT AND THE LOCAL TRIBES SIGNED A TREATY IN 1855. THE TRIBES HAD FISHING RIGHTS FOR THOUSANDS OF YEARS BEFORE THE CAUCASIAN INVASION.”

“THE ST. LOUIS JEWISH COMMUNITY CENTER CAMPUS IS 0.25 MILE EAST.”

The Q&A with Scott Reuter provided additional examples.

Subjective Language	Potential Objective Approach
Within walking distance of a school	Cite actual distance
Within an easy drive	Cite actual distance
Desirable neighborhood	Provide data on mean selling prices and days on market

CASE STUDIES FROM THE WORLD OF APPRAISAL REVIEW

The subject project is called the Villages at Berkley, which is located in **close proximity** to shopping, services, schools, and public transportation

Close proximity is subjective. Actual location and distance should be provided.

The subject is a 2-story townhouse-style interior unit with 2 bedrooms/1 full bathroom/1 half bathroom, and a **large** rear patio.

Large is subjective. Remove word and/or provide actual size.

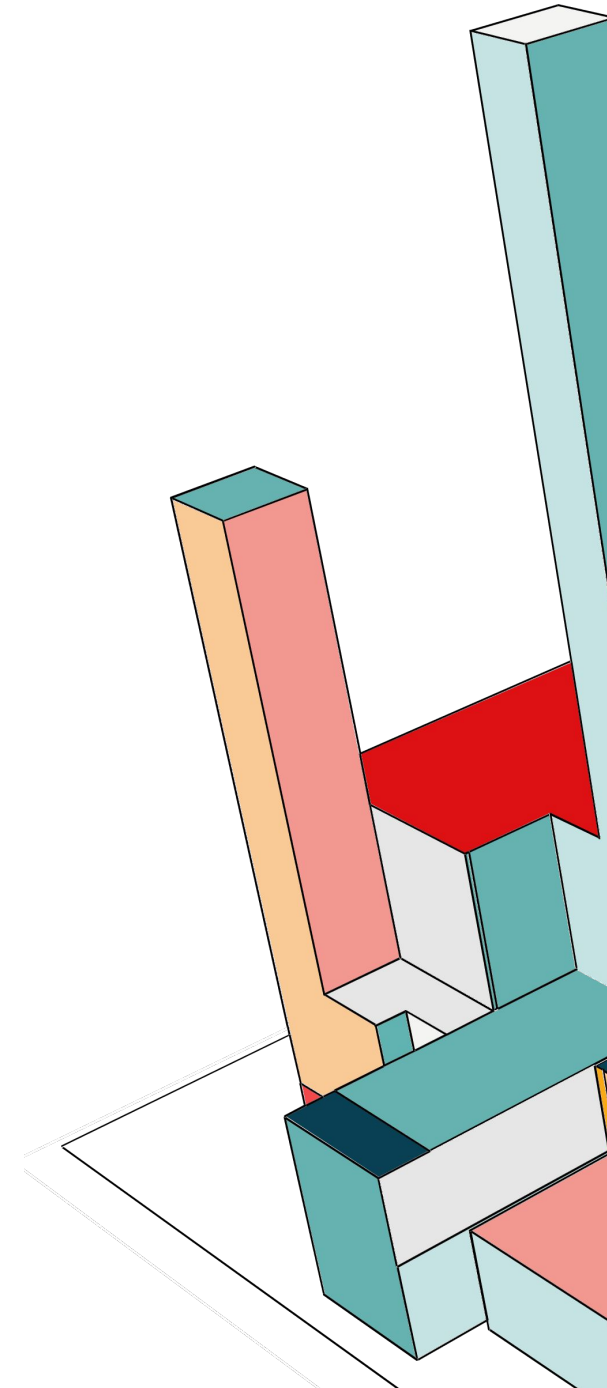
Large finished basement...

Large is subjective. Remove word and/or provide actual size.

Comparable 4 is located in a more **desirable** neighborhood....

Desirable is subjective. Provide facts and reasoning, such as:

- Comparable 4 has a superior location within the XXX school district. As shown below, detached single-unit dwellings within the XXX school district have a median price/sf that is 6% greater than similar properties with the MMM school district.



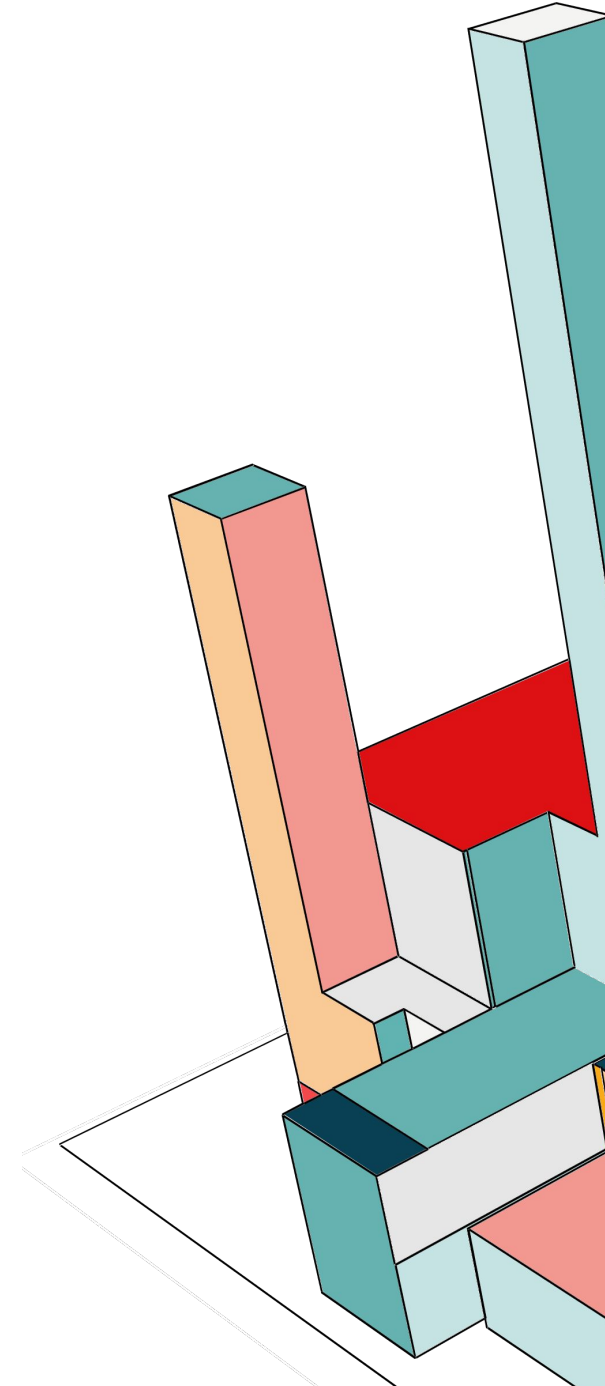
CASE STUDIES FROM THE WORLD OF APPRAISAL REVIEW

Avoid traditional code words: “pride of ownership”, “diverse neighborhood”, “crime”, etc.

Here is an example from an appraisal that was flagged. The sentence reads

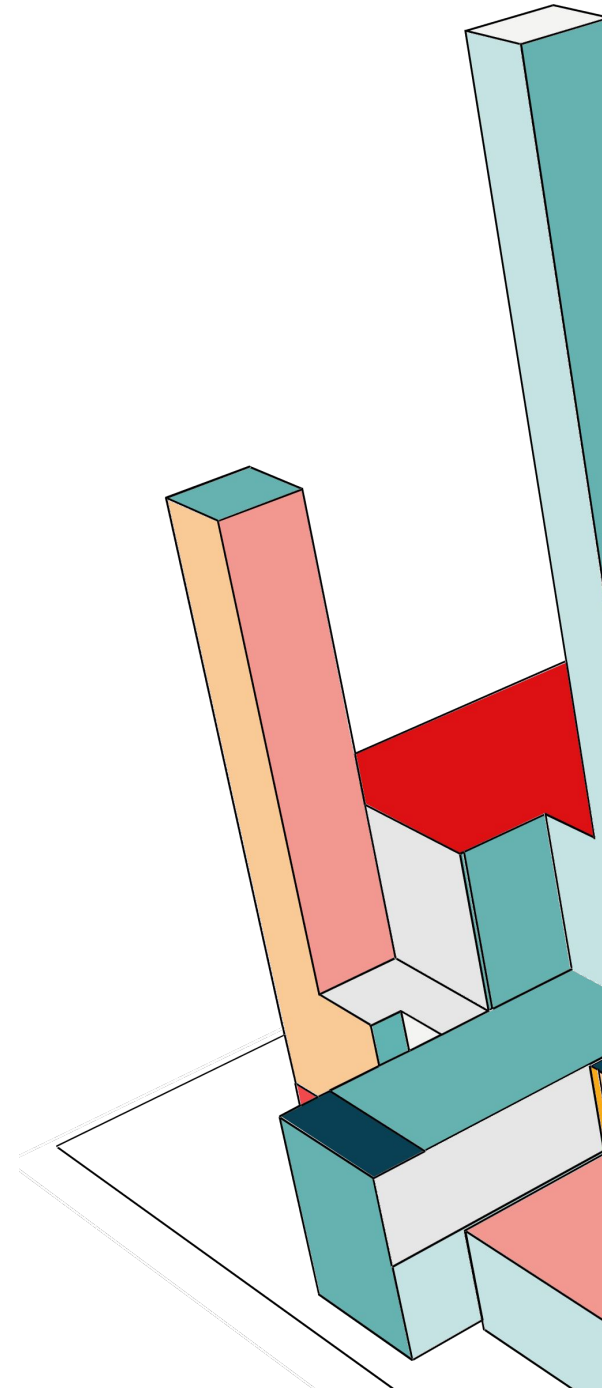
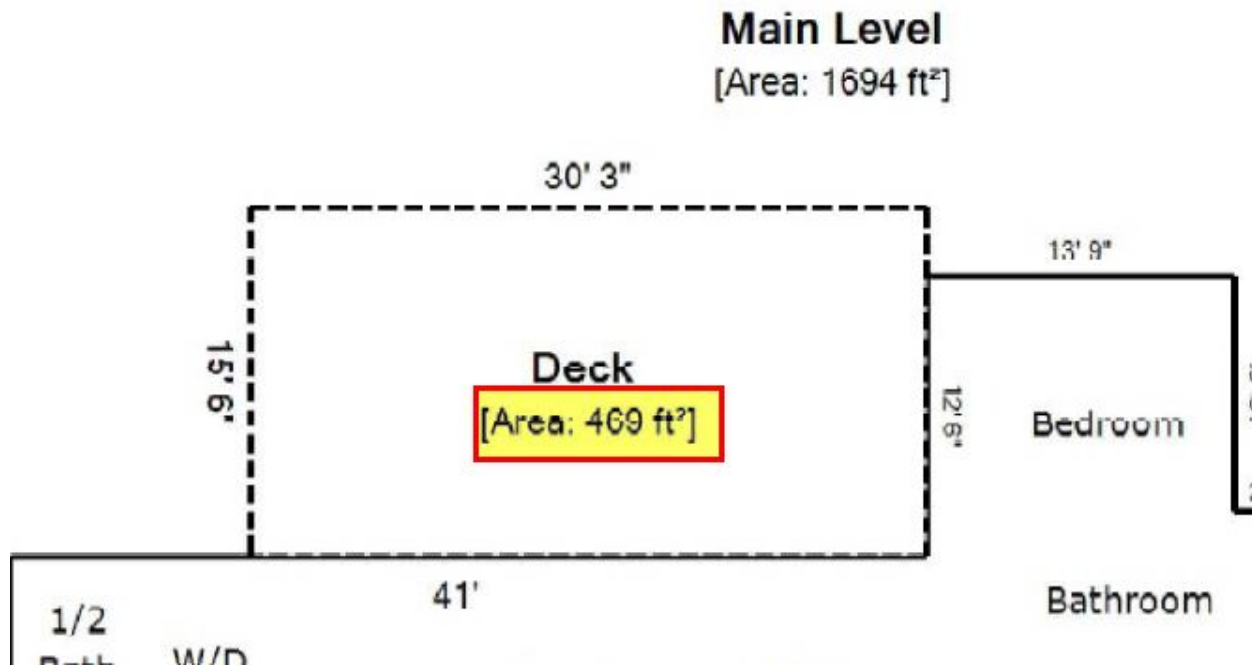
“The subject is located in a very diverse rural/residential market area”.

Though this sentence is included in the neighborhood description section of the appraisal, taken as a stand-alone sentence, this generated a flag as it does not clearly indicate the “**diversity**” is the real estate and not the occupants. A more precise statement is “the dwellings lack conformity in terms of age, type, design, and materials used for their construction”.



CASE STUDIES FROM THE WORLD OF APPRAISAL REVIEW

Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.). C3;Kitchen-remodeled-timeframe unknown;Bathrooms-remodeled-timeframe unknown;The subject appears to be well maintained. There is a large entertainment sized deck in the rear.



CASE STUDIES FROM THE WORLD OF APPRAISAL REVIEW

message

The lender has requested a revision for the report due to the following reason:

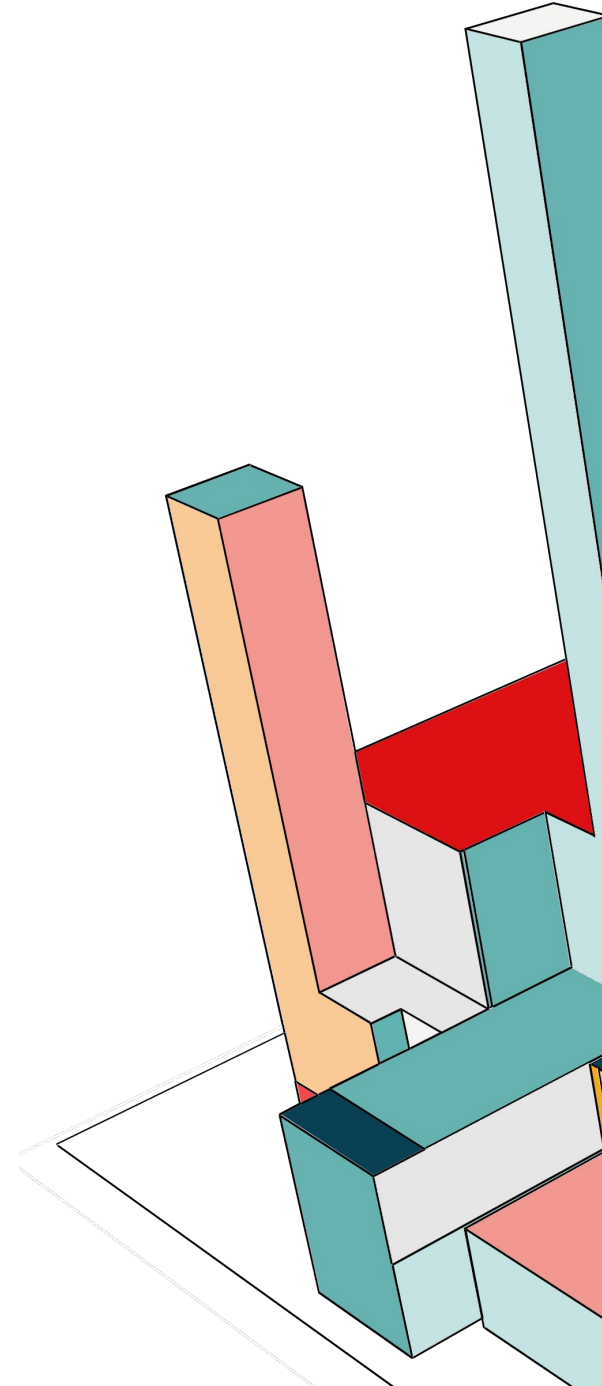
1. Please expand the location and subject description commentary to define the “primitive location” “primitive drive” in the report.

- The appraiser has removed the word primitive the drive and road are dirt/gravel and accessible in all weather.

2. Please specify if the subject road AND driveway are “primitive” or just the driveway. Please specifically indicate if the subject has all weather access.

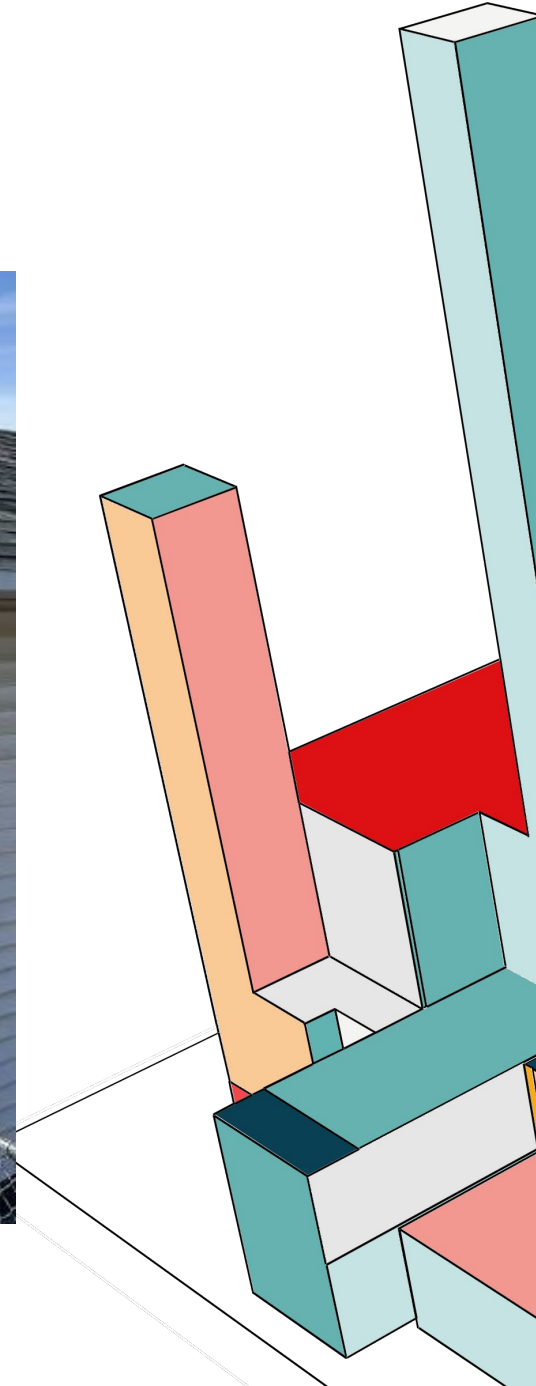
- The appraiser has removed the word primitive, the subject has dirt/gravel, all weather access.

3. Please comment on the “forest land” use of the subject site, and the impact, if any, on the use and marketability of the site.



CASE STUDIES FROM THE WORLD OF APPRAISAL REVIEW

- ↖ The following items were updated per listing:
 - Brand new water lines from street with new
 - Brand new sewer lines from street to home
 - 30 year roof redone in 2017
 - New Deck **with wheelchair ramp 2020**
 - New bathroom floor, fan and toilet 2025
 - New double pane high efficiency windows
 - Fully Fenced back yard
 - Forced Air Gas Furnace



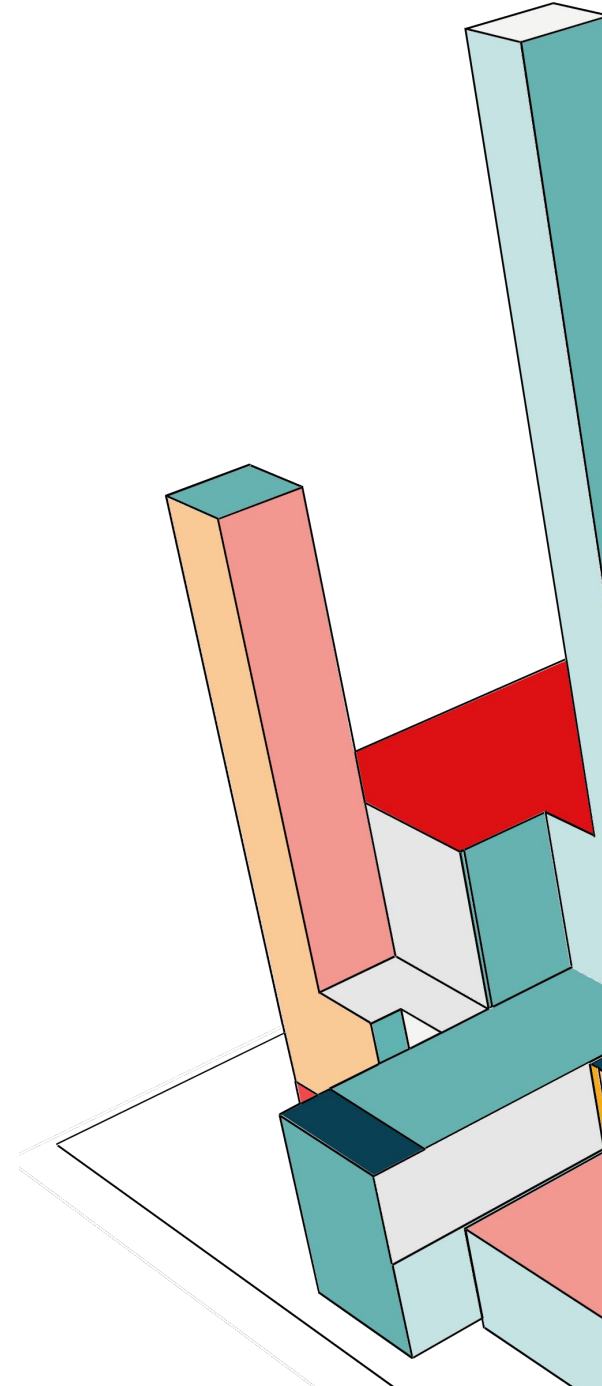
CASE STUDIES FROM THE WORLD OF APPRAISAL REVIEW

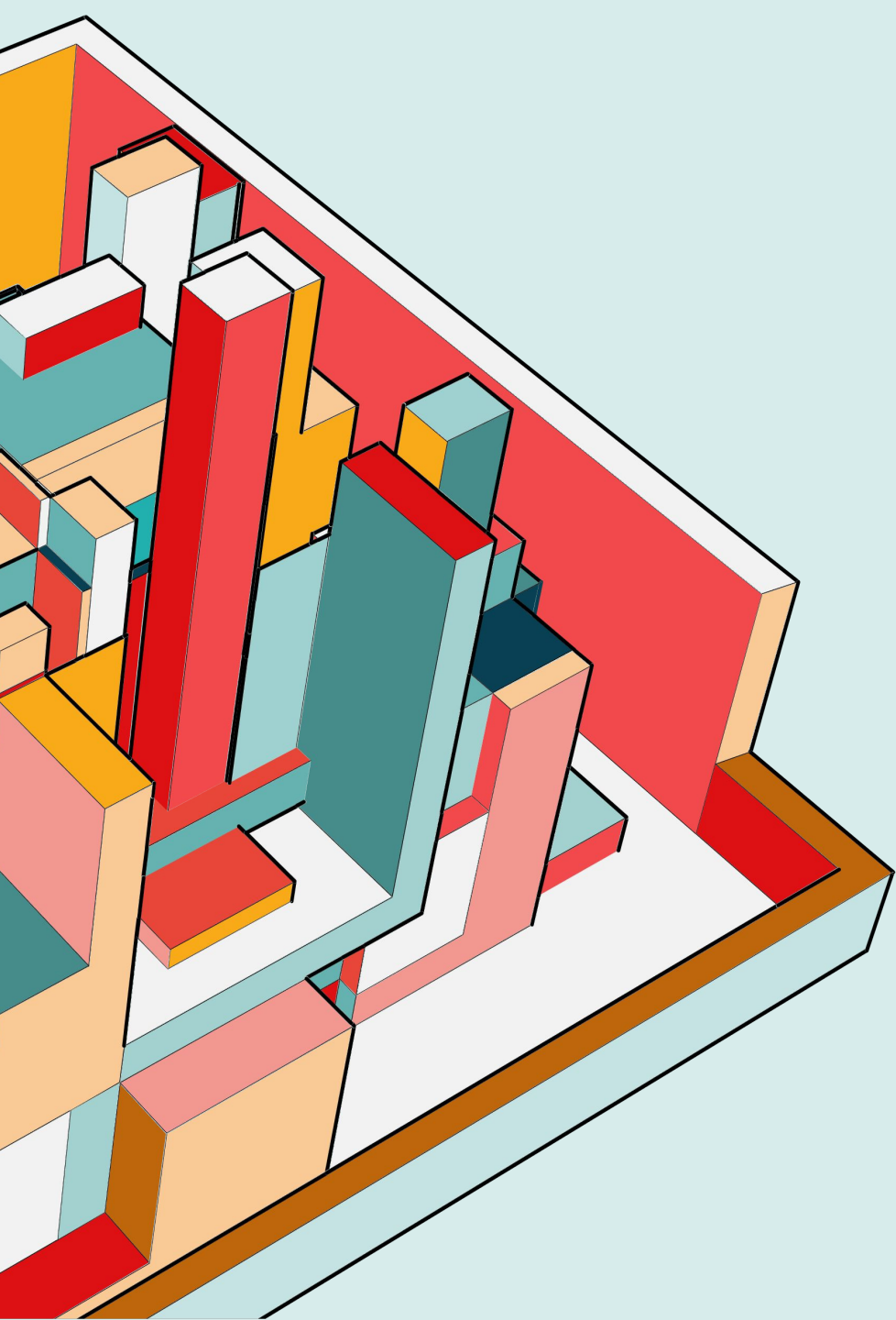
NEIGHBORHOOD DESCRIPTION

Subject property is located in King County approximately 3.0 miles northwest of downtown Seattle in the neighborhood of Ballard. The subject location is in close proximity to Ballard, Fremont, Phinney Ridge and Wallingford neighborhoods, all competing marketing areas. Single family housing in this neighborhood has experienced moderate growth in recent years. Properties in the subjects marketing neighborhood are constructed from the early 1900's to present, are of average to very good quality and showed average to good maintenance and market appeal. The neighborhood is urban and comprises predominantly of single family residences in subdivisions, with areas of condominiums and multi-family dwellings. Commercial development consists mostly of service oriented businesses, local merchants, and strip malls along major arterial roads throughout the area. Employment stability in the area is good, with the subject property being located within a reasonable commute from several large employment centers along the Interstate 5 & 405 corridor and Hwy 99 and Hwy 520, including the greater Seattle/Eastside areas. The major employers for the area are the Boeing Company in Renton/Everett, Amazon in Seattle and Microsoft in Redmond, with manufacturing and professional facilities throughout King County. Subjects neighborhood offers easy access to all local services, restaurants and amenities. Local services and shopping are located along NW Market and 15th Ave NW within 2 miles, and retail shopping is situated in the Alderwood Mall to the North and downtown Seattle retail core to the South. Schools, parks, recreation and transportation are all located within 2 miles in the immediate area.

I

Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.).	C4;No updates in the prior 15 years;The exterior of the subject has noticeable differed maintenance and repairs needed. The subject interior is dated has some cosmetic attention needed in a few areas of concern in the bath. The subject in is typical overall condition and shows wear and tear for its age. <u>The subject enjoys a large lot</u> with distant view from 2nd level rear bedroom.
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QUESTIONS?